Ohio University
(a component unit of the State of Ohio)

Financial Statements
for the Years Ended June 30, 2012 and 2011

Dave Yost • Auditor of State

Board of Trustees
Ohio University
204 West Union Street Office Center
Athens, Ohio 45701

We have reviewed the *Independent Auditor's Report* of the Ohio University, Athens County, prepared by Plante & Moran, PLLC, 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 Ohio University is responsible for compliance with these laws and regulations.

Dave Yost
Auditor of State

January 16, 2013

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Independent Auditor's Report

To the Board of Trustees
Ohio University
Athens, Ohio

We have audited the accompanying statements of net assets of Ohio University (the "University"), a component unit of the State of Ohio, and its component unit as of June 30, 2012 and 2011 and the related statements of revenue, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. In addition, the basic financial statements were audited in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Ohio University and its component unit as of June 30, 2012 and 2011 and the results of its operations and cash flows, where applicable, for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 8, 2012 on our consideration of Ohio University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters for the year ended June 30, 2012. 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.

To the Board of Trustees
Ohio University

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ohio University financial statements. The accompanying other supplemental information, the schedule of expenditures of federal awards, is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, as identified on pages 3-14, be presented 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental 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 audit 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.

As discussed in Note 20 to the financial statements, the discretely presented component unit financial statements for June 30, 2011 have been restated to correct a misstatement.

As further explained in Notes 2 and 20, the financial statements include investments that are not listed on national exchanges nor for which quoted market prices are available. These investments include limited partnerships, hedge funds, funds-of-funds, and commingled funds that are not mutual funds. Such investments totaled $28,970,681 (3.6 percent of net assets) and $31,684,798 (4.3 percent of net assets) for the University and $91,863,930 (22.0 percent of net assets) and $122,369,113 (31.7 percent of net assets) for The Ohio University Foundation at June 30, 2012 and 2011, respectively.

Plante & Moran, PLLC

Columbus, Ohio
October 8, 2012

Management's discussion and analysis (MD&A) provides an overview of the financial position and activities of Ohio University for the year ended June 30, 2012, with selected comparative information for the years ended June 30, 2011 and 2010. The financial statements are prepared on the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recorded when the related liability is incurred. As the MD&A presentation includes highly summarized information, it should be read in conjunction with the accompanying financial statements and related notes to the financial statements. The financial statements, footnotes, and this discussion are the responsibility of University management.

Under the provision of GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, the Ohio University Foundation (the "Foundation") has been determined to be a component unit of the University. Accordingly, the Foundation is discretely presented in the University's financial statements. The Foundation's primary function is fundraising to supplement resources that are available to the University in support of its programs. The Foundation is governed by a separate board of trustees and consists of graduates and friends of the University. Nearly all the assets of the Foundation are restricted by donors to activities of the University. Ohio University provides both support for advancement operations as well as administrative support to the Foundation for critical business functions.

Financial Highlights

- The University's financial position remained strong, with assets of $1,107.9 million and liabilities of $311.5 million at June 30, 2012, compared to assets of $1,016.3 million and liabilities of $279.3 million at June 30, 2011. Net assets, which represent the residual interest in the University's assets after liabilities are deducted, totaled $796.4 million at June 30, 2012 as compared to $737.0 million at June 30, 2011. Changes in net assets represent the University's results of operations and are summarized for the years ended June 30, 2012, 2011, and 2010 as follows:

(in thousands)	2012	2011	2010
Operating revenues and state appropriations	$ 586,949	$ 593,005	$ 531,092
Total expenses	600,633	598,420	574,716
	(13,684)	(5,415)	(43,624)
Net investment income	3,659	16,751	12,244
Gifts and other nonoperating revenues, net	69,394	96,059	97,506
Increase in net assets	$ 59,369	$ 107,395	$ 66,126

- Net assets for the University increased $59.4 million during fiscal year 2012 as compared to an increase of $107.4 million in fiscal year 2011 and increased the University's Senate Bill 6 composite score to a 4.7. This shows that conservative revenue forecasting, a reserve strategy, and longer-term planning efforts can impact the financial health of the institution in a relatively short period of time. This level of financial strength provides the flexibility needed for the institution to make strategic investments over the next several years.

- Royalty income decreased $26.4 million during fiscal year 2012. This decrease was the result of a significant one-time only transaction during fiscal year 2011, in which the annual royalties of the drug SOMAVERT were monetized in exchange for a lump-sum payment.
- Student tuition and fees increased by $16.2 million in fiscal year 2012 primarily from enrollment growth strategies targeted at nonresident enrollments, specialized graduate programs, favorable retention rates, and tremendous growth in e-learning programs.
- Investment income experienced a decrease from $16.8 million in fiscal year 2011 to $3.7 million in fiscal year 2012. Investment income includes earnings in the form of interest and dividends as well as both realized and unrealized gains and losses. The University's diversified investment pool, including investments in public equities, fixed income, private equity, real estate, and commodities, experienced slightly negative performance (-0.2 percent), while the remaining portion of its working capital, comprised of money market instruments and fixed income, continues to provide a source of income. This decrease was anticipated and reflects what the University believes to be a sustainable level of investment income based on conservative investing and market performance for the near term. Market volatility continues to be a concern and, as a result, management has continued the practice of eliminating the reliance on investment income to support unrestricted budgeted operations. Investment income continues to allow the institution to make gains on the goal of improving financial strength. This source of income will be used to build strategic cash reserves and provide funding for strategic priorities in the coming years.
- While Ohio University has benefited from additional federal research and public service awards from government stimulus funds through the American Recovery and Reinvestment Act (ARRA), over the last few years, these funds will be spent down by September 2013. While a decrease is shown in this line item for fiscal year 2012 as the result of the expiration of grants, primarily from the ARRA, Federal Aviation Administration, and the Department of Education, the University continues to demonstrate success in obtaining competitive research awards.
- With the expiration of ARRA funds, a decrease of $21.3 million in federal fiscal stabilization funds was recognized in fiscal year 2012. The University made adjustments in base budget allocations in anticipation of fiscal year 2011 being the last year for the source of these funds.
- Federal Pell Grants decreased by approximately $4.0 million in fiscal year 2012. This decrease resulted from a change in regulations governing Pell for fiscal year 2011 in which a "year-round Pell" rule allowed for additional disbursements for students. The regulation was not effective for fiscal year 2012 and there has been no indication from the federal government that it will be implemented again in the future.

- As part of an approved six-year capital plan, the University issued debt in the amount of $76.5 million in February of 2012 (Series 2012). The Series 2012 issuance also included the refinancing of Series 2003 & Series 2004 to take advantage of lower interest rates. The proceeds of this issuance are being used to complete construction of the Steven L. and Barbara G. Schoonover Center for Communication, the purchase of land for a central Ohio extension campus of the Heritage College of Medicine, utility infrastructure improvements, as well as upgrades to the University's information technology network. The University views debt as a strategic resource and plans to issue additional debt over the next several years for the renovation of academic facilities, student housing, and deferred maintenance/ infrastructure improvements. In fiscal year 2012, the University retired $41.8 million in bonds payable and is scheduled to retire $10.9 million in fiscal year 2013. As of June 30, 2012, the University's outstanding bonds payable is $199.3 million.

Statement of Net Assets

The statement of net assets is the University's balance sheet. It reflects the total assets, liabilities, and net assets (equity) of the University as of the end of the fiscal year. The difference between total assets and total liabilities, or net assets, is one indicator of the current financial condition of the institution. Over time, the increase or decrease in total net assets denotes whether the overall financial condition of the University has improved or worsened during the year. Except for capital assets, all other assets and liabilities are measured at a point in time using current values. Capital assets are recorded at historical costs less an allowance for depreciation.

The following table depicts a summary of the composition of the statement of net assets for the three years ended June 30, 2012:

(in thousands)	**2012**	**2011**	**2010**
Assets			
Current assets	$ 391,189	$ 349,354	$ 251,113
Capital assets - Net	646,087	628,550	619,413
Other assets	70,607	38,375	48,111
Total assets	1,107,883	1,016,279	918,637
Liabilities			
Current liabilities	91,962	96,852	94,696
Noncurrent liabilities	219,527	182,402	194,311
Total liabilities	311,489	279,254	289,007
Total net assets	$ 796,394	$ 737,025	$ 629,630

- **Assets** - Total assets grew by $91.6 million as a result of the following changes:
  - Cash and cash equivalents decreased by $90.6 million primarily as a result of $130.9 million of strategic transfers into investments. The offsetting increase to cash was from better-than-average operating results.
  - Investments increased by $122.4 million due to the appreciation of existing investments and endowment investments as well as the transfers from cash.

  - o Accounts receivable increased by $10.0 million due to an increase in tuition rates, increased enrollment, and favorable retention rates.
  - o Restricted cash and cash equivalents increased by $33.3 million related to the unspent proceeds from the Series 2012 Bond issuance for multiple projects.
  - o Capital assets increased by $17.5 million due to capitalized costs associated with the new bond projects.

- **Liabilities** - Total liabilities increased by $32.2 million partially as a result of the following changes:
  - o Accounts payable and accrued liabilities decreased $4.0 million primarily as a result of a reduction in the amount of accrued payroll.
  - o Bonds and notes payable had a net increase for current and noncurrent liabilities of $34.7 million. This increase was related to the Series 2012 Bond issued in February. Please see Note 7 for more information on borrowings and repayments.

- **Net Assets** - Net assets are classified into three major categories:
  - o Invested in capital assets net of related debt is the net equity in property, plant, and equipment owned by the University.
  - o Restricted net assets are owned by the University, but the use or purpose of the funds is restricted by an external source or entity. The restricted net assets category is subdivided further into expendable and nonexpendable.
    - Restricted expendable net assets may be spent by the institution, but only for the purpose specified by the donor, grantor, or other external entity. This category includes the unspent balance in grant funds, loan funds, debt service funds, and bond funded capital projects.
    - Restricted nonexpendable net assets are endowment funds whose principal may be invested; however, only interest, dividends, and capital gains may be spent.
  - o Unrestricted net assets are resources derived primarily from student tuition, fees, state appropriations, and auxiliary enterprises. These assets are used for general obligations of the University. They may be used at the discretion of the board of trustees for any purpose furthering the University's mission.

Net assets for the three years ended June 30, 2012 are displayed in the table below:

(in thousands)	2012	2011	2010
Invested in capital assets -			
Net of related debt	$ 479,454	$464,658	$ 453,048
Restricted:			
Nonexpendable	19,040	19,577	17,567
Expendable	37,740	33,724	52,679
Unrestricted	260,160	219,066	106,336
Total net assets	$ 796,394	$737,025	$ 629,630

The University continues to solidify its financial position as represented by an increase in unrestricted net assets of $41.1 million for fiscal year 2012. This is a result of a longer-term strategy developed in fiscal year 2010 to improve the University's financial strength and enable the continued pursuit of strategic priorities. This strategy encompassed prudent resource planning and utilization including:

- Conservative revenue forecasting
- Creating reserves for protection from revenue shortfalls and improvement in the financial strength of the University
- Revenue generation through the creation of new programs and strategic growth that leveraged existing programs
- Employment of planning unit savings targets to address a structural deficit
- Elimination of the reliance on investment income in support of unrestricted operations
- Management of debt in a conservative and strategic manner

Statement of Revenues, Expenses, and Changes in Net Assets

The statement of revenues, expenses, and changes in net assets is the University's income statement and presents the results of operations. It should be noted that the required subtotal for net operating income or loss will generally reflect a loss for state-supported colleges and universities. This is primarily due to the way GASB Statement No. 9 defines operating and nonoperating items.

In accordance with GASB reporting principles, the revenues and expenses are primarily reported as either operating or nonoperating. Revenue is generated by providing goods and services to customers, predominately students. Nonoperating revenue includes the instructional subsidy from the State of Ohio which Ohio University relies upon for current operations. Other revenue includes state capital appropriations. Operating expenses include all expenses except for interest on debt and disposal and write-offs of plant facilities, which are reported as nonoperating expenses.

The following is a summary of the statement of revenue, expenses, and changes in net assets for the three years ended June 30, 2012:

(in thousands)	2012	2011	2010
Operating revenue	$ 450,312	$ 460,288	$ 399,898
Operating expenses	593,924	590,558	566,860
Net operating loss	(143,612)	(130,270)	(166,962)
Net nonoperating revenue	185,306	222,560	205,465
Income - Before other revenue	41,694	92,290	38,503
Other revenues	17,675	15,105	27,623
Increase in net assets	59,369	107,395	66,126
Net assets - Beginning of year	737,025	629,630	563,504
Net assets - End of year	$ 796,394	$ 737,025	$ 629,630

Highlights from the statement of revenue, expenses, and changes in net assets include:

- Student tuition and fee revenue increased $16.2 million for fiscal year 2012. This increase was from enrollment growth strategies targeted at nonresident enrollments, specialized graduate and e-learning programs, and favorable retention rates.
- Total other revenues consist of funding received for construction projects from the State of Ohio and private gifts. The amount recognized as revenue is related to capital projects in progress primarily on the main campus.
- Instruction and departmental research is the largest contributor to total operating expenses. This functional category decreased by $2.2 million for fiscal year 2012. Above average personnel vacancies as a result of a voluntary early retirement incentive program contributed to this savings.
- Institutional support increased by $6.3 million due to implementation costs of the Print Responsibly program, higher than usual bad debt expense, workers' compensation settlements and adjustments to the workers' compensation accrual, retiree sick payouts due to the voluntary termination plan discussed in Note 12, costs associated with the upgrades to the University's information technology network, consultants for the implementation of the Responsibility Centered Management (RCM) model and for the Strategic Alignment Initiative, payroll and benefit costs associated with fundraising and development for the capital campaign, and changes in the overhead charges to the regional campuses.

One of the University's operational strengths is the diverse streams of revenue that supplement its student tuition and fees. This includes private support from individuals, foundations, and corporations, along with government and other sponsored programs, state appropriations, and investment income. Consistent with its mission, the University continues to seek funding from all possible sources to supplement student tuition and to responsibly manage financial resources used to fund operating activities.

A comparison of operating and nonoperating revenues for the three years ended June 30, 2012 is as follows:

(in thousands)	2012	% of Total	2011	% of Total	2010	% of Total
Student tuition and fees - Net	$282,916	42.9%	$267,334	37.9%	$245,886	38.4%
State appropriations	136,636	20.7%	132,717	18.8%	131,195	20.5%
Auxiliary enterprises - Net	87,060	13.2%	83,027	11.8%	82,393	12.8%
Gifts, grants, and contracts	68,905	10.4%	70,791	10.0%	61,465	9.6%
Pell grants	43,451	6.6%	47,437	6.7%	37,910	5.9%
Other sources	13,185	2.0%	11,195	1.6%	11,467	1.8%
Royalties	9,658	1.5%	36,077	5.1%	8,480	1.3%
Sales and services	8,332	1.2%	10,621	1.5%	9,715	1.5%
State capital appropriations	6,200	0.9%	8,543	1.2%	19,548	3.1%
Investment income - Net	3,659	0.6%	16,751	2.4%	12,244	1.9%
Federal fiscal stabilization funds	-	-	21,322	3.0%	20,539	3.2%
Total operating and nonoperating revenues	$660,002	100.0%	$705,815	100.0%	$640,842	100.0%

Student tuition and fees, the largest of the revenue streams, comprises 42.9 percent of total revenues for fiscal year 2012. This is up from 37.9 and 38.4 percent of total revenue for fiscal years 2011 and 2010, respectively. The increase is reflective of the reliance on student tuition and fees for operations and capital expenditures in light of reduced state and capital appropriations. State appropriations are up $3.9 million for fiscal year 2012 and are up to 20.7 percent of total revenue, an increase from 18.8 percent and 20.5 percent of total revenue for fiscal years 2011 and 2010, respectively.

The University continues to make cost containment a priority. This strategy will allow the University to direct financial resources to the most strategic activities of the institution. This is critical as the University continues to face significant financial pressures, mainly in the areas of deferred maintenance of buildings and infrastructure as well as compensation and benefits. In addition to a functional classification of expenses below, the University has prepared operating expenses by natural (object) classification in Note 9 to the financial statements.

A comparison of operating and nonoperating expenses for the three years ended June 30, 2012 is as follows:

(in thousands)	2012	% of Total	2011	% of Total	2010	% of Total
Instruction and departmental research	$ 231,424	38.6%	$ 233,621	39.1%	$ 219,815	38.3%
Separately budgeted research	42,517	7.1%	40,896	6.8%	34,674	6.0%
Public service	27,135	4.5%	26,529	4.4%	23,015	4.0%
Academic support	62,992	10.4%	62,787	10.5%	64,366	11.2%
Student services	29,138	4.9%	28,241	4.7%	26,032	4.5%
Institutional support	34,038	5.6%	27,722	4.6%	29,460	5.1%
Operation and maintenance of plant	52,732	8.8%	52,594	8.8%	53,637	9.3%
Student aid	10,575	1.8%	18,242	3.1%	14,977	2.6%
Depreciation	34,829	5.8%	34,197	5.7%	34,503	6.0%
Auxiliary enterprises	68,545	11.4%	65,730	11.0%	66,381	11.6%
Interest on debt	6,130	1.0%	7,275	1.2%	7,798	1.4%
Disposal and write-offs of plant facilities	578	0.1%	587	0.1%	58	-
Total operating and nonoperating expenses	$ 600,633	100.0%	$ 598,421	100.0%	$ 574,716	100.0%

Student aid decreased $7.7 million between fiscal years 2011 and 2012. When a student receives financial aid in excess of his or her tuition and fees for a given term, a disbursement (sometimes referred to as a refund) will be issued. With the implementation of the new student information system, a revised payment priorities policy was put into place. This new policy resulted in fewer refunds to students.

Statement of Cash Flows

The statement of cash flows provides additional information about the University's financial results and presents detailed information about the major sources and uses of cash for the institution for the fiscal year. The cash flow analysis is divided into four sections: (1) operating activities, (2) noncapital financing activities (which includes state appropriations as well as gift revenue), (3) capital and related financing activities (which includes debt activity), and (4) investing activities.

A comparative summary of the statement of cash flows for the three years ended June 30, 2012 is as follows:

(in thousands)	2012	2011	2010
Cash (used in) provided by			
Operating activities	$ (108,072)	$ (97,649)	$ (146,856)
Noncapital financing activities	180,099	213,409	208,388
Capital and related financing activities	(10,948)	(46,579)	(49,683)
Investing activities	(118,365)	1,113	15,542
Net (decrease) increase in cash	(57,286)	70,294	27,391
Cash - Beginning of year	166,469	96,175	68,784
Cash - End of year	$ 109,183	$ 166,469	$ 96,175

Capital Assets

The University made considerable additions to capital during fiscal year 2012. These capital asset additions were financed with University funds, the sale of bonds, state capital appropriations, gifts, and grants. The largest addition to capital during the fiscal year ended June 30, 2012 was the purchase of the Heritage College of Medicine Columbus Campus. Other major projects completed during the year include an addition to the Central Food Facility, continuing renovations of Bromley Hall, and further upgrades to Lausche Heating Plant and the West Green Chilled Water plant, all located on the Athens campus.

Cumulative costs associated with capital projects continuing after the fiscal year ended June 30, 2012 total approximately $20.8 million, of which $9.6 million was for renovations of Nelson Commons.

More detailed information about the University's capital assets is presented in Note 5 to the financial statements.

Debt Administration

As of June 30, 2012, the University had $199.3 million in bonds and notes outstanding, compared to $164.6 million at the end of 2011. Detailed information exists in Note 7 related to borrowings and retirements for fiscal years 2012 and 2011.

All long-term debt activity is supported by the general receipts of the institution. The University maintains a combination of fixed and variable-rate debt as summarized below:

(in thousands)	2012	2011	2010
Fixed rate	$ 184,450	$ 147,720	$ 157,860
Variable rate	14,845	16,860	18,915
Total	$ 199,295	$ 164,580	$ 176,775

Ohio University takes its stewardship responsibility seriously and works diligently to manage the institution's resources effectively, including the use of debt to finance capital projects. The University is committed to using debt conservatively in order to maintain an acceptable credit rating and debt burden ratio. A solid debt rating and debt burden ratio is a key measurement of financial strength. Standard & Poor's Rating Services long-term rating on Ohio University's outstanding general and subordinated general receipts bonds is an "A+" with a "stable" outlook and Moody's Investors Service's rating is an "Aa3" with a "stable" outlook. This rating puts the University in a position to move forward with an aggressive capital plan that will change the face of the campus.

A six-year capital plan totaling $977.5 million was approved by the board of trustees in November 2011 and it is anticipated that $567.5 million will be funded through the issuance of debt. This plan will allow the institution to address the needs for modern academic and research facilities, deferred maintenance, as well as for resource efficiency projects. The plan will impact more than 70 percent of the core academic buildings on the Athens campus and includes major projects such as the Scripps College of Communications, McCracken and Seigfred Halls, the Heritage College of Medicine Columbus Campus, Alden Library, and a complete replacement of the Lausche Heating Plant. The plan also calls for a $205 million investment in the University's housing stock.

The University issued debt in July 2012, in the amount of $28.6 million to implement a comprehensive energy efficiency and conservation overhaul of 72 buildings on the Athens campus. Additional debt issuances are planned over the next three to five years for the purpose of various academic and auxiliary facility needs as well as infrastructure requirements.

Senate Bill 6 Ratios

Senate Bill 6 ratios, enacted into law in 1997 by the Ohio General Assembly, are used to assist the State in monitoring the financial accountability of state colleges and universities by using a standard set of measures with which to monitor the fiscal health of campuses. In order to meet the legislative intent, there are three ratios from which four scores are generated. The data and methodology used to compute the ratios are as follows:

- Expendable net assets - The sum of unrestricted net assets and restricted expendable net assets
- Plant debt - Total debt, including bonds payable, notes payable, and capital lease obligations

- Total revenue - Total operating revenue, plus nonoperating revenue, plus capital appropriations, capital grants and gifts, and additions to permanent endowments
- Total operating expenses - Total operating expenses, plus interest on long-term debt
- Total nonoperating expenses - All expenses reported as nonoperating with the exception of interest expense
- Change in total net assets - Total revenue less total expenses (operating and nonoperating)

The methodology for calculating the three ratios is as follows:

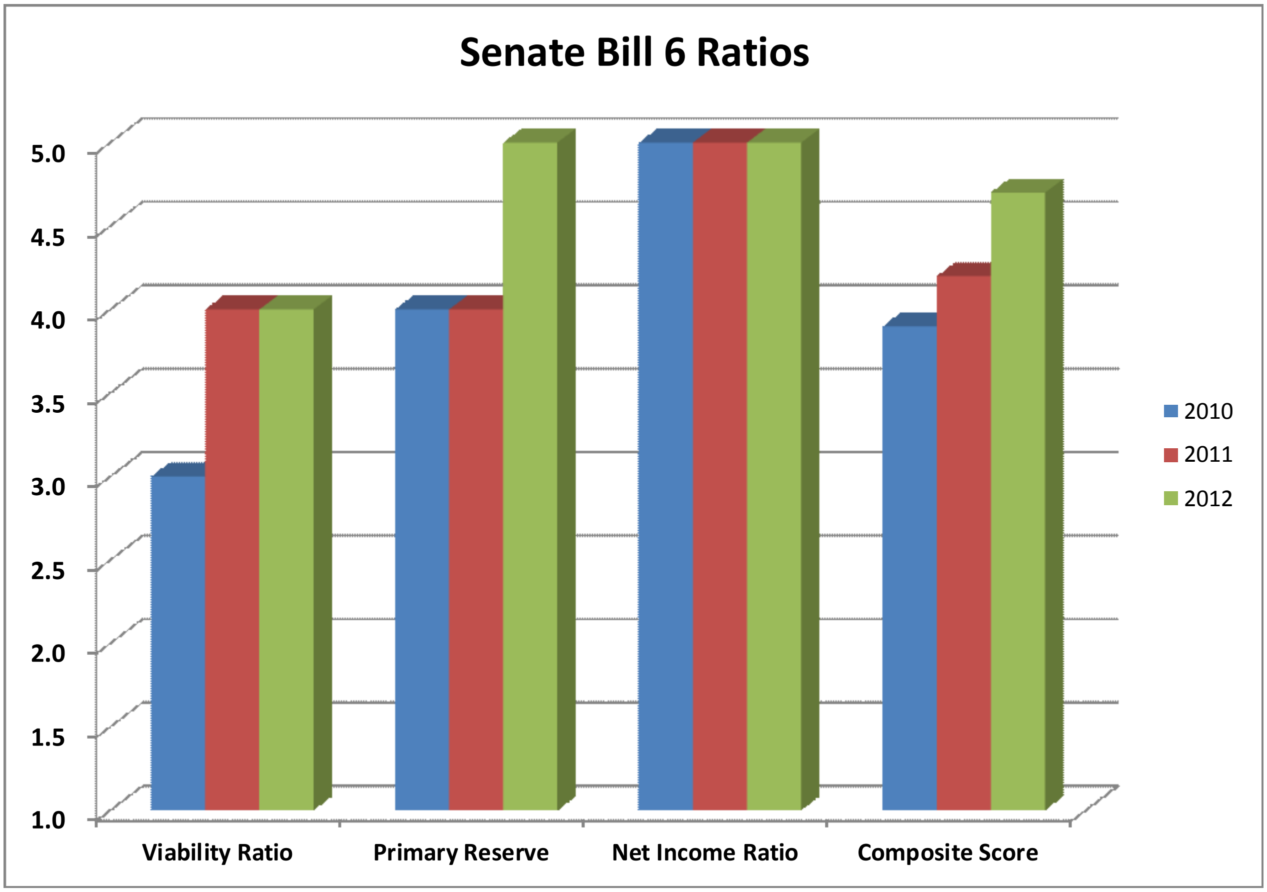
- Viability Ratio = Expendable Net Assets/Plant Debt
  - o This ratio measures the availability of expendable net assets to cover debt should the institution need to settle its obligations as of the balance sheet date.
- Primary Reserve Ratio = Expendable Net Assets/Total Operating Expenses
  - o This ratio provides a snapshot of financial strength and flexibility by indicating how long the institution could function using its expendable reserves without relying on additional net assets generated by operations.
- Net Income Ratio = Change in Total Net Assets/Total Revenue
  - o This ratio offers a measure of profitability as a percentage of all institutional revenue including revenue received for capital needs.

Based on the calculations, each ratio is assigned a score ranging from zero to five according to the table below. A score of 5 indicates the highest degree of fiscal strength in each category.

	0	1	2	3	4	5
Viability Ratio	less than 0	0 to .29	.30 to .59	.6 to .99	1.0 to 2.5	greater than 2.5
Primary Reserve Ratio	less than -.1	-.1 to .049	.05 to .099	.10 to .249	.25 to .49	.5 or greater
Net Income Ratio	less than -.05	-.05 to 0	0 to .009	.01 to .029	.03 to .049	.05 or greater

Based on these scores, a summary score, termed the composite score, is determined, which is the primary indicator of fiscal health. The composite score equals the sum of the assigned viability score multiplied by 30 percent, the assigned primary reserve score multiplied by 50 percent, and the assigned net income score multiplied by 20 percent. A composite score of or below 1.75 for two consecutive years would result in an institution being placed on fiscal watch.

Ohio University's composite score increased to 4.7 in fiscal year 2012 from a score of 4.2 in fiscal year 2011 and a score of 3.9 in fiscal year 2010 as summarized below:



The viability ratio and the net income ratio remained the same. The primary reserve ratio increased by 1.0 and is given a weighting of 50 percent of the composite score. The combination of an increase in expendable net assets, part of the numerator of this ratio, and a minimal increase in expenses, the denominator, contributed to the growth of the primary reserve ratio.

Economic Outlook

The University continues to face significant financial challenges to its academic mission, stemming from constrained state base and capital appropriations, market volatility, Ohio's weakened economic situation, as well as the need to make strategic investments related to facilities. Fiscal years 2013 and beyond are expected to be a continuation of the challenging economic environment. In an effort to focus planning and use of resources, there have been four supporting priorities identified for the next planning cycle:

1. Establish effective strategic short-term and long-term enrollment planning to ensure recruitment goals (quality and mix of students) and revenue projections are met. This will become extremely important as the number of college-age students in Ohio decreases over the next several years. E-learning program growth is also a critical part of this strategy.

2. Institute effective compensation policies and practices to ensure that talented faculty, administrative staff, and classified staff are rewarded and retained.
3. Continue efforts related to a $450 million capital campaign focused on supporting core academic initiatives.
4. Improve the institution's financial strength so that fiscal and capital resources are stable and permit ongoing strategic investment.

In light of the existing economic challenges, the University continues to focus efforts on moving the institution forward while remaining committed to the financial health of the institution. This is demonstrated through the following initiatives:

- The University continues to focus resources on the enhancement of student recruitment, through targeted marketing initiatives and providing additional scholarship dollars. Management remains cautiously optimistic that enrollment figures will remain strong even with the transition to semesters.
- Positive financial performance during fiscal year 2012 has placed the institution in a favorable position to pursue strategic investments that will allow the institution to remain competitive for many years to come.
- Continuation of cost-reduction strategies, such as a hiring freeze, travel restrictions, and strategic procurement initiatives remain in place to curb the growth of expenses.
- To protect the University's academic mission, realize operating cost efficiencies, and effectively manage the financial health of the institution, a multi-year budget model is being developed to allow for longer planning horizons. This is expected to facilitate the pace of change needed to react to variables in enrollment, state appropriations, and opportunities for cost control as well as create sufficient timelines to implement change efforts that will be required to react to changing economic factors.

The outlook for capital appropriations from the State is cautiously optimistic. Ohio University plans to invest future capital appropriations in deferred maintenance projects.

The University will continue to utilize its long-term investment strategy to maximize total returns, at an appropriate level of risk, while employing a spending rate policy to preserve endowment principal and minimize the impact of market volatility on operations.

While it is not possible to predict the results, management believes that prudent planning and aligning resources to strategic priorities will allow the University to maintain a strong financial position while successfully investing in strategic initiatives.

Requests for Information

This management's discussion and analysis is intended to provide additional information for the reader of the audited financial statements that follow. Further questions may be addressed to: Julie Allison, controller's office, 204 West Union Street Office Center, Athens, Ohio 45701.

Statements of Net Assets

	June 30, 2012		June 30, 2011	
	Ohio University	The Ohio University Foundation	Ohio University	The Ohio University Foundation
Assets				
Current Assets				
Cash and cash equivalents	$ 68,586,206	$ 15,756,637	$ 159,181,755	$ 23,242,302
Investments	228,853,930	203,103,777	106,497,877	179,778,016
Accounts and pledges receivable - Net	74,055,057	8,807,476	64,096,558	8,072,041
Interest and dividends receivable	522,486	127,301	262,891	321,331
Notes receivable - Net	1,979,745	-	2,003,778	-
Prepaid expenses and deferred charges	14,601,948	1,526,926	15,289,257	1,450,250
Inventories	2,589,882	43,224	2,022,051	34,975
Total current assets	391,189,254	229,365,341	349,354,167	212,898,915
Noncurrent Assets				
Restricted cash and cash equivalents	40,596,872	3,547,222	7,287,639	3,198,543
Pledges receivable - Net	-	8,338,846	-	7,296,513
Bequests receivable	-	562,953	-	931,000
Cash surrender value of life insurance	-	1,572,911	-	1,841,498
Charitable trusts	-	16,707,079	-	17,022,926
Charitable gift annuities	-	2,426,539	-	2,475,238
Endowment investments	19,039,643	163,453,731	19,577,377	148,534,913
Notes receivable - Net	10,970,442	-	11,509,830	-
Capital assets - Net	646,087,408	30,520,718	628,549,812	31,312,185
Total noncurrent assets	716,694,365	227,129,999	666,924,658	212,612,816
TOTAL ASSETS	$ 1,107,883,619	$ 456,495,340	$ 1,016,278,825	$ 425,511,731

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

Statements of Net Assets (Continued)

	June 30, 2012		June 30, 2011	
	Ohio University	The Ohio University Foundation	Ohio University	The Ohio University Foundation
Liabilities and Net Assets				
Current Liabilities				
Accounts payable and accrued liabilities	$ 41,387,492	$ 3,166,463	$ 45,391,531	$ 2,834,700
Deferred revenue	32,490,344	-	34,495,172	-
Refunds and other liabilities	5,266,515	5,830,368	3,046,515	5,992,969
Long term-debt - Current portion	11,465,625	1,022,000	12,657,567	1,037,400
Deposits held in custody for others	1,352,403	345,969	1,261,699	348,572
Total current liabilities	91,962,379	10,364,800	96,852,484	10,213,641
Noncurrent Liabilities				
Compensated absences	14,542,707	-	14,250,558	-
Other long-term liabilities	2,836,790	-	2,921,180	-
Long-term debt	194,616,168	28,762,400	156,998,844	29,714,000
Refundable advances, federal student loans	7,531,402	-	8,230,936	-
Total noncurrent liabilities	219,527,067	28,762,400	182,401,518	29,714,000
Total liabilities	311,489,446	39,127,200	279,254,002	39,927,641
Net Assets				
Invested in capital assets, net of related debt	479,454,516	4,283,540	464,658,290	3,758,928
Restricted:				
Nonexpendable	19,039,643	163,453,731	19,577,377	153,921,117
Expendable	37,740,009	251,648,970	33,723,805	229,248,423
Unrestricted	260,160,005	(2,018,101)	219,065,351	(1,344,778)
Total net assets	796,394,173	417,368,140	737,024,823	385,583,690
TOTAL LIABILITIES AND NET ASSETS	$ 1,107,883,619	$ 456,495,340	$ 1,016,278,825	$ 425,511,331

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

Ohio University

Statements of Revenues, Expenses, and Changes in Net Assets
Years Ended June 30, 2012 and 2011

	2012		2011	
	Ohio University	The Ohio University Foundation	Ohio University	The Ohio University Foundation
OPERATING REVENUE:				
Student tuition and fees	$ 347,313,985	$ -	$ 331,064,132	$ -
Less: Pell grants	(36,385,924)	-	(35,661,894)	-
Less: Other scholarships	(28,011,937)	-	(28,067,896)	-
Net Student tuition and fees	282,916,124	-	267,334,342	-
Auxiliary enterprises	96,748,008	-	93,852,450	-
Less: Pell grants - Room and board	(2,358,732)	-	(1,602,793)	-
Less: Other scholarships - Room and board	(7,329,582)	-	(9,222,652)	-
Net Auxiliary enterprises	87,059,694	-	83,027,005	-
Federal grants and contracts	31,709,532	-	35,151,405	-
State grants and contracts	8,130,827	-	7,666,457	-
Local grants and contracts	816,600	-	851,146	-
Private grants and contracts	8,511,441	-	8,367,245	-
Royalties	9,657,819	-	36,076,899	-
Sales and services	8,331,864	-	10,620,941	-
Other sources	13,178,593	10,771,081	11,192,599	9,329,217
Total operating revenue	450,312,494	10,771,081	460,288,039	9,329,217
OPERATING EXPENSES:				
Educational and general:				
Instruction and departmental research	231,424,236	6,322,737	233,621,283	5,703,819
Separately budgeted research	42,516,967	843,596	40,895,787	185,813
Public service	27,134,973	425,028	26,529,044	232,784
Academic support	62,991,384	1,245,982	62,787,472	2,539,443
Student services	29,137,388	1,162,834	28,241,012	966,819
Institutional support	34,038,345	11,551,266	27,721,503	9,611,764
Operation and maintenance of plant	52,731,919	-	52,593,741	1,114,176
Student aid (including Pell grants of $4,706,399 in 2012 and $10,172,377 in 2011 for Ohio University)	10,575,082	3,715,891	18,241,572	1,580,812
Depreciation	34,828,661	1,543,586	34,197,262	1,635,935
Auxiliary enterprises	68,545,176	-	65,729,768	-
Operating expenses - Related entities	-	7,354,502	-	6,780,275
Total operating expenses	593,924,131	34,165,422	590,558,444	30,351,640
OPERATING LOSS	$ (143,611,637)	$ (23,394,341)	$ (130,270,405)	$ (21,022,423)

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

Ohio University

Statements of Revenues, Expenses, and Changes in Net Assets (Continued)

Years Ended June 30, 2012 and 2011

	2012		2011	
	Ohio University	The Ohio University Foundation	Ohio University	The Ohio University Foundation
NONOPERATING REVENUE (EXPENSES):				
State appropriations	$ 136,636,074	$ -	$ 132,716,751	$ -
Federal fiscal stabilization funds	-	-	21,321,876	-
Federal grants - Pell	43,451,055	-	47,437,064	-
Federal grants - Other nonexchange	1,656,583	-	4,648,715	-
State and local grants nonexchange	2,198,331	-	3,405,978	-
Private gifts	4,413,232	11,200,309	4,140,187	23,417,568
University support	-	5,274,285	-	4,523,605
Investment income - Net	3,658,908	29,297,278	16,751,364	49,618,994
Interest on debt	(6,130,158)	-	(7,275,033)	-
Disposal and write-offs of plant facilities	(578,404)	-	(586,744)	-
Net nonoperating revenue	185,305,621	45,771,872	222,560,158	77,560,167
INCOME BEFORE OTHER REVENUE, EXPENSES, GAINS, OR LOSSES	41,693,984	22,377,531	92,289,753	56,537,744
OTHER REVENUE, EXPENSES, GAINS, OR LOSSES:				
State capital appropriations	6,200,109	-	8,542,842	-
Capital grants and gifts	11,468,690	-	6,559,413	-
Additions to permanent endowments	6,567	9,406,919	2,512	4,240,601
Total other revenue	17,675,366	9,406,919	15,104,767	4,240,601
INCREASE IN NET ASSETS	59,369,350	31,784,450	107,394,520	60,778,345
NET ASSETS:				
Beginning of year	737,024,823	385,583,690	629,630,303	324,805,345
End of year	$ 796,394,173	$ 417,368,140	$ 737,024,823	$ 385,583,690

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

Statements of Cash Flows
Years Ended June 30, 2012 and 2011

	Ohio University 2012	Ohio University 2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Student tuition and fees	$ 273,768,156	$ 259,163,571
Grants and contracts	51,736,150	52,153,123
Payments to suppliers	(142,292,517)	(127,581,042)
Payments to or on behalf of employees	(377,299,609)	(370,478,109)
Payments for scholarships and fellowships	(33,392,578)	(50,369,118)
Loans issued to students	(2,806,229)	(2,012,309)
Collection of loans to students	2,626,223	2,119,211
Auxiliary enterprise sales	88,327,538	81,551,010
Royalties	9,443,390	35,797,563
Sales and services	8,590,303	10,706,815
Other receipts	13,227,598	11,300,268
Net cash used in operating activities	(108,071,575)	(97,649,017)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State appropriations	136,636,074	132,716,751
Federal fiscal stabilization funds	-	21,321,876
Gifts and grants for other than capital purposes	51,793,270	59,634,456
Federal direct student loan program receipts	202,836,857	201,839,351
Federal direct student loan program disbursements	(211,363,475)	(202,297,069)
Student organization agency transactions	196,075	194,245
Net cash provided by noncapital financing activities	180,098,801	213,409,610
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:		
Proceeds from capital debt	76,470,000	-
State capital appropriations	6,524,858	9,670,440
Capital grants and gifts received	9,826,891	7,227,853
Purchases of capital assets	(52,966,499)	(43,920,875)
Principal paid on capital debt and leases	(44,673,233)	(12,281,806)
Interest paid on capital debt and leases	(6,130,158)	(7,275,033)
Net cash used in capital financing activities	(10,948,141)	(46,579,421)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	40,767,162	24,095,031
Investment income	4,690,152	3,679,356
Purchase of investments	(163,822,715)	(26,661,003)
Net cash (used in) provided by investing activities	(118,365,401)	1,113,384
NET (DECREASE) INCREASE IN CASH	(57,286,316)	70,294,556
CASH AND CASH EQUIVALENTS - Beginning of year	166,469,394	96,174,838
CASH AND CASH EQUIVALENTS - End of year	$ 109,183,078	$ 166,469,394

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

Statements of Cash Flows (Continued)
Years Ended June 30, 2012 and 2011

	Ohio University	
	2012	2011
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	$ (143,611,637)	$ (130,270,405)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	34,828,661	34,197,262
Changes in assets and liabilities:		
Accounts receivable - Net	(9,650,178)	(7,568,839)
Notes receivable - Net	563,421	461,547
Prepaid expenses and deferred charges	687,310	3,703,304
Inventories	(567,830)	(146,108)
Accounts payable and accrued liabilities	(3,773,510)	2,985,278
Deferred revenue	11,232,188	(499,977)
Refunds and other liabilities	2,220,000	(511,079)
NET CASH USED IN OPERATING ACTIVITIES	$ (108,071,575)	$ (97,649,017)

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

Note 1 - Organization, Basis of Presentation, and Significant Accounting Policies

Organization - Ohio University (the "University") is a public institution established by the State of Ohio ("State") in 1804 under Chapter 3337 of the Ohio Revised Code ("ORC"). As such, it is a component unit of the State and is included as a discretely presented entity in the State's Comprehensive Annual Financial Report. The University is the oldest of the State-assisted universities in Ohio. It is defined by statute to be a body politic and corporate and an instrumentality of the State.

The University is governed by a Board of Trustees composed of nine Trustees and two student Trustees, all appointed by the governor. The Board shall also include two national Trustees and the chair of the Ohio University Alumni Association Board of Directors or his or her designee. The two national Trustees are appointed by the Board for staggered three-year terms. The nine Trustees appointed by the governor will hold voting privileges. The two student trustees, the two national trustees, and the chair of the Ohio University Alumni Association Board of Directors may not vote on Board matters, but their opinions and advice will be actively solicited and welcomed in Board deliberations.

Basis of Presentation - The financial statements of the University have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities (an amendment of Statement No. 34)*. The presentation required by GASB Statements Nos. 34 and 35 provides a comprehensive, entity-wide perspective of the University's assets, liabilities, net assets, revenues, expenses, and changes in net assets, and cash flows. It replaces fund groups with net asset groups and requires the direct method of cash flow presentation. The University follows all GASB pronouncements as well as Financial Accounting Standards Board (FASB) statements and interpretations, accounting principles board (APB) opinions, and accounting research bulletins of the committee on accounting procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The University has elected not to apply the FASB statements and interpretations issued after November 30, 1989.

GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units - An Amendment of GASB Statement No. 14*, was implemented by the University effective July 1, 2003. It further clarifies that certain organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the primary government, including their ongoing financial support of the primary government. The University has determined that The Ohio University Foundation (the "Foundation") meets this definition and it is therefore included as a discretely presented component unit in the University's financial statements. The Foundation's financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles as prescribed by the FASB. A separate financial report for the Foundation is available by contacting The Ohio University Foundation, 168 West Union Street Office Center, Athens, Ohio 45701, or by calling 740-593-1901. See Note 20 for additional disclosures regarding the Foundation.

Basis of Accounting - The University is a special-purpose government engaged only in business-type activities as defined by GASB Statements No. 34 and 35. Accordingly, the financial statements are presented using an economic resources measurement focus and are presented on the accrual basis of accounting. Under the accrual basis, revenue is recognized when earned and expenses are recorded when incurred. All significant interfund transactions have been eliminated. The financial statements of its component unit are also presented under the accrual basis of accounting.

Cash and Cash Equivalents - Cash consists primarily of petty cash, cash in banks, and money market accounts. Cash equivalents are short-term highly liquid investments readily convertible to cash with original maturities of three months or less.

Investments - All investments are carried at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Investments in publicly traded securities are stated at fair value as established by major securities markets. Nonpublicly-traded investments are valued based on independent appraisals and estimates considering market prices of similar investments. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income (loss) in the statements of revenues, expenses, and changes in net assets.

Accounts Receivable - Accounts receivable consists of amounts due for tuition and fees, grants and contracts, and auxiliary enterprise services. Grants and contracts receivables include amounts due from the federal government, state and local governments, or private sources, as reimbursement for certain expenditures made in accordance with agreements. Uncollectible amounts have been reserved.

Inventories - Inventories are stated at lower of weighted-average cost or net realizable value.

Restricted Cash and Cash Equivalents - Restricted cash and cash equivalents are funds restricted for capital expenditures subject to bond and note agreements held by bond trustees. In addition, it includes funds held in escrow based on terms and conditions of various agreements.

Capital Assets - Purchased or constructed capital assets are recorded at cost. Donated capital assets are recorded at their estimated fair market value as of the date received. Depreciation is calculated using the straight-line method over the estimated useful life of the asset.

The following are the capitalization levels and estimated useful lives of the University asset classes:

Asset Class	Capitalize At	Estimated Useful Life
Land	Any amount	N/A
Land improvements	$100,000	N/A
Works of art and historical treasure	$5,000	N/A
Infrastructure	$100,000	10-50 years
Buildings	Any amount	40 years
Machinery and equipment	$5,000	5-25 years
Library books and publications	Any amount	10 years
Transportation equipment	$5,000	5-10 years
Purchased software	$500,000	10 years
Internally developed software	$1,000,000	10 years

Building renovations that significantly increase the value or extend the useful life of the structure are also capitalized. The costs of normal maintenance and repairs are not capitalized. Interest incurred during the construction of capital assets is included in the cost of the asset when capitalized. Land, land improvements, and works of art and historical treasures are not depreciated. Any impairment of capital assets and insurance recoveries are disclosed in accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*.

Deferred Revenue - Deferred revenue includes amounts for tuition and fees, grants and contracts, and certain auxiliary activities received prior to the end of the fiscal year, related to the subsequent accounting period.

Compensated Absences - University employees earn vacation and sick leave benefits based, in part, on length of service. Upon separation from service, employees are paid their accumulated vacation and sick pay based upon the nature of separation (termination, retirement, or death). Certain limits are placed on the hours of vacation and sick leave that employees may accumulate and carry over for payment at termination, retirement, or death. Unused hours exceeding the limits are forfeited. The estimated and accrued liability is recorded at year end in the statements of net assets, and the net change from the prior year is recorded as a component of operating expense in the statements of revenues, expenses, and changes in net assets.

Net Assets - Net assets are classified into three major categories:

- Invested in capital assets net of related debt is the net equity in property, plant, and equipment owned by the University.
- Restricted net assets are owned by the University, but the use or purpose of the funds is restricted by an external source or entity. The restricted net assets category is subdivided further into expendable and nonexpendable.
    - Restricted expendable net assets may be spent by the institution, but only for the purpose specified by the donor, grantor, or other external entity. This category includes the unspent balance in grant funds, loan funds, debt service funds, and bond funded capital projects.
    - Restricted nonexpendable net assets are gifts that have been received for endowment purposes. The resources are invested with only the investment income available for purposes established by the donor or, in the case of funds functioning as endowment, by the University. These purposes include loans, scholarships, and departmental support.
- Unrestricted net assets are resources derived primarily from student tuition, fees, state appropriations, and auxiliary enterprises. These assets are used for general obligations of the University. They may be used at the discretion of the Board of Trustees for any purpose furthering the University's mission.

Restricted Versus Unrestricted Resources - When an expense is incurred that can be paid using either restricted or unrestricted resources, the University's policy is to apply the expense at the discretion of University management.

Income Taxes - The University is an organization described in Section 115 of the Internal Revenue Code (Code) and has further been classified as an organization that is not a private foundation in accordance with Sections 509(a)(1) and 170(b)(1)(A)(ii) of the Code. However, certain revenues are considered unrelated business income and are taxable under Internal Revenue Code Sections 511 through 513.

Classification of Revenue - Revenue is classified as either operating or nonoperating.

- Operating revenue include revenues from activities that have characteristics similar to exchange transactions. These include student tuition and fees (net of scholarship discounts and allowances), sales and services of auxiliary enterprises (net of scholarship discounts and allowances), and certain federal, state, local and private grants, and contracts. The presumption is that there is a fair exchange of value between all parties to the transaction.
- Nonoperating revenue includes revenue from activities that have the characteristics of non-exchange transactions, such as state appropriations, and certain federal, state, local and private gifts, and grants. The implication is that such revenues are derived from more passive efforts related to the acquisition of the revenue, rather than the earning of it.

Scholarship Discounts and Allowances - Student tuition and fee revenue, and certain other payments recorded as auxiliary enterprises revenue, are net of scholarship discounts and allowances in the statements of revenues, expenses, and changes in net assets. Scholarship discounts and allowances are the difference between the charge for tuition and fees, and the amount paid by students or by third parties on the students' behalf. Scholarship discounts and allowances were $74,086,175 (of which $64,397,861 is netted against student tuition and fees and $9,688,314 is netted against auxiliary enterprises revenue) and $74,555,235 (of which $63,729,790 is netted against student tuition and fees and $10,825,445 is netted against auxiliary enterprises revenues) as of June 30, 2012 and 2011, respectively.

Auxiliary Enterprises - Auxiliary revenue is primarily from residence halls, dining services, intercollegiate athletics, airport operations, telephone and technology store operations, student union operations, parking services, and campus recreation. It is shown net of scholarship discounts and allowances for room and board.

Component Units - Under the provision of GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, management has determined that Tech GROWTH Ohio Fund and University Medical Associates are component units of the University. Due to the insignificant amount of activity represented by these two organizations, their financial results have not been presented in the University's financial statements. Should the operations of either of these entities become significant, the University will discretely present the entity in the financial statements of the applicable year.

Tech GROWTH Ohio Fund was established in August 2008, within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. The exclusive purpose of the organization is for charitable, educational, and scientific endeavors in areas involving the advancement of technology, and increasing technology-based and/or other entrepreneurial commercialization ventures throughout southeast Ohio, with a focus on strategic technology based sectors that offer economic development prospects for the region.

University Medical Associates (the "Corporation") is a not-for-profit organization incorporated in the state of Ohio and has been recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code and applicable state statutes. The membership of the Corporation consists of many physicians who are faculty members of the Ohio University Heritage College of Osteopathic Medicine. The Corporation provides medical services furnished by the its membership in private physician offices and clinic settings on the campus of Ohio University and surrounding locations.

Eliminations - The University eliminates interfund assets and liabilities and revenue and expenses related to internal activities.

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

Newly Issued Accounting Pronouncements

- **Service Concession Arrangements** - In December 2010, the GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements (SCA)*. An SCA is an agreement between a university and another legally separate university or private sector entity in which two things happen. First, the University transfers to the other entity the right and related obligation to provide public services through the use of a public asset (such as using a part of a university facility as a bookstore) in exchange for significant consideration from the other entity. In the context of these agreements, the university that transfers rights and obligations is referred to as the transferor. The entity to which these rights and obligations are transferred is referred to as the operator. Second, this operator - whether it is in the public or private sector - collects fees from the users or customers of the public asset (for example, students at the University). Finally, the transferor maintains control over the services provided. For example, the University has the ability to modify or approve the rates that can be charged for the services and the type of services that are provided.

For an SCA that involves an existing facility, the transferor should continue to report the capital asset. For a new facility or an improvement to an existing facility, the transferor should report the new facility or the improvement as a capital asset at fair value when the facility is placed in operation. The transferor should also report any related contractual obligations as liabilities. Finally, the transferor should report the difference between those two amounts as a deferred inflow of resources. This pronouncement must be applied for years that begin after December 15, 2011.

- **Reporting Entity Standards** - In December 2010, the GASB issued Statement No. 61, *Financial Reporting Entity: Omnibus*. This standard is intended to improve the information presented about the financial reporting entity, which is made up of the University's financial reporting entity and related entities (component units). The statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criteria, a financial benefit or burden relationship is also needed between the University and that organization for it to be included in the reporting entity as a component unit. The statement also modifies the criteria for reporting component units as if they were part of the University (i.e., blending). Blending should be used when the University and the component unit have a financial benefit or burden relationship, or management has operational responsibility for the component units. Additionally, for equity interests in legally separate organizations, the entity is required to report its interest as "restricted net assets - nonspendable." This standard is effective for financial statements for reporting periods beginning after June 15, 2012; however, earlier application is encouraged.

  During fiscal year 2013, Ohio University will use these new standards to determine if any changes are necessary to the presentation of discrete and blended component units.

- **Private Sector Accounting Rules** - In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This changes the requirement for the University to apply any private sector accounting guidance that existed as of November 30, 1989 and instead incorporates all such guidance in this statement. The University will no longer have the ability to choose to continue to follow FASB statements written after that date, although such guidance still qualifies as "other accounting literature" in the GAAP hierarchy. This pronouncement must be applied for years that begin after December 15, 2011.

  This is effective for fiscal year 2013, but Ohio University is already in adherence with this ruling.

- **Deferred Inflows/Outflows and Net Position** - In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This standard provides financial reporting guidance for deferred inflows and outflows of resources. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined those elements as a consumption of net assets by the University that is applicable to a future reporting period, and an acquisition of net assets by the University that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. The standard also incorporates deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The provisions for this standard are effective for financial statements for periods beginning after December 15, 2011.

  For fiscal year 2013, Ohio University will use this new presentation standard. It will significantly change the appearance of the statement of net assets and the terminology used.

- **Reporting for Pensions** - In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The total pension liability will be computed on a different basis than the current actuarial accrued liability and the method of allocating this liability to each participating employer has not yet been determined, so the precise impact is not known. The provisions of this statement are effective for financial statements for the year ending June 30, 2015.

  The University is currently evaluating the impact this standard will have on the financial statements when adopted in fiscal year 2015.

Note 2 - Deposits with Financial Institutions, Cash and Cash Equivalents, and Investments

As of June 30, 2012, the carrying amount of the University's cash and cash equivalents for all funds was $109,183,078 compared to bank balances of $115,847,277. At June 30, 2011, the carrying amount of the University's cash and cash equivalents for all funds was $166,469,394. The difference in carrying amounts and bank balances is caused by outstanding checks and deposits-in-transit. At June 30, 2012, of the bank balances, $1,475,011 is covered by the Federal Deposit Insurance Corporation (FDIC) and $114,372,266 is uninsured but collateralized by pools of securities pledged by the depository banks and held in the name of the respective banks.

The University's investment portfolio may include investments in the following:

- Obligations of the U.S. Treasury and other federal agencies and instrumentalities
- Municipal and State bonds
- Certificates of deposit
- Repurchase agreements
- Mutual funds
- Commercial paper
- Corporate bonds and notes
- Common and preferred stock
- Asset-backed securities
- Absolute return funds
- Private equity and venture capital
- Real assets

The University's endowment fund operates with a long-term investment goal of preserving the purchasing power of the principal in a diversified portfolio.

U.S. government and agency securities are invested through trust agreements with banks that keep the securities in their safekeeping accounts at the Federal Reserve Bank in "book entry" form. The banks internally designate the securities as owned by or pledged to the University. Common stocks, corporate bonds, money market instruments, mutual funds, and other investments are invested through trust agreements with banks that keep the investments in their safekeeping account in the appropriate custodial bank in "book entry" form. The banks internally designate the securities as owned by or pledged to the University.

The values of investments as of June 30, 2012 and 2011 are as follows:

Investment Type	2012	2011
Money markets	$ 3,502,324	$ 4,522,053
U.S. government obligations	1,599,726	1,507,378
U.S. government agency obligations	4,557,946	4,672,563
Mortgage-backed securities	568,064	752,043
Corporate bonds and notes	2,862,999	2,512,511
Bond mutual funds	143,027,554	35,479,370
Municipal bonds	2,659,704	2,145,044
U.S. common stock	429,184	460,341
U.S. equity mutual funds	28,379,285	21,204,955
International equity mutual funds	31,336,106	21,134,198
Absolute return funds	14,734,163	14,975,300
Real assets	5,123,841	4,146,040
Private equity funds	9,112,677	12,563,458
Total	$ 247,893,573	$ 126,075,254

The University's investment strategy incorporates certain financial instruments that involve, to varying degrees, elements of market risk in excess of amounts recorded in the financial statements. Market risk is the potential for changes in the value of financial instruments due to market changes, including interest and foreign exchange rate movements and rate fluctuations embodied in forwards, futures, commodities, or security prices. Market risk is directly impacted by the volatility and liquidity of the markets in which the related underlying assets are traded.

Additional Disclosures Related to Interest-bearing Investments - GASB Statements No. 3 and 40 require certain additional disclosures related to the interest rate, credit, and foreign currency risks associated with interest-bearing investments.

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments with interest rates that are fixed for longer periods are likely to be subject to more variability in their fair values as a result of future changes in interest rates.

As of June 30, 2012, maturities of the University's interest-bearing investments are as follows:

		Investment Maturities			
Investment Type	Market Value	Less Than 1 Year	1 to 5 Years	6 to 10 Years	More Than 10 Years
Money markets	$ 3,502,324	$ 3,502,324	$ -	$ -	$ -
U.S. government obligations	1,599,726	341,947	1,257,779	-	-
U.S. government agency obligations	4,557,946	595,739	3,962,207	-	-
Mortgage-backed securities	568,064	-	105,613	191,453	270,998
Corporate bonds and notes	2,862,999	676,754	2,014,754	72,754	98,737
Bond mutual funds	143,027,554	4,259,210	6,167,036	131,975,119	626,189
Municipal bonds	2,659,704	100,043	2,398,656	161,005	-
Total	$ 158,778,317	$ 9,476,017	$ 15,906,045	$ 132,400,331	$ 995,924

As of June 30, 2011, maturities of the University's interest-bearing investments are as follows:

		Investment Maturities			
Investment Type	Market Value	Less Than 1 Year	1 to 5 Years	6 to 10 Years	More Than 10 Years
Money markets	$ 4,522,053	$ 4,521,491	$ -	$ -	$ 562
U.S. government obligations	1,507,378	-	1,507,378	-	-
U.S. government agency obligations	4,672,563	143,525	4,485,584	-	43,454
Mortgage-backed securities	752,043	2,764	158,594	236,085	354,600
Corporate bonds and notes	2,512,511	12,026	2,328,677	171,808	-
Bond mutual funds	35,479,370	13,591	30,317,482	5,077,402	70,895
Municipal bonds	2,145,044	151,271	1,993,773	-	-
Total	$ 51,590,962	$ 4,844,668	$ 40,791,488	$ 5,485,295	$ 469,511

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University's risk of loss in the event of counterparty default is typically limited to the amounts recognized in the statement of net assets and is not represented by the contract or notional amounts of the instruments. Credit quality, as commonly expressed in terms of credit ratings issued by nationally recognized statistical rating organizations such as Moody's Investors Service, Standard & Poor's, or Fitch Ratings, provides a current depiction of potential variable cash flows and credit risk.

The credit ratings of the University's interest-bearing investments as of June 30, 2012 are as follows:

	Market Value	Credit Quality (S&P) AAA	AA	A	BBB	BB	B	Unrated
Money markets	$ 3,502,324	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,502,324
U.S. government obligations	1,599,726	-	1,599,726	-	-	-	-	-
U.S. government agency obligations	4,557,946	-	4,557,946	-	-	-	-	-
Mortgage-backed securities	568,064	-	568,064	-	-	-	-	-
Corporate bonds and notes	2,862,999	-	1,671,272	1,023,207	168,520	-	-	-
Bond mutual funds	143,027,554	4,251,770	127,419,082	243,641	230,791	4,301,441	-	6,580,829
Municipal bonds	2,659,704	-	1,475,414	210,254	-	-	-	974,036
Total	$ 158,778,317	$ 4,251,770	$ 137,291,504	$ 1,477,102	$399,311	$4,301,441	$ -	$ 11,057,189

The credit ratings of the University's interest-bearing investments as of June 30, 2011 are as follows:

	Market Value	Credit Quality (S&P) AAA	AA	A	BBB	BB	B	Unrated
Money markets	$ 4,522,053	$ 25,000	$ -	$ -	$ -	$ -	$ -	$ 4,497,053
U.S. government obligations	1,507,378	1,507,378	-	-	-	-	-	-
U.S. government agency obligations	4,672,563	4,570,479	-	-	-	-	-	102,084
Mortgage-backed securities	752,043	752,043	-	-	-	-	-	-
Corporate bonds and notes	2,512,511	-	1,358,500	1,070,014	83,997	-	-	-
Bond mutual funds	35,479,370	4,574,449	22,986,672	309,480	22,215	241,913	322,786	7,021,855
Municipal bonds	2,145,044	-	1,357,268	204,544	-	-	-	583,232
Total	$ 51,590,962	$ 11,429,349	$ 25,702,440	$ 1,584,038	$106,212	$ 241,913	$322,786	$ 12,204,224

Custodial Credit Risk - Custodial credit risk is the risk that, in the event of failure of the counterparty, the University will not be able to recover the value of its investment or collateral securities that are in possession of an outside party. As of June 30, 2012 and 2011, the University had no custodial credit risk.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. As of June 30, 2012 and 2011, there were no single-issuer investments that exceeded 5 percent of total investments.

Foreign Currency Risk - Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The University's exposure to foreign currency is limited to its investment in international equity mutual funds. The value of this investment was $31.3 million and $21.1 million as of June 30, 2012 and 2011, respectively.

Valuation of Alternative Investments - Because financial data for many private investments is not available until several months after fiscal year end, some reported alternative investment valuations represent an estimate of the June 30, 2012 value, while the remaining valuations represent March 31, 2012 reported valuations that have been adjusted by cash added to and cash distributed from these accounts through June 30. Management considers information that becomes available after the financial statements are compiled but before they are released, to determine whether an adjustment to the reported fair value of investments should be made. At June 30, 2012 and 2011, there were $20.3 million and $24.0 million, respectively, in investment assets reported at the estimated values described above, and all are listed as either absolute return funds or private equity funds.

Note 3 - Accounts Receivable

The composition of accounts receivable at June 30, 2012 and 2011 is summarized as follows:

	2012	2011
Student tuition and fees	$ 52,239,875	$ 48,909,148
Grants and contracts	12,006,539	13,489,086
Student loans	11,442,736	2,916,118
Royalties	2,247,500	2,380,000
Other	5,260,880	4,879,426
Total accounts receivable	83,197,530	72,573,778
Less allowance for doubtful accounts	(9,142,473)	(8,477,220)
Accounts receivable - Net	$ 74,055,057	$ 64,096,558

Note 4 - Notes Receivable

The University's notes receivable at June 30, 2012 and 2011 is net of allowance for doubtful accounts of $2,088,227 and $2,102,686, respectively. Principal repayment and interest terms vary. Federal loan programs are funded primarily through borrower repayments, federal contributions under Perkins, and various Health Professions loan programs.

The University distributed $211,363,475 and $202,297,069 for student loans through the U.S. Department of Education Federal Direct Lending program during the years ended June 30, 2012 and 2011, respectively. These distributions and the related funding sources are included as cash disbursements and cash receipts in the accompanying statement of cash flows.

The composition of notes receivable at June 30, 2012 and 2011 is as follows:

	2012	2011
Student loan program	$ 14,160,464	$ 14,740,068
Heritage College of Osteopathic Medicine former students	877,950	876,226
Total notes receivable	15,038,414	15,616,294
Less allowance for doubtful accounts	(2,088,227)	(2,102,686)
Notes receivable - Net	12,950,187	13,513,608
Less current portion	(1,979,745)	(2,003,778)
Notes receivable - Net, noncurrent portion	$ 10,970,442	$ 11,509,830

Note 5 - Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

	Balance July 1, 2011	Additions	Transfers	Retirements	Balance June 30, 2012
Capital assets not being depreciated:					
Land	$ 19,830,864	$ 5,004,835	$ -	$ -	$ 24,835,699
Land improvements	4,701,091	-	-	-	4,701,091
Construction in progress	16,318,983	14,555,464	(9,619,945)	(433,040)	20,821,462
Works of art and historical treasures	8,877,723	64,006	-	(26,130)	8,915,599
Total capital assets not being depreciated	49,728,661	19,624,305	(9,619,945)	(459,170)	59,273,851
Capital assets being depreciated:					
Infrastructure	111,091,537	2,082,190	423,407	-	113,597,134
Buildings	771,524,313	22,046,741	9,196,538	-	802,767,592
Machinery and equipment	132,259,694	7,117,281	-	(12,029,146)	127,347,829
Library books and publications	75,558,411	1,364,950	-	(1,971,450)	74,951,911
Transportation equipment	19,699,841	731,032	-	(505,893)	19,924,980
Total capital assets being depreciated	1,110,133,796	33,342,194	9,619,945	(14,506,489)	1,138,589,446
Total capital assets	1,159,862,457	52,966,499	-	(14,965,659)	1,197,863,297
Less accumulated depreciation:					
Infrastructure	53,899,944	4,670,862	-	-	58,570,806
Buildings	311,866,384	17,922,644	-	-	329,789,028
Machinery and equipment	86,779,993	8,304,836	-	(11,894,475)	83,190,354
Library books and publications	64,014,361	2,579,769	-	(1,971,450)	64,622,680
Transportation equipment	14,751,963	1,350,550	-	(499,492)	15,603,021
Total accumulated depreciation	531,312,645	34,828,661	-	(14,365,417)	551,775,889
Total capital assets being depreciated - net	578,821,151	(1,486,467)	9,619,945	(141,072)	586,813,557
Capital assets - net	$ 628,549,812	$ 18,137,838	$ -	$ (600,242)	$ 646,087,408

Capital asset activity for the year ended June 30, 2011 was as follows:

	Balance July 1, 2010	Additions	Transfers	Retirements	Balance June 30, 2011
Capital assets not being depreciated:					
Land	$ 19,777,052	$ 53,812	$ -	$ -	$ 19,830,864
Land improvements	4,701,091	-	-	-	4,701,091
Construction in progress	24,787,592	11,583,026	(20,051,635)	-	16,318,983
Works of art and historical treasures	8,877,723	-	-	-	8,877,723
Total capital assets not being depreciated	58,143,458	11,636,838	(20,051,635)	-	49,728,661
Capital assets being depreciated:					
Infrastructure	105,199,185	4,108,583	1,783,769	-	111,091,537
Buildings	749,021,063	13,248,501	9,254,749	-	771,524,313
Machinery and equipment	115,796,171	12,907,665	9,013,117	(5,457,259)	132,259,694
Library books and publications	76,569,073	1,636,472	-	(2,647,134)	75,558,411
Transportation equipment	19,938,419	382,816	-	(621,394)	19,699,841
Total capital assets being depreciated	1,066,523,911	32,284,037	20,051,635	(8,725,787)	1,110,133,796
Total capital assets	1,124,667,369	43,920,875	-	(8,725,787)	1,159,862,457
Less accumulated depreciation:					
Infrastructure	49,077,608	4,822,336	-	-	53,899,944
Buildings	294,401,252	17,465,132	-	-	311,866,384
Machinery and equipment	83,463,152	8,213,617	-	(4,896,776)	86,779,993
Library books and publications	64,341,856	2,319,639	-	(2,647,134)	64,014,361
Transportation equipment	13,970,558	1,376,538	-	(595,133)	14,751,963
Total accumulated depreciation	505,254,426	34,197,262	-	(8,139,043)	531,312,645
Total capital assets being depreciated - net	561,269,485	(1,913,225)	20,051,635	(586,744)	578,821,151
Capital assets - net	$ 619,412,943	$ 9,723,613	$ -	$ (586,744)	$ 628,549,812

Note 6 - Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at June 30, 2012 and 2011 consisted of the following:

	2012	2011
Accrued payroll	$ 18,412,448	$ 24,865,064
Accrued compensated absences - Current portion	612,624	484,873
Accrued self-insurance claims	3,362,000	3,375,000
Accrued royalties	2,247,500	2,287,500
Other accrued liabilities	1,378,300	824,117
Vendor and other payables	15,374,620	13,554,977
Total accounts payable and accrued liabilities	$ 41,387,492	$ 45,391,531

Note 7 - Long-term Debt

The University's long-term debt at June 30, 2012 is summarized as follows:

	July 1, 2011	Additions	Reductions	June 30, 2012	Current
General receipts bonds - Series 2012	$ -	$76,470,000	$ -	$ 76,470,000	$ -
General receipts bonds - Series 2009	24,365,000	-	2,330,000	22,035,000	2,395,000
General receipts bonds - Series 2008A & B	9,160,000	-	240,000	8,920,000	255,000
Subordinated general receipts bonds - Series 2006B	24,820,000	-	1,195,000	23,625,000	1,235,000
Subordinated general receipts bonds - Series 2006A	23,205,000	-	1,250,000	21,955,000	1,300,000
Subordinated general receipts bonds - Series 2004	43,370,000	-	16,305,000	27,065,000	1,465,000
Subordinated general receipts bonds - Series 2003	22,800,000	-	18,420,000	4,380,000	2,130,000
Subordinated variable general receipts bonds - Series 2001	16,860,000	-	2,015,000	14,845,000	2,090,000
Total bonds and notes payable	164,580,000	76,470,000	41,755,000	199,295,000	10,870,000
Deferred charge on refunding	-	(3,119,160)	(289,167)	(2,829,993)	(289,167)
Bond premiums	4,910,532	6,435,348	1,893,428	9,452,452	810,091
Capital lease obligations	165,879	86,695	88,240	164,334	74,701
Total long-term debt	$ 169,656,411	$79,872,883	$ 43,447,501	$ 206,081,793	$ 11,465,625

Note: Series 2001, Series 2003, Series 2004, Series 2006A, Series 2006B, and Series 2006C bonds were designated "subordinate" upon their issuance due to the existence of a prior trust agreement; that trust agreement has since been defeased and the aforementioned bonds are now parity debt service obligations.

The University's long-term debt at June 30, 2011 is summarized as follows:

	July 1, 2010	Additions	Reductions	June 30, 2011	Current
General receipts bonds - Series 2009	$ 26,645,000	$ -	$ 2,280,000	$ 24,365,000	$ 2,330,000
General receipts bonds - Series 2008A & B	9,390,000	-	230,000	9,160,000	240,000
Subordinated general receipts bonds - Series 2006B	25,965,000	-	1,145,000	24,820,000	1,195,000
Subordinated general receipts bonds - Series 2006A	24,410,000	-	1,205,000	23,205,000	1,250,000
Subordinated general receipts bonds - Series 2004	44,700,000	-	1,330,000	43,370,000	1,395,000
Subordinated general receipts bonds - Series 2003	26,750,000	-	3,950,000	22,800,000	4,150,000
Subordinated variable general receipts bonds - Series 2001	18,915,000	-	2,055,000	16,860,000	2,015,000
Total bonds and notes payable	176,775,000	-	12,195,000	164,580,000	12,575,000
Bond premiums	5,453,857	-	543,325	4,910,532	-
Capital lease obligations	252,086	-	86,207	165,879	82,567
Total long-term debt	$ 182,480,943	$ -	$ 12,824,532	$ 169,656,411	$ 12,657,567

Note: Series 2001, Series 2003, Series 2004, Series 2006A, Series 2006B, and Series 2006C bonds were designated "subordinate" upon their issuance due to the existence of a prior trust agreement; that trust agreement has since been defeased and the aforementioned bonds are now parity debt service obligations.

On February 29, 2012, the University issued General Receipts Bonds Series 2012 in the amount of $76,470,000. The proceeds are being used to develop an extension campus in Columbus, Ohio for a number of programmatic initiatives including the expansion of the Heritage College of Osteopathic Medicine, for renovations to multiple academic buildings, for infrastructure improvements including a chilled water expansion, and for additional upgrades to the University's existing information technology network. Proceeds were also used to refund portions of the 2003 and 2004 Bonds as described below. The balance outstanding as of June 30, 2012 was $76,470,000.

On June 2, 2009, the University issued General Receipts Bonds Series 2009 in the amount of $26,645,000. The proceeds were used to purchase and implement a new student information system and to upgrade the University's existing information technology network infrastructure. The balance outstanding as of June 30, 2012 was $22,035,000.

On July 10, 2008, the University issued General Receipts Bonds Series 2008A in the amount of $13,345,000 and Taxable General Receipts Bonds Series 2008B in the amount of $2,005,000. The proceeds were used to refund the General Receipts Bond Anticipation Notes and acquire a facility on the edge of the University's campus. The balance outstanding as of June 30, 2012 was $8,920,000.

On April 6, 2006, the University issued $29,170,000 in Subordinated General Receipts Bonds, Series 2006B. The proceeds were used for various capital projects on the Athens campus. The balance outstanding as of June 30, 2012 was $23,625,000.

On February 16, 2006, the University issued $28,145,000 in Subordinated General Receipts Bonds, Series 2006A. The proceeds were used to refund the Series 1999 Bonds, as described below. The balance outstanding as of June 30, 2012 was $21,955,000.

On March 15, 2004, the University issued $52,885,000 in Subordinated General Receipts Bonds, Series 2004. The proceeds were used to refund the Series 2003B Notes, and for capital equipment and construction costs on various building projects. On February 29, 2012, the Series 2004 Bonds were partially refunded with $15,395,000 being incorporated into the Series 2012 Bonds. The balance outstanding as of June 30, 2012 was $27,065,000.

On September 3, 2003, the University issued $47,860,000 in Subordinated General Receipts Bonds, Series 2003. The proceeds were used to refund the Series 1993 Bonds and the Series 2003A Notes. On February 29, 2012, the Series 2003 Bonds were partially refunded with $14,465,000 being incorporated into the Series 2012 Bonds. The balance outstanding as of June 30, 2012 was $4,380,000.

On May 3, 2001, the University issued $48,025,000 in Subordinated Variable Rate General Receipts Bonds, Series 2001. The proceeds were for capital equipment and construction costs on various building projects. The balance outstanding as of June 30, 2012 was $14,845,000. The variable rate of interest in effect at June 30, 2012 was 2.0 percent. The average variable rate of interest for the year ended June 30, 2012 was 2.77 percent.

On March 15, 1999, the University issued $32,520,000 in General Receipts Bonds, Series 1999, with which to pay construction costs on various building projects. On February 16, 2006, the Series 1999 Bonds were refinanced and rolled into the Series 2006A Bonds.

These obligations are secured by a gross pledge of and first lien on the General Receipts of the University. The General Receipts include the full amount of every type and character of campus receipts, except for State appropriations and receipts previously pledged or otherwise restricted.

The University's Bonds are secured by a Trust Agreement dated as of May 1, 2001 ("Master Trust Agreement"), as supplemented by a First Supplemental Trust Agreement dated as of May 1, 2001, a Second Supplemental Trust Agreement dated as of September 1, 2003, a Third Supplemental Trust Agreement dated as of October 1, 2003, a Fourth Supplemental Trust Agreement dated as of March 15, 2004, a Fifth Supplemental Trust Agreement dated as of February 1, 2006, a Sixth Supplemental Trust Agreement dated as of April 1, 2006, a Seventh Supplemental Trust Agreement dated as of July 1, 2008, an Eighth Supplemental Trust Agreement dated as of May 1, 2009, and a Ninth Supplemental Trust Agreement dated as of February 1, 2012 entered into in connection with the issuance of the Series 2012 Bonds, each between the University and U.S. Bank National Association.

Details of the series are as follows:

Series	Interest Rate	Maturity Fiscal Year	Initial Issue Amount	Outstanding at June 30, 2012
2001	Variable	2027	$ 48,025,000	$ 14,845,000
2003	5.00%-5.25%	2024	47,860,000	4,380,000
2004	2.00%-5.00%	2032	52,885,000	27,065,000
2006A	3.50%-5.00%	2025	28,145,000	21,955,000
2006B	3.75%-5.00%	2037	29,170,000	23,625,000
2008A&B	4.17%-5.00%	2034	15,350,000	8,920,000
2009	2.00%-5.00%	2020	26,645,000	22,035,000
2012	2.00%-5.00%	2043	76,470,000	76,470,000
				$ 199,295,000

The University currently holds one interest rate swap which was entered into in an effort to hedge the interest rate risk associated with the issuance of the University's Series 2001 variable-rate debt. Ultimately, the University expects that the creation of this synthetic fixed rate debt provides an interest rate that is lower than if fixed-rate debt were issued directly. The swap agreement is considered an effective hedge having met the consistent critical terms method of analysis. The fair value of the hedging derivative instrument at June 30, 2012 and June 30, 2011 was a negative $1,790,254 and a negative $1,537,427, respectively. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted. The University has not recorded the fair value of the derivative instrument on the statement of net assets in accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, as of June 30, 2012 and 2011 as management does not believe the value is significant to the financial statements. The total amounts paid relative to the swap agreement for the years ended June 30, 2012 and 2011 are $593,219 and $651,400, respectively. These amounts are included as an adjustment to interest on capital asset-related debt in the statement of revenues, expenses, and changes in net assets.

The fair value of the interest rate swap was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

Effective Date	Type	Objective	Notional Amount	Pay Terms	Receive Terms	Maturity Date	Counterparty Credit Rating
12/1/2001	Pay-fixed, Receive-variable	Cash flow hedge for Series 2001 bonds	$14,420,000 (amortizing)	4.039% fixed	SIFMA swap index	12/1/2026	AA/Aa

The interest rate swap is subject to the following risks:

Credit risk The University is exposed to credit risk which is the risk associated with the inability of the counterparty to meet the terms of the agreement. The University has decided that this is a reasonable level of risk given the potential exposure and the relatively small notional amount as compared to its total outstanding debt.

The counterparty is rated AA/Aa for the years ended June 30, 2012 and 2011.

Interest-rate risk The University is exposed to interest rate risk on its interest rate swap; as the Securities Industry and Financial Markets Association (SIFMA) index decreases, the University's net payment on the swap increases.

Basis risk The University is exposed to basis risk due to variable-rate payments received by the University on these instruments based on a rate or index other than interest rates the University pays on its variable-rate debt, which is remarketed every 30 days. The weighted-average interest rate on the University's hedged variable-rate debt is 2.77 and 0.66 percent at June 30, 2012 and 2011, respectively, while the SIFMA swap index rate is 0.15 and 0.25 percent at June 30, 2012 and 2011, respectively.

Termination risk The University or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract. Should the University's indebtedness fail to be rated at least Baa2 (by Moody's) or BBB (by S&P), such occasion would be considered a termination event and would require the University to pay an amount equivalent to the swap valuation at the time of the event.

Principal and interest payment requirements for the bonded debt for the years subsequent to June 30, 2012 are summarized as follows:

Years Ending June 30	Principal	Interest	Swap Interest	Total
2013	$ 10,870,000	$ 7,673,961	$ 510,446	$ 19,054,407
2014	12,965,000	7,280,883	420,885	20,666,768
2015	13,405,000	6,876,854	332,314	20,614,168
2016	13,480,000	6,491,430	240,749	20,212,179
2017	13,920,600	6,053,058	143,316	20,116,974
2018-2022	48,165,000	23,669,749	374,744	72,209,493
2023-2027	31,144,400	15,836,100	149,776	47,130,276
2028-2032	27,565,000	9,521,440	-	37,086,440
2033-2037	15,390,000	4,519,625	-	19,909,625
2038-2042	10,085,000	1,767,975	-	11,852,975
2043	2,305,000	53,925	-	2,358,925
Total	$ 199,295,000	$ 89,745,000	$ 2,172,230	$ 291,212,230

The University has $164,334 in capital lease obligations that have varying maturity dates through fiscal year 2016 and carry implicit interest rates ranging from 3.9 to 14.6 percent. Lease arrangements are being used to provide partial financing for certain equipment. Capital asset balances as of June 30, 2012 that are financed under capital leases are $584,896.

The scheduled maturities of these leases at June 30, 2012 are as follows:

Years Ending June 30		Minimum Lease Payments
2013		$ 81,257
2014		49,145
2015		22,392
2016		22,974
	Total minimum lease payments	175,768
	Less amount representing interest	11,434
	Net minimum capital lease payments	164,334
	Less current portion	74,701
	Noncurrent capital lease obligations	$ 89,633

Note 8 - Operating Leases

The University leases various facilities and equipment under operating lease agreements. These facilities and equipment are not recorded as assets on the statements of net assets. The total rental expense under these agreements was $1,438,664 and $1,424,097 for the years ended June 30, 2012 and 2011, respectively.

Future minimum payments for all significant operating leases with initial terms in excess of one year at June 30, 2012 are as follows:

Years Ending June 30		Minimum Lease Payments
2013		$ 875,006
2014		555,772
2015		394,875
2016		222,051
2017		137,757
2018-2020		323,480
	Total minimum operating lease payments	$ 2,508,941

Note 9 - Operating Expenses by Natural Classification

The University reports operating expenses by functional classification on the statements of revenues, expenses, and changes in net assets. Operating expenses by natural classification for the two years ended June 30, 2012 and 2011 are summarized as follows:

Year ended June 30, 2012

	Compensation and Benefits	Supplies and Services	Professional Services	Utilities	Travel and Entertainment	Total
Instruction and departmental research	$ 196,004,920	$ 9,579,624	$ 20,327,667	$ 56,027	$ 5,455,998	$ 231,424,236
Separately budgeted research	22,358,801	6,817,071	10,944,267	6,682	2,390,146	42,516,967
Public service	16,232,518	7,651,321	2,603,368	137,221	510,545	27,134,973
Academic support	37,044,185	23,268,895	1,071,934	38,710	1,567,660	62,991,384
Student services	20,983,581	5,820,535	1,191,439	115,269	1,026,564	29,137,388
Institutional support	24,163,000	5,216,504	3,687,975	246,300	724,566	34,038,345
Operation and maintenance of plant	26,695,415	13,698,502	736,027	11,285,803	316,172	52,731,919
Auxiliary enterprises	31,387,122	29,666,889	848,959	2,817,263	3,824,943	68,545,176
Total	$ 374,869,542	$ 101,719,341	$ 41,411,636	$ 14,703,275	$ 15,816,594	$ 548,520,388
					Student Aid	10,575,082
					Depreciation	34,828,661
					Total Operating Expenses	$ 593,924,131

Year ended June 30, 2011

	Compensation and Benefits	Supplies and Services	Professional Services	Utilities	Travel and Entertainment	Total
Instruction and departmental research	$ 208,627,574	$ 5,648,111	$ 14,057,317	$ 58,961	$ 5,229,320	$ 233,621,283
Separately budgeted research	23,389,907	6,417,394	8,652,793	4,404	2,431,289	40,895,787
Public service	18,229,539	5,159,046	2,511,499	121,236	507,724	26,529,044
Academic support	40,398,995	20,003,563	910,603	30,290	1,444,021	62,787,472
Student services	26,113,077	287,438	879,676	99,423	861,398	28,241,012
Institutional support	22,204,886	1,863,855	2,737,002	234,923	680,837	27,721,503
Operation and maintenance of plant	30,179,516	9,585,067	655,846	11,931,163	242,149	52,593,741
Auxiliary enterprises	34,354,727	24,633,098	1,047,722	3,106,061	2,588,160	65,729,768
Total	$ 403,498,221	$ 73,597,572	$ 31,452,458	$ 15,586,461	$ 13,984,898	$ 538,119,610
					Student Aid	18,241,572
					Depreciation	34,197,262
					Total Operating Expenses	$ 590,558,444

Note 10 - Compensated Absences

Per University policy, eligible salaried administrative appointments earn vacation at the rate of 22 days per year with a maximum accrual of 32 days. Upon termination, they are entitled to a payout of their accumulated balance. Hourly classified employees earn vacation at rates per years of service, ranging from 10 to 25 days per year. The maximum accrual is equal to the amount earned in three years, which is subject to payout upon termination. The estimated liability for accrued vacation at June 30, 2012 and 2011 was $10,157,735 and $9,847,991, respectively.

All University employees are entitled to a sick leave credit equal to 15 days per year (earned on a pro rata monthly basis for salaried employees and on a pro rata hourly basis for classified hourly employees). Salaried employees with 10 or more years of service are eligible to receive a payout upon retirement of up to 25 percent of unused days (maximum of 30 days). Hourly classified employees with 10 or more years of service are eligible for payout upon retirement of up to 50 percent of unused days (maximum of 60 days). The estimated liability for accrued sick leave at June 30, 2012 and 2011 was $4,997,596 and $4,887,440, respectively.

Compensated absences at June 30, 2012 and 2011 are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
For the year ended:					
June 30, 2012	$ 14,735,431	$ 19,788,441	$ (19,368,541)	$ 15,155,331	$ 612,624
June 30, 2011	$ 13,264,625	$ 22,098,410	$ (20,627,604)	$ 14,735,431	$ 484,873

Note 11 - Retirement Plans

Employees of Ohio University are covered under one of three retirement plans, unless eligible for exemption as in the case of most student employees. The particular system in which an employee is eligible to enroll is dependent on their position with the University. Generally, faculty appointments are eligible for enrollment in a defined benefit plan, administered by the State Teachers Retirement System of Ohio (STRS Ohio), and all other employees are eligible for enrollment in a defined benefit plan, administered by the Ohio Public Employees Retirement System of Ohio (OPERS). In addition, full-time employees may opt out of the state retirement system and choose a defined contribution plan, also referred to as an Alternative Retirement Plan (ARP), with one of nine independent providers. STRS Ohio and OPERS also offer a defined contribution plan and a combined plan with features of both a defined contribution plan and a defined benefit plan. All options are discussed below in more detail.

Defined Benefit Plans - The defined benefit plans of STRS Ohio and OPERS are cost-sharing, multiple-employer public employee retirement plans. Both systems provide retirement and disability benefits, annual cost-of-living adjustments, survivor benefits, and postretirement health care. The authority to establish and amend benefits is provided by State statute. Both STRS Ohio and OPERS issue stand-alone financial reports. Interested parties may obtain a copy of the STRS Ohio report by making a written request to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, by calling toll free 888-227-7877, or by visiting the STRS Ohio website at www.strsoh.org. The OPERS report may be obtained by making a written request to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Defined Contribution Plans - The ARP is a defined contribution pension plan, under IRS Section 401(a), and established by Ohio Amended Substitute House Bill 586 (ORC 3305.02) on March 31, 1998, for public institutions of higher education. The University's Board of Trustees adopted the University's plan on April 18, 1998. Full-time employees are eligible to choose a provider, in lieu of STRS Ohio or OPERS, from the list of nine providers currently approved by the Ohio Department of Insurance and who hold agreements with the University. Employee and employer contributions equal to those required by STRS Ohio and OPERS are required for the ARP, less any amounts required to be remitted to the state retirement system in which the employee would otherwise have been enrolled.

Eligible employees have 120 days from their date of hire to make an irrevocable election to participate in the ARP. Under this plan, employees who would have otherwise been required to be in STRS Ohio or OPERS, and who elect to participate in the ARP, must contribute the employee's share of retirement contributions to one of nine private providers approved by the Ohio Department of Insurance. The legislation mandates that the employer must contribute an amount to the state retirement system to which the employee would have otherwise belonged, based on an independent actuarial study commissioned by the Ohio Retirement Study Council and submitted to the Ohio Board of Regents. That amount is 3.5 percent for STRS Ohio and 0.77 percent for OPERS for the year ended June 30, 2012. The employer also contributes what would have been the employer's contribution under STRS Ohio or OPERS, less the aforementioned percentages, to the private provider selected by the employee. The University plan provides these employees with immediate plan vesting.

The ARP does not provide disability benefits, survivor benefits, or postretirement health care. Benefits are entirely dependent on the sum of contributions and investment returns earned by each participant's choice of investment options.

STRS Ohio and OPERS also offer a defined contribution plan and a combined plan with features of both a defined contribution plan and a defined benefit plan.

Retirement Plan Funding - The Ohio Revised Code provides statutory authority for employee and employer contributions to retirement systems. The employee and employer rates are the same for ARP employees as the retirement system under which they would otherwise be covered. However, for those who would otherwise be covered by STRS Ohio and who instead elect the ARP, 3.5 percent of the employer contribution goes to the STRS Ohio retirement system and 0.77 percent of the employer contribution goes to the OPERS systems as of August 1, 2007. The University's contributions each year are equal to its required contributions.

Following are the employee and employer contribution rates in effect for fiscal year 2012:

	Contribution Rates		
	STRS Ohio	OPERS	ARP
Faculty:			
Employee: All year	10%		10%
University: All year	14%		14%
Staff:			
Employee: All year		10%	10%
University: All year		14%	14%
Law enforcement staff:			
Employee: July-Dec 2011		11.6%	11.6%
Employee: Jan-June 2012		12.1%	12.1%
University: All year		18.1%	18.1%

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

	Employer Contributions		
	STRS Ohio	OPERS	ARP
2012	$ 11,680,349	$ 13,721,099	$ 9,333,834
2011	11,881,254	13,811,674	8,998,394
2010	11,632,635	13,875,159	8,793,766

The payroll for employees covered by OPERS and STRS Ohio for the year ended June 30, 2012 was $125,281,000 and $122,828,000, respectively. The payroll for employees covered by OPERS and STRS Ohio for the year ended June 30, 2011 was $125,242,000 and $122,553,000, respectively. For the years ended June 30, 2012 and 2011, the University's total payroll was $285,431,000 and $278,727,000, respectively.

Other Postemployment Benefits (OPEB) - In addition to the pension benefits described above, Ohio Law provides that the University fund postretirement healthcare benefits to retirees and their dependents through employer contributions to OPERS and STRS Ohio.

OPERS provides retirement, disability, and survivor benefits as well as postemployment healthcare coverage to qualifying members of its plans. A portion of each employer's contribution to OPERS is set aside for funding of postretirement health care. The portion of employer contributions, for all employers, allocated to health care was 4.0 percent during calendar year 2011. The number of active contributing participants as of December 31, 2011 was 349,188.

STRS Ohio provides access to healthcare coverage to retirees who participated in the Defined Benefit or Combined Plans, and their dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Pursuant to the Ohio Revised Code (ORC), the State Teachers Retirement Board (the "Board") has discretionary authority over how much, if any, of the healthcare costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the healthcare cost in the form of a monthly premium.

The ORC grants authority to STRS Ohio to provide healthcare coverage to eligible benefit recipients, spouses, and dependents. By Ohio law, healthcare benefits are not guaranteed and the cost of the coverage paid from STRS Ohio funds shall be included in the employer contribution rate, currently 14 percent of covered payroll.

The Board allocates employer contributions to the Health Care Stabilization Fund from which healthcare benefits are paid. For the fiscal years ended June 30, 2012 and 2011, the board-allocated employer contributions equal to 1.0 percent of covered payroll to postemployment health care. The balance in the Health Care Stabilization Fund was $2.96 billion on January 1, 2012, the date of the most recent information available from STRS Ohio.

For the fiscal year ended June 30, 2012, the date of the most recent information available from STRS, net healthcare costs paid by STRS Ohio were $604,000,000. There were 138,000 eligible benefit recipients.

Note 12 - Voluntary Termination Plan

On February 25, 2011, the University Board of Trustees approved a set of Early Retirement Incentive Plans (ERIP) and Voluntarily Employment Separation Plans (VESP). Bonuses for eligible employees in OPERS, STRS, or ARP ranged from $0 to $80,000, and a possible purchase of one year of service credit depending on the eligible plan and retirement date. An ERIP allows the University to purchase additional service credit, in this case, one year, which enables eligible employees to retire early or to retire with a larger retirement benefit than they may have otherwise. The ERIP period remained open until September 30, 2012.

The cost for employees who took advantage of the voluntary termination plans for the years ended June 30, 2012 and 2011 was $5,099,800 and $7,679,687, respectively, which included payments and accruals for sick and vacation payouts in accordance with standard policy, the incentive bonus, and the OPERS or STRS payment for additional service credit.

Note 13 - Risk Management and Contingencies

Legal - During the normal course of operations, the University has become a defendant in various legal and administrative actions. Liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. However, in the opinion of in-house legal counsel and University management, the disposition of all pending litigation would not have a material adverse effect on the University's financial position.

Self-Insurance - The University provides medical and dental coverage for its employees on a self-insurance basis. Expenses for claims are recorded on an accrual basis based on the date claims are incurred. The University applies GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*.

Changes in the self-insurance claims liability for the three years ended June 30, 2012 are summarized as follows:

	2012	2011	2010
Accrued claims liability - Beginning of year	$ 3,375,000	$ 4,006,000	$ 3,644,000
Incurred claims - Net of favorable settlements	41,170,771	39,234,162	38,443,545
Claims paid	(41,183,771)	(39,865,162)	(38,081,545)
Accrued claims liability - End of year	$ 3,362,000	$ 3,375,000	$ 4,006,000

Liability for claims is accrued based on estimates of the claims liabilities made by the University's third-party actuary. These estimates are based on past experience and current claims outstanding. Actual claims experience may differ from the estimate.

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

Type	Deductible	Coverage
Aircraft Liability (Flight Training)	$ -	$ 5,000,000
Aircraft Liability (Corporate)	-	50,000,000
Airport Liability	10,000	10,000,000
General and Auto Liability	100,000	50,000,000
Educator's Liability	100,000	30,000,000
Medical Malpractice Liability	25,000	1,000,000
Foreign Liability	-	1,000,000
Crime	100,000	5,000,000
Property ($900 million shared with other Inter-University Council Insurance Consortium members)	100,000	1,000,000,000

Workers' Compensation Coverage - The University participates in a plan that pays workers' compensation benefits to employees who have been injured on the job. The Ohio Bureau of Workers' Compensation calculates the estimated amount of cash needed in the subsequent fiscal year to pay the claims for these workers and sets rates to collect this estimated amount from participating state agencies and universities in the subsequent year.

Note 14 - Capital Project Commitments

At June 30, 2012, the University is committed to future capital expenditures as follows:

Contractual commitments	$ 34,741,790
Estimated completion costs of projects	50,259,323
Total	$ 85,001,113
These projects will be funded by:	
State appropriations	$ 8,734,497
University funds (including bond funds)	72,548,805
Gifts, grants, and other	3,717,811
Total	$ 85,001,113

Note 15 - Other Noncurrent Liabilities

Refundable Advances for Federal Student Loans - Refundable advances for federal student loans for the two years ended June 30, 2012 are summarized as follows:

	Beginning Balance	Reductions	Ending Balance	Current Portion
For the year ended:				
June 30, 2012	$ 8,230,936	$ (699,534)	$ 7,531,402	$ -
June 30, 2011	$ 8,317,693	$ (86,757)	$ 8,230,936	$ -

Note 16 - Pollution Remediation

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation*, requires the University to account for pollution (including contamination) remediation obligations.

Future expected payments for pollution remediation activities include legal obligations due to commencing purchase orders for asbestos removal. This liability is measured at the cost of the construction contract including consultants and the amount assumes no unexpected change orders.

Pollution remediation obligations continued to include expected payments imposed by the Ohio Environmental Protection Agency (OEPA). The violation of OAC Rule 3745-27-13(A) and ORC Rule 3734.02 (H) lists the University as responsible for the methane gas level monitoring of a disposal site on the University's Southern Campus. The University's monitoring on this site in fiscal year 2009 was estimated at 40 years. The liability is accrued based on reasonably expected potential outlays for performing this monitoring. The current value of expected cash flows method was used to measure the estimated liability using the prior year expenditures as an estimate of future annual obligations.

Future expected payments for all significant pollution remediation activities include:

Years Ending June 30		Minimum Payments
2013		$ 469,470
2014		61,604
2015		61,604
2016		61,604
2017		61,604
2018-2049		1,971,328
	Total minimum payments	$ 2,687,214

These amounts are included in the current portion of accounts payable and accrued liabilities, as well as in other long-term liabilities on the statements of net assets.

Note 17 - Donor-restricted Endowments

Under the standard established by Section 1715.56 of the Ohio Revised Code, an institution may appropriate as much as is prudent of the realized and unrealized net appreciation of the fair value of the assets of the endowment fund over the historic dollar value of the fund for the uses and purposes for which an endowment fund is established. The University's endowment spending policy is based on the concept of total return and the spending rate for fiscal year 2012 was 5 percent, which included a 1 percent administrative fee, the same as for fiscal year 2011.

The amounts of net appreciation on investments of donor-restricted endowments that are available for authorization for expenditure by the Board were $10,497,664 and $11,154,804 for June 30, 2012 and 2011, respectively. Those amounts are reported as restricted expendable net assets.

Note 18 - Net Assets

Restricted and unrestricted net assets for the years ended June 30, 2012 and 2011 are as follows:

	2012	2011
Restricted - nonexpendable:		
Permanent endowments	$ 19,039,643	$ 19,577,377
Restricted - expendable:		
Sponsored programs	7,600,749	8,367,890
Loans	9,266,476	9,080,801
Bond funded capital projects - net and debt service funds	10,375,120	5,120,310
Net income and appreciation on endowments	10,497,664	11,154,804
Total restricted - expendable	$ 37,740,009	$ 33,723,805
Unrestricted:		
Allocated	$ 260,160,005	$ 216,584,990
Unallocated	-	2,480,361
Total unrestricted	$ 260,160,005	$ 219,065,351

Restricted net assets are subject to external restrictions and are categorized as either nonexpendable or expendable. Restricted nonexpendable net assets consist entirely of endowments whose corpus is held in perpetuity. Restricted expendable net assets are made up of the categories above.

Unrestricted net assets are not subject to external restrictions; however, the majority of the University's unrestricted net assets have been internally designated for specific purposes or for contractual purchase obligations. This category includes amounts set aside for auxiliaries, academic and research programs, reserves, and capital projects.

Note 19 - Subsequent Event

On July 29, 2012, the University received $28.6 million in financing to implement a comprehensive energy efficiency and conservation overhaul of 72 buildings at its Athens campus. The loan package performed in conjunction with the Ohio Air Quality Development Authority (OAQDA) was the result of two Air Quality Development Bonds including Series A federally tax-exempt bonds and Series B Qualified Energy Conservation Bond (QECB) federal tax credit bonds. OAQDA administers the QECB program on behalf of the State of Ohio. The project will result in annual energy savings of approximately $1.9 million, which will be used to fund the cost of the improvements over the project's 15-year term.

Note 20 - The Ohio University Foundation

The Ohio University Foundation (the "Foundation") was incorporated in Ohio in October 1945 to support the educational undertakings of Ohio University (the "University"). The Foundation is authorized to solicit and receive gifts and contributions for the benefit of the University and to ensure that funds and property received are applied to the uses specified by the donor.

The Foundation's wholly owned subsidiary, Inn-Ohio of Athens, Inc. (the "Inn"), owns and operates a 139-room hotel and restaurant facility in Athens, Ohio known as The Ohio University Inn.

Another controlled entity, Housing for Ohio, Inc. (Housing), constructed and operates a 182-unit student housing facility in Athens, Ohio. It has been granted tax-exempt status under Section 501(a)(3) of the Internal Revenue Code (the "Code") as an organization described in Section 501(c)(3).

The Foundation entered into an agreement with the Sugar Bush Foundation (Sugar Bush), an Ohio not-for-profit corporation, in August 2005. Sugar Bush is a supporting organization as defined in Code Section 509(a)(3) and the Foundation is its primary supported organization receiving 51 percent of its charitable distributions. This agreement was further amended in August 2007 with Sugar Bush pledging to commit all of its charitable distributions to the Foundation. Upon dissolution of Sugar Bush and payment of all Sugar Bush liabilities, all of its assets shall be transferred to the Foundation, provided the Foundation is then recognized as a nonprofit Ohio corporation and as a tax-exempt organization under Section 501(c)(3) of the Code. The Foundation consolidates this supporting organization that is deemed to be financially interrelated.

During 2009, the Foundation created three limited liability companies to receive property distributions from The Dolores H. Russ Trust for the benefit of the Russ College of Engineering. The three limited liability companies are the Fritz J. and Dolores H. Russ Holdings LLC, Russ North Valley Road LLC, and Russ Research Center LLC (collectively referred to as the "Russ LLCs"). The limited liability companies are treated as disregarded entities for federal income tax purposes. The Foundation is the sole member of Fritz J. and Dolores H. Russ Holdings LLC. Fritz J. and Dolores H. Russ Holdings LLC is the sole member of Russ North Valley Road LLC and Russ Research Center LLC.

Summary of Significant Accounting Policies

Basis of Accounting - The consolidated financial statements of the Foundation have been prepared on the accrual basis of accounting. The accompanying consolidated financial statements present the financial position and results of activities of the Foundation and its wholly owned subsidiary and other related entities - the Inn, Housing, one supporting organization, and three limited liability companies. All intercompany transactions have been eliminated.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk - Financial instruments, which potentially subject the Foundation to a concentration of credit risk, consist principally of pledges receivable, investments for the Foundation, and receivables related to operations of the Inn and Russ Research Center. Exposure to losses on pledges receivable is principally dependent on each donor's financial condition. The Foundation monitors the exposure for credit losses and maintains allowances for anticipated losses on receivables.

Investments are recorded at fair value. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least possible that changes in the value of investment securities will occur in the near term and that such changes could significantly affect the Foundation's consolidated statements of financial position and activities.

The management companies that operate the Inn and the Russ Research Center are responsible for collection of receivables. Each entity provides a reserve for any estimated uncollectible balances, as appropriate.

Gifts and Contributions - Contributions are recorded at their fair value on the date of receipt. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset categories. When a donor restriction expires (when a stipulated time restriction ends or the purpose of restriction is accomplished), temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

Contributed property is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used or restrict the use of such assets for a specific purpose, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property are recorded as unrestricted support.

Contributions of charitable gift annuities are reduced by the actuarially determined liability resulting from acceptance of the gift. Contributions are held in charitable trusts at the present value of their estimated future benefits to be received when the trust assets are distributed upon notification of the donor's death.

Pledges Receivable - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discount on those amounts is computed using an assumed inflation rate. The discount rate utilized was 4.99 and 5.01 percent for the years ended June 30, 2012 and 2011, respectively. Amortization of the discounts is included in contribution revenue. Unconditional promises to give, which are silent as to the due date, are presumed to be time restricted by the donor until received and are reported as temporarily restricted net assets. Conditional promises to give are not included as support until the conditions on which they depend are substantially met.

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

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

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

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

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

Depreciation of buildings is recorded over periods ranging from 20 to 40 years using the straight-line method. Depreciation and amortization of other property, equipment, and improvements are recorded over periods ranging from 3 to 15 years using the straight-line method.

Annually, or more frequently if events or circumstances change, a determination is made by management to ascertain whether property and equipment and intangibles have been impaired based on the sum of expected future undiscounted cash flows from operating activities. If the estimated net cash flows are less than the carrying amount of such assets, the Foundation will recognize an impairment loss in an amount necessary to write down the assets to a fair value as determined from expected future discounted cash flows. Based upon its most recent analysis, the Foundation has determined that no impairment to the carrying value of its long-lived assets existed at June 30, 2012 and 2011.

Cash - At times, cash may exceed federally insured amounts. The Foundation believes it mitigates risks by depositing cash with major financial institutions. At June 30, 2012, the Foundation held $17,577,806 in cash that was uninsured by the Federal Deposit Insurance Corporation (FDIC).

Cash Equivalents - The Foundation considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents.

Restricted Cash - Restricted cash represents cash that, under terms of the bond issue trust indenture agreement (the “Trust Indenture”) (related to Housing for Ohio, Inc.), is restricted for various purposes. In accordance with the terms of the Trust Indenture and related agreements, the proceeds from the bonds not used to construct the student housing facility and certain equipment and improvements were deposited with the trustee. The Foundation is also required to deposit all revenue directly into a designated revenue fund. The trustee is then authorized, without further direction from the Foundation, to transfer funds out of the revenue fund to other funds as outlined in the Trust Indenture.

Functional Allocation of Expenses - The costs of providing the various programs and support services have been summarized on a functional basis in the consolidated statements of activities. Certain costs have been allocated among the programs and support services benefited. Although methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Income Taxes - The Internal Revenue Service has determined that the Foundation is an exempt organization under Section 501(c)(3) of the Internal Revenue Code, except for taxes on unrelated income. The provision for income taxes for the Inn, including deferred tax (recovery) expenses, totaled $127,924 and ($58,638) for the years ended June 30, 2012 and 2011, respectively.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Foundation and to recognize a tax liability if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Foundation and has concluded that as of June 30, 2012 and 2011, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes that it is no longer subject to income tax examinations for years prior to June 30, 2009.

Fair Value of Financial Instruments - The carrying values of the Foundation's financial instruments in the accompanying consolidated statements of financial position approximate their respective estimated fair value at June 30, 2012 and 2011.

The Foundation has estimated the fair values of its financial instruments using available quoted market information and other valuation methodologies. Accordingly, the estimates presented are not necessarily indicative of the amounts that the Foundation could realize in a current market exchange. Determinations of fair value are based on subjective data and significant judgment relating to timing of payments and collections and the amounts to be realized. Different market assumptions and/or estimation methodologies might have a material effect on the estimated fair value amounts.

The fair values of short-term financial instruments, including cash equivalents and trade accounts receivable and payable, approximate the carrying amounts in the accompanying consolidated financial statements due to the short maturity of such instruments. The fair value of long-term obligations approximates the carrying amounts in the accompanying consolidated financial statements. The carrying value of the debt approximates fair value based on current borrowing rates.

Advertising Costs - Advertising costs of the Inn are included in marketing expenses and are expensed as incurred.

Net Assets

Unrestricted Net Assets - The unrestricted net assets consist of operating funds available for any purpose authorized by the board of trustees.

Unrestricted net assets as of June 30, 2012 and 2011 are available for the following purposes:

	2012	Restated 2011
Designated:		
Board-designated quasi-endowments	$ -	$ 12,374,420
Board-designated 1804 grants	183,284	678,109
Designated underwater accounts	(290,619)	(205,666)
Subtotal designated	(107,335)	12,846,863
Undesignated:		
The Inn	3,358,564	3,138,383
Housing	(1,555,888)	(2,045,872)
Other	(5,407,336)	(17,326,242)
Subtotal undesignated	(3,604,660)	(16,233,731)
Total unrestricted net assets	$ (3,711,995)	$ (3,386,868)

Temporarily Restricted Net Assets - Temporarily restricted net assets consist of funds that are restricted for a specific use or time determined by the donor. Temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions when the restrictions are satisfied either by the passage of time or by actions of the Foundation. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Foundation reports the support as unrestricted.

Temporarily restricted net assets as of June 30, 2012 and 2011 are available for the following purposes:

	2012	Restated 2011
Academic support	$ 12,077,219	$ 12,087,116
Alumni relations	445,761	472,988
Fundraising and development	789,485	983,120
Institutional support	16,876,518	16,206,157
Instruction and departmental research	177,598,567	155,243,792
Intercollegiate athletics	1,923,578	1,734,286
Operation and maintenance of plant	-	395,071
Public service	623,143	533,805
Research	1,835,790	1,444,152
Student aid	44,008,337	44,289,007
Student services	1,448,006	1,659,947
Total	$ 257,626,404	$ 235,049,441

Permanently Restricted Net Assets - Permanently restricted net assets consist of funds arising from a gift or bequest in which the donor has stipulated, as a condition of the gift, that the principal be maintained in perpetuity and only the investment income from investment of the funds be expended. Certain donor endowments also specify that a portion of the earnings from the investment be reinvested as principal, or that all income earned over a period of time be reinvested. Amounts are also transferred for specific uses as authorized from time to time by the donor. Earnings, gains, and losses on restricted net assets are classified as unrestricted unless otherwise restricted by the donor or by applicable state laws.

Permanently restricted net assets as of June 30, 2012 and 2011 are available for the following purposes:

	2012	Restated 2011
Academic support	$ 9,570,274	$ 7,148,037
Alumni relations	405,091	459,028
Fundraising and development	306,856	362,463
Institutional support	4,405,321	4,548,254
Instruction and departmental research	70,095,672	67,450,839
Intercollegiate athletics	1,623,669	1,606,963
Public service	367,518	584,306
Research	3,126,589	612,969
Student aid	70,893,957	68,496,244
Student services	2,658,784	2,652,014
Total	$ 163,453,731	$153,921,117

Pledges Receivable

Amounts included in pledges receivable for unconditional promises to give at June 30, 2012 and 2011 are as follows:

At June 30, 2012	Temporarily Restricted	Permanently Restricted	Total
Gross amounts due in:			
Less than one year	$ 4,500,808	$ 4,007,597	$ 8,508,405
One to five years	5,524,406	8,939,497	14,463,903
More than five years	283,900	2,000	285,900
Gross pledges receivable	10,309,114	12,949,094	23,258,208
Less allowance for uncollectible pledges	(2,172,850)	(2,689,823)	(4,862,673)
Less discount to present value	(489,495)	(1,058,789)	(1,548,284)
Total pledges receivable - Net	$ 7,646,769	$ 9,200,482	$ 16,847,251

At June 30, 2011	Temporarily Restricted	Permanently Restricted	Total
Gross amounts due in:			
Less than one year	$ 3,413,954	$ 4,334,303	$ 7,748,257
One to five years	5,141,954	7,624,761	12,766,715
More than five years	376,695	401,638	778,333
Gross pledges receivable	8,932,603	12,360,702	21,293,305
Less allowance for uncollectible pledges	(2,038,025)	(2,820,165)	(4,858,190)
Less discount to present value	(402,935)	(987,411)	(1,390,346)
Total pledges receivable - Net	$ 6,491,643	$ 8,553,126	$ 15,044,769

As of June 30, 2012, the Foundation has approximately $47 million in numerous outstanding pledges which are considered to be intentions to give and are contingent upon future events. These pledges are not accrued as pledges receivable or recognized as revenue because they do not represent unconditional promises to give. It is not practicable to estimate the ultimate realizable value of these commitments or the period over which they might be collected.

Fair Value Measurements

The Foundation's investments include endowed funds, as well as a portion of working capital funds. The Foundation's investment policy provides that the long-term objective of the investment pool is to maximize the real return, or the nominal return less inflation, of the assets over a complete market cycle with emphasis on preserving capital and reducing volatility through prudent diversification. Further, the investment strategy seeks to provide real growth of assets in excess of endowment spending requirements plus inflation. The asset allocation of the Foundation's investments at June 30, 2012 and 2011 is summarized in the following table:

Fair Value and Cost of Investments at June 30, 2012 and 2011

	June 30, 2012		June 30, 2011	
	Fair Value	Cost	Fair Value	Cost
Fixed-income investments:				
Money market mutual funds	$ 10,791,592	$ 10,791,592	$ 13,894,663	$ 13,894,663
Bonds and bond mutual funds	38,863,601	36,865,330	25,647,394	24,410,003
TIPS mutual funds	12,989,052	11,603,588	15,426,278	14,654,431
Subtotal fixed income	62,644,245	59,260,510	54,968,335	52,959,097
Public equity investments:				
Domestic large-cap equity	89,717,278	77,566,333	69,571,362	59,354,765
Domestic small-cap equity	8,349,008	8,512,989	6,168,429	6,444,861
REITs	713,090	732,708	3,352,514	2,730,131
Developed international equity	80,095,680	80,000,605	56,569,956	48,231,766
Emerging markets international equity	25,576,463	19,404,091	14,700,262	7,467,338
Global equity	-	-	612,958	731,670
Subtotal public equity	204,451,519	186,216,726	150,975,481	124,960,531
Alternative investments:				
Commodities	17,102,473	20,183,777	10,968,983	12,316,733
Absolute return funds	49,180,019	52,407,230	50,500,753	50,660,956
Private equity funds	17,146,101	16,409,797	28,954,097	23,375,185
Private real estate funds	11,474,746	10,046,623	10,705,252	9,194,869
Venture capital funds	4,558,405	3,636,558	3,434,857	3,993,435
Direct private equity investments	-	-	17,805,171	12,119,277
Subtotal alternative investments	99,461,744	102,683,985	122,369,113	111,660,455
Total investments	$366,557,508	$348,161,221	$328,312,929	$289,580,083

The Foundation reports investments and split-interest agreements at estimated fair value, in accordance with the fair value hierarchy prescribed by Financial Accounting Standards Board Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures* (formerly SFAS 157). The framework for determining fair value is based on a hierarchy that prioritizes the valuation techniques and inputs used to measure fair value, as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access. The Foundation's Level 1 assets consist primarily of fixed-income or equity mutual funds, publicly traded large- and small-cap stocks, and REITs. Prices for these investments are widely available through major financial reporting services.

Level 2 - Inputs other than quoted prices that are observable, either directly or indirectly. These may include quoted prices for similar assets and liabilities in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals. The Foundation's Level 2 assets include government and corporate bonds, as well as commingled money market, bond, and equity funds that are not registered with the Securities and Exchange Commission and do not trade on an exchange.

Level 3 - Inputs that are unobservable, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability. The Foundation's Level 3 assets include allocations to commodities, absolute return funds, private equity, private real estate, and venture capital funds. The Foundation's Level 3 assets also include split-interest agreements that are valued using an actuarial approach.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the least observable input that is significant to the valuation. The Foundation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability. The Foundation's fair value assets and liabilities, by level, at June 30, 2012 and 2011 are summarized in the following tables:

Assets and Liabilities Measured at Fair Value on the Recurring Basis at June 30, 2012

		Fair Value at Reporting Date Using		
	June 30, 2012	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Fixed-income investments:				
Money market mutual funds	$ 10,791,592	$ 4,708	$ 10,786,884	$ -
Bonds and bond mutual funds	38,863,601	36,239,278	2,624,323	-
TIPS mutual funds	12,989,052	12,989,052	-	-
Subtotal fixed income	62,644,245	49,233,038	13,411,207	-
Public equity investments:				
Domestic large-cap equity	89,717,278	89,717,278	-	-
Domestic small-cap equity	8,349,008	8,349,008	-	-
REITs	713,090	713,090	-	-
Developed international equity	80,095,680	80,095,680	-	-
Emerging markets international equity	25,576,463	14,355,834	11,220,629	-
Subtotal public equity	204,451,519	193,230,890	11,220,629	-
Alternative investments:				
Commodities (1)	17,102,473	7,597,814	-	9,504,659
Absolute return funds (2)	49,180,019	-	-	49,180,019
Private equity funds (3)	17,146,101	-	-	17,146,101
Private real estate funds (4)	11,474,746	-	-	11,474,746
Venture capital funds (5)	4,558,405	-	-	4,558,405
Subtotal alternative investments	99,461,744	7,597,814	-	91,863,930
Total investments	$ 366,557,508	$ 250,061,742	$ 24,631,836	$ 91,863,930
Split-interest Agreements				
Charitable gift annuities	$ 2,426,539	$ 2,058,182	$ 368,357	$ -
Charitable trusts (6)	16,707,079	15,626,806	292,921	787,352
Total split-interest agreements	$ 19,133,618	$ 17,684,988	$ 661,278	$ 787,352
Total fair value measurements	$ 385,691,126	$ 267,746,730	$ 25,293,114	$ 92,651,282

Assets and Liabilities Measured at Fair Value on the Recurring Basis at June 30, 2011

		Fair Value at Reporting Date Using		
	June 30, 2011	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Fixed-income investments:				
Money market mutual funds	$ 13,894,663	$ 428,461	$13,466,202	$ -
Bonds and bond mutual funds (7)	25,647,394	23,223,938	2,248,456	175,000
TIPS mutual funds	15,426,278	15,426,278	-	-
Subtotal fixed income	54,968,335	39,078,677	15,714,658	175,000
Public equity investments:				
Domestic large-cap equity	69,571,362	69,571,362	-	-
Domestic small-cap equity	6,168,429	6,168,429	-	-
REITs	3,352,514	3,352,514		
Developed international equity	56,569,956	56,569,956	-	-
Emerging markets international equity	14,700,262	3,066,849	11,633,413	-
Global equity	612,958	612,958	-	-
Subtotal public equity	150,975,481	139,342,068	11,633,413	-
Alternative investments:				
Commodities (1)	10,968,983	-	-	10,968,983
Absolute return funds (2)	50,500,753	-	-	50,500,753
Private equity funds (3)	28,954,097	-	-	28,954,097
Private real estate funds (4)	10,705,252	-	-	10,705,252
Venture capital funds (5)	3,434,857	-	-	3,434,857
Direct private equity investments (8)	17,805,171	-	-	17,805,171
Subtotal alternative investments	122,369,113	-	-	122,369,113
Total investments	$328,312,929	$ 178,420,745	$27,348,071	$122,544,113
Split-Interest Agreements				
Charitable gift annuities	$ 2,475,238	$ 2,116,345	$ 358,893	$ -
Charitable trusts (6)	17,022,926	15,696,253	621,088	705,585
Total split-interest agreements	$ 19,498,164	$ 17,812,598	$ 979,981	$ 705,585
Total fair value measurements	$347,811,093	$ 196,233,343	$28,328,052	$123,249,698

Commodities funds investing in areas that offer strong relative performance in rising inflation environments and are broadly diversified across the commodities markets, including futures, options on futures, and forward contracts on exchange-traded agricultural goods, metals, minerals, and energy products.

(1) Hedge funds broadly diversified across managers, investment strategies, and investment venues. Includes both fund investments, as well as fund of funds investments.

(2) Private equity funds broadly diversified across managers, investment stages, geography, industry sectors, and company size. Includes individual fund investments, as well as fund of funds investments.

(3) Private real estate funds broadly diversified across managers, investment strategies, geography, and industry sectors.

(4) Venture capital funds with the objective of investing in early stage business entities and enterprises with a primary focus on medical and information technologies.

(5) Level 3 asset represents the present value of the revenue expected to be received from charitable trusts, where the Foundation does not serve as trustee.

(6) Level 3 investment represents auction rate preferred shares in a closed-end fixed-income fund, which is illiquid and in the process of being refinanced by the investment manager.

(7) Includes ownership of stock in a manufacturer of precision sensor measurement equipment. Also includes estimated proceeds from the sale of stock in a privately held manufacturer of genetically engineered and non-engineered tissue cell cultures, to be received at the end of the escrow period.

Investments are reported as Level 3 assets if the valuation is based on significant unobservable inputs. Often, these assets trade infrequently, or not at all. For some Level 3 assets, both observable and unobservable inputs may be used to determine fair value. As a result, the unrealized gains and losses presented in the tables below may include changes in fair value that were attributable to both observable and unobservable inputs.

The Foundation's policy is to recognize transfers between levels of the fair value hierarchy as of the beginning of the reporting period. For the fiscal years ended June 30, 2012 and June 30, 2011, there were no transfers between levels of the fair value hierarchy.

Additional information on the changes in Level 3 assets is summarized in the table below as of June 30, 2012 and 2011:

Changes in Level 3 Assets Measured at Fair Value on a Recurring Basis for the Year Ended June 30, 2012

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)			
		Fixed Income	Alternative Investments	
	Total Level 3 Investments	Bond Mutual Funds	Commodities	Absolute Return Funds
Beginning balance	$ 122,544,113	$ 175,000	$ 10,968,983	$ 50,500,753
Gains (losses) included in changes in net assets:				
Realized gains (losses)	37,597,817	-	(2,785)	1,849,206
Unrealized losses	(13,855,823)	-	(1,426,010)	(3,169,940)
Total gains (losses)	23,741,994	-	(1,428,795)	(1,320,734)
Purchases and sales:				
Purchases	4,055,414	-	113,201	-
Sales	(58,477,591)	(175,000)	(148,730)	-
Total purchases and sales	(54,422,177)	(175,000)	(35,529)	-
Ending balance	$ 91,863,930	$ -	$ 9,504,659	$ 49,180,019

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) (Continued)			
	Alternative Investments (Continued)			
	Private Equity Funds	Private Real Estate Funds	Venture Capital Funds	Direct Private Equity Investments
Beginning balance	$ 28,954,097	$ 10,705,252	$ 3,434,857	$ 17,805,171
Gains (losses) included in changes in net assets:				
Realized gains	3,604,193	120,237	-	32,026,966
Unrealized (losses) gains	(4,958,280)	(96,123)	1,480,424	(5,685,894)
Total (losses) gains	(1,354,087)	24,114	1,480,424	26,341,072
Purchases and sales:				
Purchases	1,877,152	1,865,061	200,000	-
Sales	(12,331,061)	(1,119,681)	(556,876)	(44,146,243)
Total purchases and sales	(10,453,909)	745,380	(356,876)	(44,146,243)
Ending balance	$ 17,146,101	$ 11,474,746	$ 4,558,405	$ -

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) (Continued)
	Split-interest Agreements
	Charitable Trust Assets
Beginning balance	$ 705,585
Change in value of split-interest agreements included in changes in net assets:	
Change in actuarial estimate	81,767
Total change in value	81,767
Ending balance	$ 787,352

Changes in Level 3 Assets Measured at Fair Value on a Recurring Basis for the Year Ended June 30, 2011

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)			
		Fixed Income	Alternative Investments	
	Total Level 3 Investments	Bond Mutual Funds	Commodities	Absolute Return Funds
Beginning balance	$ 99,973,403	$ 175,000	$ 8,305,151	$ 46,868,395
Gains (losses) included in changes in net assets:				
Realized gains (losses)	1,840,065	-	(2,120)	-
Unrealized gains	10,866,123	-	2,662,320	3,632,358
Total gains	12,706,188	-	2,660,200	3,632,358
Purchases and sales:				
Purchases	3,361,190	-	44,034	-
Contributions	11,651,246	-	-	-
Sales	(5,147,914)	-	(40,402)	-
Total purchases and sales	9,864,522	-	3,632	-
Ending balance	$ 122,544,113	$ 175,000	$ 10,968,983	$ 50,500,753

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) (Continued)			
	Alternative Investments (Continued)			
	Private Equity Funds	Private Real Estate Funds	Venture Capital Funds	Direct Private Equity Investments
Beginning balance	$ 27,422,472	$ 8,375,982	$ 2,618,032	$ 6,208,371
Gains (losses) included in changes in net assets:				
Realized gains	1,808,652	20,307	13,226	-
Unrealized gains	2,511,187	1,371,987	688,271	-
Total gains	4,319,839	1,392,294	701,497	-
Purchases and sales:				
Purchases	1,402,110	1,740,046	175,000	-
Contributions	-	54,446	-	11,596,800
Sales	(4,190,324)	(857,516)	(59,672)	-
Total purchases and sales	(2,788,214)	936,976	115,328	11,596,800
Ending balance	$ 28,954,097	$ 10,705,252	$ 3,434,857	$ 17,805,171

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) (Continued)
	Split-interest Agreements
	Charitable Trust Assets
Beginning balance	$ 871,520
Change in value of split-interest agreements included in changes in net assets:	
Change in actuarial estimate	(165,935)
Total change in value	(165,935)
Ending balance	$ 705,585

An amendment to ASC 820 released in September 2009 permits the Foundation to use the net asset value (NAV), as a practical expedient, to estimate the fair value of an investment fund. Although the Foundation considers all available data in reporting the fair value of investments, the NAV, or its equivalent, is used as the primary valuation input for some Level 2 and most Level 3 assets.

The following table provides additional information regarding the fair value, liquidity, and unfunded commitment for investments where the NAV was used as a practical expedient.

Level 2 and Level 3 Investments Reported at Net Asset Value at June 30, 2012

	Fair Value	Redemption Frequency	Redemption Notice Period	Estimated Termination Date (Fiscal Year)	Unfunded Commitment
Fixed-income investments:					
Money market mutual funds (Level 2)	$ 10,786,884	daily	none	not applicable	$ -
Bonds and bond mutual funds (Level 2)	1,270,038	daily	1 day	not applicable	-
Bonds and bond mutual funds (Level 3)	-				-
Subtotal fixed income	12,056,922				-
Public equity investments:					
Emerging markets international equity mutual funds (Level 2)	11,220,629	monthly	30 days	not applicable	-
Subtotal public equity	11,220,629				-
Alternative investments:					
Commodities (Level 3)	9,504,659	monthly	10 - 30 days	not applicable	-
Absolute return funds (Level 3)	49,180,019	quarterly	60 - 95 days	not applicable	-
Private equity funds (Level 3)	17,146,101	not liquid	not liquid	2012 - 2021	8,223,776
Private real estate funds (Level 3)	11,474,746	not liquid	not liquid	2012 - 2018	757,575
Venture capital funds (Level 3)	4,558,405	not liquid	not liquid	2012 - 2014	815,082
Direct private equity investments (Level 3)	-				-
Subtotal alternative investments	91,863,930				9,796,433
Total investments	$ 115,141,481				$ 9,796,433

Level 2 and Level 3 Investments Reported at Net Asset Value at June 30, 2011

	Fair Value	Redemption Frequency	Redemption Notice Period	Estimated Termination Date (Fiscal Year)	Unfunded Commitment
Fixed-income investments:					
Money market funds (Level 2)	$ 13,466,202	daily	none	not applicable	$ -
Bonds and bond mutual funds (Level 2)	1,176,634	daily	1 day	not applicable	-
Bonds and bond mutual funds (Level 3)	175,000	not liquid	not liquid	not liquid	-
Subtotal fixed income	14,817,836				-
Public equity investments:					
Emerging markets international equity mutual funds (Level 2)	11,633,413	monthly	30 days	not applicable	-
Subtotal public equity	11,633,413				-
Alternative investments:					
Commodities (Level 3)	10,968,983	monthly	10 - 30 days	not applicable	-
Absolute return funds (Level 3)	50,500,753	quarterly	60 - 65 days	not applicable	-
Private equity funds (Level 3)	28,954,097	not liquid	not liquid	2012 - 2018	5,575,425
Private real estate funds (Level 3)	10,705,252	not liquid	not liquid	2012 - 2018	3,590,237
Venture capital funds (Level 3)	3,434,857	not liquid	not liquid	2012 - 2014	1,015,082
Direct private equity investments (Level 3)	17,805,171	not liquid	not liquid	2012	-
Subtotal alternative investments	122,369,113				10,180,744
Total investments	$ 148,820,362				$ 10,180,744

Donor- and Board-restricted Endowments

The Foundation's endowment includes both donor-restricted endowment funds and funds designated by the board of trustees as quasi-endowments. Certain quasi-endowments have been created with unrestricted funds, while others have been created with gifts that were temporarily restricted by the donor for the benefit of a particular college within the University. Both types of quasi-endowments have been included in the following schedules because both have been invested to provide income for a long, but unspecified period in accordance with board-imposed restrictions. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions or board-imposed restrictions.

Interpretation of Relevant Law - The Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the contributed value of the original gift of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to distribute or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund

(2) The purposes of the gifting organization or individual and the donor-restricted endowment fund

(3) General economic conditions

(4) The possible effect of inflation and deflation

(5) The expected total return from income and the appreciation of investments

(6) Other resources of the Foundation

(7) The investment policies of the Foundation

Endowment Net Asset Composition by Type of Fund as of June 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment	$ (290,619)	$ 103,175,081	$ 152,083,400	$ 254,967,862
Board-designated (quasi) endowment created with donor-restricted funds	-	92,247,195	-	92,247,195
Board-designated (quasi) endowment created with unrestricted funds	-	-	-	-
Total funds	$ (290,619)	$ 195,422,276	$ 152,083,400	$ 347,215,057

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Market value - Beginning of the year	$12,168,755	$ 167,992,691	$ 142,078,701	$ 322,240,147
Net realized and unrealized gains and losses and investment income	(670,534)	28,550,828	(68,562)	27,811,732
Contributions	-	-	10,073,261	10,073,261
Spending policy transfer	-	(142,494)	-	(142,494)
Transfers (from) to board-designated endowments	(11,788,840)	1,153,504	-	(10,635,336)
Administrative fee	-	(2,132,253)	-	(2,132,253)
Market value - End of the year	$ (290,619)	$ 195,422,276	$ 152,083,400	$ 347,215,057

Restated Endowment Net Asset Composition by Type of Fund as of June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment	$ (205,666)	$ 76,874,443	$ 142,078,701	$ 218,747,478
Board-designated (quasi) endowment created with donor-restricted funds	-	91,118,248	-	91,118,248
Board-designated (quasi) endowment created with unrestricted funds	12,374,421	-	-	12,374,421
Total funds	$12,168,755	$ 167,992,691	$ 142,078,701	$ 322,240,147

Restated Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Market value - Beginning of the year				
As previously reported	$ 1,110,883	$ 112,808,747	$ 137,891,194	$ 251,810,824
Adjustment to properly classify endowment	-	9,517,452	5,386,204	14,903,656
As restated	1,110,883	122,326,199	143,277,398	266,714,480
Net realized and unrealized gains and losses and investment income	10,978,769	42,750,814	(5,008,872)	48,720,711
Contributions	-	-	4,600,175	4,600,175
Spending policy transfer	(377,843)	(7,996,499)	(800,000)	(9,174,342)
Transfers to board - designated endowments	529,166	11,876,246	10,000	12,415,412
Administrative fee	(72,220)	(964,069)	-	(1,036,289)
Market value - End of the year	$12,168,755	$ 167,992,691	$ 142,078,701	$ 322,240,147

Funds with Deficiencies - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the contributed value that the donor or UPMIFA requires the Foundation to retain as the corpus. These funds are known as "underwater accounts." In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were $290,619 and $205,666 as of June 30, 2012 and 2011, respectively. These deficiencies resulted from unfavorable market fluctuations and allowable distributions made over time.

Return Objectives and Risk Parameters - The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the long-term purchasing power of the endowment assets. Endowment assets include donor-restricted funds that are held in perpetuity or for donor-specified periods, as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to outperform, over rolling 12-quarter periods, a composite benchmark of appropriately weighted indices, while maintaining acceptable risk levels. The Foundation anticipates the endowment funds will provide an average rate of return of approximately 7.7 percent annually, gross of investment management fees of approximately 1 percent. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, the Foundation relies on a total-return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy - For the fiscal year ended June 30, 2012, the Foundation's spending policy stipulated that 5 percent of a three-year moving average of the market value of the endowment was available to spend, with 1 percent of the amount being set aside to support the Foundation's administrative expenses. The spending rate applied to all endowment accounts except underwater accounts, where spending was limited to 1 percent of a three-year moving average of the market value. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow the endowment to grow at an average of 1.7 percent annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through investment returns and new gifts.

Additionally, during the fiscal year ended June 30, 2012, the Foundation moved the date of the spending policy transfer from June 30 to July 1, which is the date that the board appropriates the funds for spending. The decline in spending policy transfer, as included in the endowment tables above, is reflective of this change in process and is not indicative of an overall decline in available funding.

Property and Equipment

As of June 30, 2012 and 2011, property and equipment are as follows:

	2012	2011
Land	$ 2,455,998	$ 2,455,841
Land improvements	780,105	683,258
Building and building improvements	39,821,131	39,336,797
Furnishings, fixtures, and equipment	4,898,374	4,815,715
Subtotal	47,955,608	47,291,611
Less accumulated depreciation and amortization	(17,434,890)	(15,979,426)
Property and equipment - Net	$ 30,520,718	$ 31,312,185

Total depreciation expense of $1,543,586 and $1,635,935 was recorded in fiscal years 2012 and 2011, respectively.

Support from Ohio University

During 2012 and 2011, the University paid certain payroll costs amounting to $5,274,285 and $4,470,240, respectively, and additional costs of $0 and $53,365, respectively, for the Foundation's Development Office, Office of Alumni Relations, and Accounting Office. The support costs paid by the University are reflected in the consolidated statements of activities as University support, with a like amount included in expenses.

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

Split-interest Agreements

Charitable Gift Annuities - Under charitable gift annuity agreements, all assets are held by the Foundation. Therefore, the Foundation has recorded the donated assets at fair value and the liabilities to the donor or his/her beneficiaries discounted to the present value of the estimated future payments to be distributed by the Foundation to such individuals. The amount of the contribution is the difference between the asset and liability and is recorded as contribution revenue. The Foundation uses the Internal Revenue Service (IRS) discount rate, or Applicable Federal Rate, to determine net present value of the liability. This rate is published monthly and represents the annual rate of return that the IRS assumes the gift assets will earn during the gift term. The discount rate for each charitable gift annuity is established at the beginning of the agreement. The discount rate applied to gift annuities held at June 30, 2012 and 2011 ranged from 2.0 to 9.4 percent.

Charitable Remainder Trusts - Under charitable remainder trust agreements, the Foundation serves as the remainderman and will receive the net assets of the trust upon death of the donor's beneficiary. During the life of the trust, the donor, or the donor-designated beneficiary, will receive regular payments as established by the trust.

In instances where the donor has not specifically reserved the right to change the remainderman, and all assets of charitable remainder trust are maintained by a third-party trustee in an irrevocable trust for the benefit of the Foundation, the Foundation will recognize, as contribution revenue and as a receivable, the present value of the estimated future benefits to be received when the trust assets are distributed. The trustee disburses income earned on the assets of the charitable remainder trust to the donor or donor-designated beneficiaries.

In instances where the donor has not specifically reserved the right to change the remainderman, and the Foundation serves as the trustee, the Foundation will recognize the fair market value of the assets of the trust, as well as a liability for the net present value of future payments to be distributed by the Foundation to the donor or his/her designated beneficiaries. The amount of the contribution is the difference between the asset and liability at the inception of the trust. The Foundation uses the IRS discount rate, or Applicable Federal Rate, to determine net present value of the liability. This rate is published monthly and represents the annual rate of return that the IRS assumes the gift assets will earn during the gift term. The discount rate for each charitable remainder trust is established at the beginning of the agreement. The discount rate applied to charitable remainder trusts held at June 30, 2012 and 2011 ranged from 3.4 to 8.2 percent.

Certain charitable remainder trust transactions are not reported on the consolidated statements of financial position or the consolidated statements of activities as, in these cases, the remainderman can be changed by the donor prior to his/her death.

Adjustments to the receivable to reflect amortization of the discount, revaluation of the present value of the estimated future payments to the donor-designated beneficiaries, and changes in actuarial assumptions during the term of the trust are recognized as changes in the value of split-interest agreements. Upon the death of the donor-designated beneficiaries, the receivable is closed, the assets received from the trust are recognized at fair value, and any difference is reported as a change in the value of split-interest agreements.

Lead Trusts - Charitable lead trusts provide an income stream to the Foundation for a set period of time established by the donor. The income stream is recorded at the net present value of the payments. Once the set period of time ends, the Foundation will no longer receive the income stream and the remaining principal is transferred back to the donor. If the Foundation serves as trustee, an asset and a liability will be recorded for the trust. The asset is booked at the fair market value. The liability is recorded at fair market value less the net present value of the income stream. If the Foundation does not serve as trustee, only the asset, at the net present value of the income stream, will be recorded for the trust. The Foundation uses the IRS discount rate, or Applicable Federal Rate, to determine net present value of the income stream. This rate is published monthly and represents the annual rate of return that the IRS assumes the gift assets will earn during the gift term. The discount rate for each charitable lead trust is established at the beginning of the agreement. The discount rate applied to the lead trusts held at June 30, 2012 and 2011 ranged from 1.05 to 5.00 percent.

Perpetual and Other Trusts - Perpetual trusts are those trusts that provide a perpetual income stream to the Foundation but are held by a third party. An asset and revenue are recorded for the fair market value of the instrument. Each year, the net change in fair market value to the asset is recorded as an increase or decrease in revenue.

Pooled Income Fund - A pooled income fund allows a donor to place funds into an investment pool from which an income stream is provided. The income stream is paid to the donor and/or the donor-designated beneficiaries, and the Foundation will receive the net assets of the fund upon their death.

Revocable Trusts - Under revocable trust agreements, the Foundation serves as the remainderman and will receive the net assets of the trust upon death of the donor's beneficiary. All assets of the trust may be maintained by a third-party trustee for the benefit of the Foundation, or by the Foundation if named as a trustee. The trustee disburses income earned on the assets of the trust to the donor or donor-designated beneficiaries. Under revocable trust agreements, the donor maintains the ability to legally dissolve the trusts and may or may not reserve the right to change the remainderman. For these reasons, the Foundation does not report revocable trust transactions on the consolidated statements of financial position or the consolidated statements of activities if the trust is held by a third-party trustee.

Inn-Ohio of Athens, Inc.

The Inn was purchased by the Foundation on August 30, 1986. The primary purpose for which the Foundation invested in the Inn was to provide affordable and convenient housing, dining, and conference facilities for University employees, alumni, and guests. As a significant portion of the Inn's revenue is derived from these customers, the Foundation is committed to financially supporting the Inn.

The Inn's business is subject to all of the risks inherent in the lodging industry. These risks include, among other factors, varying levels of demand for rooms and related services, adverse effects of general and local economic and market conditions, changes in governmental regulations that influence wages or prices, changes in interest rates, the availability of credit, changes in real estate taxes and other operating expenses, and the recurring need for renovation, refurbishment, and improvements.

Operations - The Inn's operations for the years ended June 30, 2012 and 2011 are summarized below:

	2012	2011
Revenue	$ 4,457,098	$ 4,228,160
Operating and general expenses	3,567,486	3,457,896
Depreciation and amortization	536,105	552,058
Interest expense - Net	45,198	134,960
Provision for income taxes	127,924	(58,638)
Total expenses	4,276,713	4,086,276
Net income	180,385	141,884
Unrealized gains	39,796	8,404
Change in net assets	$ 220,181	$ 150,288

Effective November 30, 1996, a management agreement (the "Management Agreement") was entered into with Winegardner & Hammons, Inc. (the "Manager"). The Management Agreement was amended during fiscal 2001 to automatically renew annually unless notified in writing 60 days prior to the end of the fiscal year. The Manager's compensation is a base fee plus 15 percent of the hotel's net available operating profit as defined in the Management Agreement.

In fiscal years 2012 and 2011, base management fees incurred by the Inn with respect to the Manager were $100,000 per year and incentive fees were $97,489 and $75,841, respectively.

The Inn's alternative minimum tax credit carryforwards were approximately $0 at June 30, 2012 and $46,000 at June 30, 2011.

Debt Obligations - Long-term debt of the Inn as of June 30, 2012 and June 30, 2011 consists of the following:

	2012	2011
Term loan - Principal due through June 2021, interest at 3.31 percent through June 2016 and adjusted thereafter	$ 2,824,400	$3,051,800
Less current portion of long-term debt	(242,000)	(227,400)
Total	$ 2,582,400	$2,824,400

In June 2006, the Inn obtained a $4,000,000 term loan, the proceeds of which were used to pay a dividend of $3,000,000 in June 2006 and $1,000,000 of which was placed in the bond fund to retire the 1996 Serial and Term Project Bonds in November 2006. The term loan is guaranteed by the Foundation.

Substantially all of the property and equipment are pledged as collateral for the term loan. The interest rate on the term loan was fixed at 6.20 percent through June 2011 and was adjusted to 3.31 percent as of July 1, 2011. The interest rate will be adjusted to the index rate as defined in the agreement plus 1.40 percent in June 2016 and every five years thereafter.

Maturities of long-term debt at June 30, 2012 are set forth in the following schedule:

Years Ending June 30	Amount
2013	$ 242,000
2014	257,400
2015	273,800
2016	291,300
2017	291,300
Thereafter	1,468,600
Total	$ 2,824,400

The fair value of the debt obligations approximates the carrying value at June 30, 2012 and 2011.

Housing for Ohio, Inc.

In November 1999, the Foundation established Housing, a limited liability company and 501(c)(3) corporation, with the purpose of acquiring, developing, constructing, and operating a 182-unit student-housing rental project which contains 580 beds. The property, known as University Courtyard Apartments (the "Project"), is located in Athens, Ohio on property owned by the University and leased to Housing. The facility is managed and operated by a private entity.

Operations - Housing's operations for the years ended June 30, 2012 and 2011 are summarized below:

	2012	2011
Revenue	$ 3,419,605	$ 2,720,210
Operating and general expenses	1,360,555	1,177,081
Depreciation and amortization	786,069	862,941
Interest expense and bond fees	704,817	658,484
Tax and insurance	78,180	263,419
Total expenses	2,929,621	2,961,925
Change in net assets	$ 489,984	$ (241,715)

Debt - In September 2000, Housing offered $31,985,000 of variable-rate, tax-exempt bonds (the "2000 Bonds"). The proceeds of the 2000 Bonds financed the construction, installation, and equipping of the Project. The 2000 Bonds will be fully matured at June 2032 and bear interest at an adjustable rate as determined weekly by the remarketing agent, based on its knowledge of prevailing market conditions, except that in no event will the interest rate exceed 12 percent.

The average interest rates for the years ended June 30, 2012 and 2011 were 0.14 percent and 0.25 percent, respectively, and the actual interest rates at June 30, 2012 and 2011 were 0.20 and 0.10 percent, respectively.

As collateral, until all principal and interest on any of the 2000 Bonds have been paid, Housing has pledged, assigned, and granted a security interest to its right, title, and interest in gross revenue of University Courtyard Apartments and related assets. The Foundation has made no additional pledge of assets or revenue to the 2000 Bonds, which are nonrecourse to the Foundation.

Principal payments for the bonded debt for the years subsequent to June 30, 2012 are summarized as follows:

Years Ending June 30	Principal
2013	$ 780,000
2014	820,000
2015	865,000
2016	910,000
2017	960,000
Thereafter	22,415,000
Total	$ 26,750,000

Debt issuance costs are included in property on the consolidated statements of financial position and are amortized over the term of the 2000 Bonds. Amortization was $26,157 during each of the years ended June 30, 2012 and 2011.

Additionally, Housing has an outstanding promissory note to the Project's developer in the original amount of $700,000. The note is payable in 10 annual installments of $70,000 through June 2014. The payment terms are predicated on the Project's current management company remaining the manager of the Project. In the event that the current management company's services are terminated prior to the final payment, the remaining balance shall become immediately due and payable. There is no interest accruing on the note, and management of Housing believes that the present value discount of future payments and the calculation of imputed interest on this note are not significant to the consolidated financial statements. In March 2012, the Organization was notified by a financial institution that the developer had listed the remaining installment payments as collateral on a loan with that financial institution. The notification advised that all subsequent payments were to be made to that financial institution. Although a payment was due June 1, 2012, the Organization is in the process of negotiating a settlement of all payments with the financial institution. In addition to this payment, the original agreement anticipated installment payments of $70,000 on June 1, 2013 and June 1, 2014.

Restatement

During the fiscal year ended June 30, 2012, the Foundation discovered that an estate gift received in 1979 had been classified as an unrestricted gift, rather than a true endowment as stipulated by the donor's last will and testament. Since inception of the gift, these funds had been treated as a board-designated (quasi) endowment, with certain principal withdrawals occurring periodically over the life of the gift.

A prior-period adjustment was recorded to properly classify this gift as a true endowment. This action had no net effect on the Foundation's total financial position. However, the adjustment increased permanently restricted net assets by an amount equal to the gift's historic value, increased temporarily restricted net assets by an amount equal to the gift's accumulated market appreciation since inception, and reduced unrestricted net assets by a like amount.

As of July 1, 2010, the adjustment reduced unrestricted net assets by $14.9 million, increased temporarily restricted net assets by $9.5 million, and increased permanently restricted net assets by $5.4 million. For the year ended June 30, 2011, the adjustment reduced the change in unrestricted net assets by $2.1 million, increased the change in temporarily restricted net assets by $2.1 million, and had no effect on the change in permanently restricted net assets. As of June 30, 2011, the adjustment reduced unrestricted net assets by $17.0 million, increased temporarily restricted net assets by $11.6 million, and increased permanently restricted net assets by $5.4 million. Changes to the statement of financial position and statement of activities as of and for the year ended June 30, 2011 are detailed below:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net Assets - Beginning of year				
As previously presented	$ 2,933,270	$ 172,666,202	$149,205,873	$324,805,345
Adjustment to properly classify endowment	(14,903,656)	9,517,452	5,386,204	-
As restated	(11,970,386)	182,183,654	154,592,077	324,805,345
Revenue and other support				
Interest and dividends				
As previously presented	303,830	3,010,052	-	3,313,882
Adjustment to properly classify endowment	(51,634)	51,634	-	-
As restated	252,196	3,061,686	-	3,313,882
Sold during the year (realized gain (loss)				
As previously presented	625,096	10,702,957	(4,686,345)	6,641,708
Adjustment to properly classify endowment	(106,198)	106,198	-	-
As restated	518,898	10,809,155	(4,686,345)	6,641,708
Held at year end (unrealized gain (loss)				
As previously presented	12,354,732	27,188,440	(355,858)	39,187,314
Adjustment to properly classify endowment	(2,097,138)	2,097,138	-	-
As restated	10,257,594	29,285,578	(355,858)	39,187,314
Administrative fee income				
As previously presented	807,340	(807,340)	-	-
Adjustment to properly classify endowment	156,729	(156,729)	-	-
As restated	964,069	(964,069)	-	-
Change in Net Assets				
As previously presented	10,681,759	50,767,546	(670,960)	60,778,345
Adjustment to properly classify endowment	(2,098,241)	2,098,241	-	-
As restated	8,583,518	52,865,787	(670,960)	60,778,345
Net Assets - End of year				
As previously presented	13,615,029	223,433,748	148,534,913	385,583,690
Adjustment to properly classify endowment	(17,001,897)	11,615,693	5,386,204	-
As restated	$ (3,386,868)	$ 235,049,441	$153,921,117	$385,583,690

Supplemental Information

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To the Board of Trustees
Ohio University

We have audited the financial statements of the business-type activities and discretely presented component unit of Ohio University (the "University") as of and for the year ended June 30, 2012, which collectively comprise the University's basic financial statements, and have issued our report thereon dated October 8, 2012. We have 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

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

To the Board of Trustees
Ohio University

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ohio University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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 management, the board of trustees, others within the entity, the audit committee, the Auditor of the State of Ohio, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

October 8, 2012

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Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

Independent Auditor's Report

To the Board of Trustees
Ohio University

Compliance

We have audited the compliance of Ohio University (the "University") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The major federal programs of Ohio University are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Ohio University's management. Our responsibility is to express an opinion on Ohio University's compliance based on our audit.

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

In our opinion, Ohio University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-l33 and which are described in the accompanying schedule of findings and questioned costs as Findings 2012-01 and 2012-02.

To the Board of Trustees
Ohio University

Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Findings 2012-01 and 2012-02 to be material weaknesses.

Ohio University's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Ohio University's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the board of trustees, others within the entity, the audit committee, the Auditor of the State of Ohio, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

October 8, 2012

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

Federal Agency/Pass-Through Grantor	CFDA No.	Federal/Pass-Through Grant Number	Expenditures
STUDENT AID CLUSTER			
DEPARTMENT OF EDUCATION			
Direct Programs:			
Supplemental Educational Opportunity Grants	84.007	P007A113342	$ 775,830
College Work-Study Program	84.033	P033A113342	829,029
Pell Grant Program	84.063	P063P110345	43,441,889
Pell Grant Program (Prior Year)	84.063	P063P110345	9,166
Federal Direct Student Loan	84.268	UNKNOWN	211,363,475
Federal Perkins Loans Outstanding	84.038	UNKNOWN	9,129,047
Academic Competitiveness Grant (Prior Year)	84.375	UNKNOWN	(250)
National Science and Mathematics Access to Retain Talent Grant (Prior Year)	84.376	UNKNOWN	(1,334)
TEACH GRANT	84.379	P379T120345	998,082
Total Department of Education			266,544,934
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct Programs:			
Primary Care Loans (HPSL) Outstanding	93.342	UNKNOWN	2,465,551
Disadvanataged Student Loans Outstanding	93.342	UNKNOWN	1,718,696
FY12 SDS AWARD	93.925	T08HP22370	51,876
Total Department of Health and Human Services			4,236,123
TOTAL STUDENT AID CLUSTER			**270,781,057**
RESEARCH AND DEVELOPMENT CLUSTER			
APPALACHIAN REGIONAL COMMISSION			
Direct Programs:			
APPALACHIAN REGIONAL COMMISSION	23.009	OH-16259-09	23,891
Total Appalachian Regional Commission			23,891
DEPARTMENT OF AGRICULTURE			
Direct Programs:			
U S DEPARTMENT OF AGRICULTURE	10.001	58-1235-8-160	31,696
U S DEPARTMENT OF AGRICULTURE	10.206	2008-35318-04572	140,150
U S DEPARTMENT OF AGRICULTURE	10.206	2009-35320-05623	14,674
U S DEPARTMENT OF AGRICULTURE	10.961	58-3148-1-166	7,037
U S DEPARTMENT OF AGRICULTURE	10.XXX	06-JV-11242300-070	(19)
U S DEPARTMENT OF AGRICULTURE	10.XXX	10-CR-11242302-056	20,626
U S DEPARTMENT OF AGRICULTURE	10.XXX	11-JV-11242309-117	11,530
U S DEPARTMENT OF AGRICULTURE	10.XXX	12-JV-11242309-018	1,323
U S DEPARTMENT OF AGRICULTURE	10.XXX	11-PA-11091400-015	6,939
Total Department of Agriculture			233,956
DEPARTMENT OF DEFENSE			
Direct Programs:			
US Army			
U S ARMY CORP OF ENGINEERS	12.XXX	W912DR-10-P-0104	32,530
U S ARMY CORP OF ENGINEERS	12.XXX	W912DR-12-P-0050	9,008
US ARMY CONSTRUCTION ENGINEERING RESEARCH LABORATO	12.630	W9132T-09-1-0001	1,239,502
US ARMY RDECOM ACQUISITION CENTER	12.431	W911NF-11-1-0358	54,714
			1,335,754
Defense Threat Reduction Agency			
DEFENSE THREAT REDUCTION AGENCY	12.351	HDTRA1-09-1-0059	107,513
Office of the Chief of Naval Research			
OFFICE OF NAVAL RESEARCH	12.300	N00014-12-1-0335	10,933
Subtotal Direct Programs			1,454,200

See Notes to Schedule of Expenditures of Federal Awards.

Federal Agency/Pass-Through Grantor	CFDA No.	Federal/Pass-Through Grant Number	Expenditures
RESEARCH AND DEVELOPMENT CLUSTER (con't)			
DEPARTMENT OF DEFENSE (con't)			
Pass-Through Programs From:			
BAE SYSTEMS, INC.	12.XXX	31-5060068	$ (2,385)
DAYTON AREA GRADUATE STUDIES INSTITUTE	12.XXX	RY9-OU-09-4	91
MIAMI UNIVERSITY	12.XXX	P0067120	132
MIAMI UNIVERSITY	12.800	G01901	70,974
NORTHROP GRUMMAN	12.XXX	39199503	3,139
OHIO AEROSPACE INSTITUTE	12.XXX	R-300-100303-40104	137,818
OHIO STATE UNIVERSITY	12.XXX	60018316, RF01130500; 60019548, RF01142374/RF01223512; 60019917, RF01146209	699,934
OHIO STATE UNIVERSITY	12.XXX	60019394; RF01265691	2,702
PARSONS BRINCKERHOFF	12.XXX	N40085-11-D-7210	20,488
PENN STATE UNIVERSITY	12.431	3225-OU-USA-0026	22,462
PERFORMANCE POLYMER SOLUTIONS, INC	12.XXX	UNKNOWN	29,066
PERFORMANCE POLYMER SOLUTIONS, INC	12.XXX	FA8650-11-C-5103	26,513
QUANTUM DIMENSION	12.XXX	C0053-1	14,967
SCIENCE APPLICATIONS INTERNATIONAL CORPORATION	12.XXX	4400132785	9,412
UES, INC.	12.XXX	S-875-160-002; P875-16	45,000
UNIVERSITY OF CINCINNATI	12.XXX	005963, PO# L09-4500036894; L11-4500051126; L12-4500057829	3,000
UNIVERSITY OF ILLINOIS AT CHICAGO	12.420	2008-06237-01-00KN	22,125
Subtotal Pass-Through Programs			1,105,438
Total Department of Defense			2,559,638
DEPARTMENT OF EDUCATION			
Direct Programs:			
U S DEPARTMENT OF EDUCATION	84.215K	U215K090134	12,174
U S DEPARTMENT OF EDUCATION	84.215K	U215K100211	44,647
Subtotal Direct Programs			56,821
Pass-Through Programs From:			
LEHIGH UNIVERSITY	84.324	541821-78008; 541821-78002	854,544
THE LEONA GROUP, LLC - ACHIEVE CAREER PREPARATORY	84.XXX	UNKNOWN	13,000
UNIVERSITY OF SOUTH CAROLINA	84.324	12-2109; 42182	50,508
Subtotal Pass-Through Programs			918,052
Total Department of Education			974,873
DEPARTMENT OF ENERGY			
Direct Programs:			
U S DEPARTMENT OF ENERGY	81.049	DE-FG02-93ER40756	282,669
U S DEPARTMENT OF ENERGY	81.049	DE-FG02-88ER40387	346,801
U S DEPARTMENT OF ENERGY	81.049	DE-FG02-02ER46012	129,665
U S DEPARTMENT OF ENERGY	81.049	DE-FG02-06ER46317	158,055
U S DEPARTMENT OF ENERGY	81.049	DE-FG02-06ER46300	44,994
U S DEPARTMENT OF ENERGY	81.049	DE-SC0004084	2,683
U S DEPARTMENT OF ENERGY	81.087	DE-FG36-08GO88083	265,213
U S DEPARTMENT OF ENERGY	81.087	DE-EE0003666	266,195
U S DEPARTMENT OF ENERGY	81.112	DE-FG52-09NA29455	293,884
U S DEPARTMENT OF ENERGY	81.214	DE-EM0000357	357,538
Subtotal Direct Programs			2,147,697
Pass-Through Programs From:			
ARRA-ALGAEVENTURE SYSTEMS INC	81.135	ARRA-DE-FOA-0000065, 25A1786	136,168
ARGONNE NATIONAL LABORATORY	81.XXX	2F-30862, Mod 0001	20,277
AUSTRAL ENGINEERING AND SOFTWARE	81.XXX	Ck# 8229	69
BROOKHAVEN NATIONAL LABORATORY	81.XXX	202065	370
FLUOR B&W PORTSMOUTH, LLC	81.XXX	PO-0002176	9,100
GEORGIA INSTITUTE OF TECHNOLOGY	81.121	R8895-G5	3,279
IDAHO STATE UNIVERSITY	81.XXX	11-180D	77,878
JEFFERSON SCIENCE ASSOCIATES, LLC	81.XXX	08-P1064; 09-P0182; 09-P2438; 11-P0503: 12-P0022	30,968
JEFFERSON SCIENCE ASSOCIATES, LLC	81.XXX	11-P1797, Mod 2	42,261
JEFFERSON SCIENCE ASSOCIATES, LLC	81.XXX	09-P1691	12,366
LAWRENCE LIVERMORE NATIONAL LABORATORY	81.XXX	B594940	25,324
LAWRENCE LIVERMORE NATIONAL LABORATORY	81.XXX	B589889	70,779
LAWRENCE LIVERMORE NATIONAL LABORATORY	81.XXX	B595009	100,954
ARRA-OHIO DEPARTMENT OF DEVELOPMENT	81.041	ARRA-ECDD 10-232, DEV01-0000011975/12537/14682; ECDD 12-012, DEV01-0000015303	50,896
Subtotal Pass-Through Programs			580,689
Total Department of Energy			2,728,386

Federal Agency/Pass-Through Grantor	CFDA No.	Federal/Pass-Through Grant Number	Expenditures
RESEARCH AND DEVELOPMENT CLUSTER (con't)			
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct Programs:			
National Institute of Health			
NATIONAL INSTITUTE OF HEALTH	93.173	R01 DC005063	$ 283,805
NATIONAL INSTITUTE OF HEALTH	93.173	R15DC009504	13,813
NATIONAL INSTITUTE OF HEALTH	93.173	R01DC010883	433,939
NATIONAL INSTITUTE OF HEALTH	93.242	R01 MH078749	14,201
NATIONAL INSTITUTE OF HEALTH	93.242	R01MH082864	456,525
NATIONAL INSTITUTE OF HEALTH	93.242	R01MH087462	468,920
NATIONAL INSTITUTE OF HEALTH	93.389	R21 RR032366-01 / R21 GM103494-02	155,974
NATIONAL INSTITUTE OF HEALTH	93.393	R01CA086928	180,511
NATIONAL INSTITUTE OF HEALTH	93.396	R15CA137499	27,900
NATIONAL INSTITUTE OF HEALTH	93.396	R15CA161830	108,780
ARRA-NATIONAL INSTITUTE OF HEALTH	93.701	ARRA-RC1DA028494	243,402
ARRA-NATIONAL INSTITUTE OF HEALTH	93.701	ARRA-R15HD065552	117,785
ARRA-NATIONAL INSTITUTE OF HEALTH	93.701	ARRA-R01DC005063	16,558
ARRA-NATIONAL INSTITUTE OF HEALTH	93.701	ARRA-R15DK081192	6,963
NATIONAL INSTITUTE OF HEALTH	93.839	R01 HL077438	252,316
NATIONAL INSTITUTE OF HEALTH	93.847	R15DK081192	13,816
NATIONAL INSTITUTE OF HEALTH	93.847	R15DK083729	70,230
NATIONAL INSTITUTE OF HEALTH	93.847	R15DK082981	119,801
NATIONAL INSTITUTE OF HEALTH	93.853	R15NS051846	98,705
NATIONAL INSTITUTE OF HEALTH	93.859	R01GM073188	128,274
NATIONAL INSTITUTE OF HEALTH	93.865	R15HD065552	89,746
NATIONAL INSTITUTE OF HEALTH	93.879	G13LM010878	36,602
NATIONAL INSTITUTE OF HEALTH	93.989	D43TW008261	79,962
NATIONAL INSTITUTE OF HEALTH	93.390	R15HL092545	6,407
Subtotal Direct Programs			3,424,935
Pass-Through Programs From:			
GEORGE WASHINGTON UNIVERSITY	93.XXX	U01-DK061055	533
HARVARD UNIVERSITY	93.173	R01 DC002290	83,171
ARRA-INTERTHYR CORPORATION	93.701	ARRA-R42AI066618	216,581
LC TECHNOLOGIES, INC.	93.173	R43DC010079	40,047
METALLOPHARM	93.273	R43AA018600	142
SOUTHERN ILLINOIS UNIVERSITY	93.866	520275	10,262
SOUTHERN ILLINOIS UNIVERSITY	93.866	520317	344,683
THE TRUSTEES OF INDIANA UNIVERSITY	93.847	IN-4685559-OU; 1025174	87,234
UNIVERSITY OF CINCINNATI	93.262	7569	6,910
VANDERBILT UNIVERSITY	93.859	VUMC 35830	60,804
			850,367
Total Department of Health and Human Services			4,275,302
DEPARTMENT OF THE INTERIOR			
Pass-Through Programs From:			
GREGORY LIPPS, LLC	15.615	SCP-2011-03, Check 1178	6,000
MARYLAND DEPARTMENT OF NATURAL RESOURCES	15.XXX	K00P1400772; K00P2400989	8,433
UNIVERSITY OF WYOMING	15.252	WYDEQ49813OHIO	117
WEST VIRGINIA DIVISION OF NATURAL RESOURCES	15.6XX	UNKNOWN	3,657
Total Department of the Interior			18,207
DEPARTMENT OF JUSTICE			
Direct Programs:			
U S DEPARTMENT OF JUSTICE	16.560	2010-DE-BX-K002	148,252
Pass-Through Programs From:			
MARSHALL UNIVERSITY	16.XXX	RC-P1000252; RC-P1001723	140
Total Department of Justice			148,392
DEPARTMENT OF STATE			
Pass-Through Programs From:			
NATIONAL ACADEMY OF SCIENCES	19.XXX	PGA-P210852	73,732
Total Department of State			73,732

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2012

Federal Agency/Pass-Through Grantor	CFDA No.	Federal/Pass-Through Grant Number	Expenditures
RESEARCH AND DEVELOPMENT CLUSTER (con't)			
DEPARTMENT OF TRANSPORTATION			
Direct Programs:			
FEDERAL AVIATION ADMINISTRATION			
FEDERAL AVIATION ADMINISTRATION	20.108	09-G-010	$ 348,846
FEDERAL AVIATION ADMINISTRATION	20.108	10-G-007	67,518
FEDERAL AVIATION ADMINISTRATION	20.108	10-G-018	92,560
FEDERAL AVIATION ADMINISTRATION	20.108	12-G-004	41,716
FEDERAL AVIATION ADMINISTRATION	20.XXX	DTFAEN-11-C-00505	24,500
FEDERAL AVIATION ADMINISTRATION	20.XXX	DTFA01-01-C-00071	30,984
FEDERAL AVIATION ADMINISTRATION	20.XXX	DTFAAC-09-A-80000	60,103
FEDERAL AVIATION ADMINISTRATION	20.XXX	DTFAWA-10-D-00020	590
FEDERAL AVIATION ADMINISTRATION	20.XXX	DTFAWA-10-D-00020	22,687
FEDERAL AVIATION ADMINISTRATION	20.XXX	DTFAWA-10-D-00020	96,525
FEDERAL AVIATION ADMINISTRATION	20.XXX	DTFAWA-10-D-00020	863
FEDERAL AVIATION ADMINISTRATION	20.XXX	DTFAWA-10-D-00020	43,927
FEDERAL AVIATION ADMINISTRATION	20.XXX	DTFAWA-10-D-00020	20,562
FEDERAL AVIATION ADMINISTRATION	20.XXX	DTFANM-10-A-80001	74,149
Subtotal Direct Programs			925,530
Pass-Through Programs From:			
3M	20.XXX	USMMMKR248	17,157
ARRA-BEAVER EXCAVATING COMPANY	20.XXX	ARRA-3466-047	2,715
DELTA AIRPORT CONSULTANTS, INC.	20.XXX	AIP# 3-51-0004-041-2011	1,125
ENGINEERING & SOFTWARE CONSULTANTS, INC.	20.XXX	09-01; 10-06	43,977
ENGINEERING & SOFTWARE CONSULTANTS, INC.	20.200	41258	456
ITT CORPORATION	20.XXX	ITT 09-2401-041; 328200	964,296
MICHAEL BAKER CORPORATION	20.xxx	UNKNOWN	34,649
SCIENCE APPLICATIONS INTERNATIONAL CORPORATION	20.XXX	P010069904; 117270.00.0024.6000.571 (task 01,02) 117270.00.0024.6001.571 (task 03)	371,040
UNIVERSITY OF AKRON	20.701	DTRT06-G-0037	1,211
WAYNE STATE UNIVERSITY	20.200	WSU12010; P0521413	8,316
Subtotal Pass-Through Programs			1,444,942
Total Department of Transportation			2,370,472
NATIONAL ENDOWMENT FOR THE HUMANITIES			
Direct Programs:			
NATIONAL ENDOWMENT FOR THE HUMANITIES	45.164	GE-50227-10	13,992
Total National Endowment for the Humanities			13,992
ENVIRONMENTAL PROTECTION AGENCY			
Direct Programs:			
U S ENVIRONMENTAL PROTECTION AGENCY	66.202	EM-83350201	125,009
U S ENVIRONMENTAL PROTECTION AGENCY	66.516	SU-83601201	9,014
Total Environmental Protection Agency			134,023
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			
Direct Programs:			
NASA GLENN RESEARCH CENTER	43.002	NNX12AD53G	71,506
NASA GLENN RESEARCH CENTER	43.007	NNX09AD87G	26,274
NASA GLENN RESEARCH CENTER	43.009	NNX11AD04G	4,120
NASA GLENN RESEARCH CENTER	43.XXX	NNX10AK21G	19,604
NASA GODDARD SPACE FLIGHT CENTER	43.001	NNX11AP15G	14,403
NASA GODDARD SPACE FLIGHT CENTER	43.001	NNX11AO20G	31,382
NASA GODDARD SPACE FLIGHT CENTER	43.001	NNX12AE31G	32,360
NASA GODDARD SPACE FLIGHT CENTER	43.XXX	NNX10AC79G	86,561
NASA GODDARD SPACE FLIGHT CENTER	43.XXX	NNX09AT82G	1,075
NASA GODDARD SPACE FLIGHT CENTER	43.XXX	NNX10AE67G	2,575
NASA GODDARD SPACE FLIGHT CENTER	43.XXX	NNX10AO49G	28,000
NASA GODDARD SPACE FLIGHT CENTER	43.XXX	NNX10AU11G	52,109
NASA LANGLEY RESEARCH CENTER	43.XXX	NNX08BA01A	393,424
Subtotal Direct Programs			763,393
Pass-Through Programs From:			
JACOBS ESTS GROUP	43.XXX	ESTS-0075; 32-000003-LR; 32-040104-00	26,934
SMITHSONIAN ASTROPHYSICAL OBSERVATORY	43.XXX	TM1-12002X	57,065
SPACE TELESCOPE SCIENCE INSTITUTE	43.XXX	HST-GO-11194.01-A	4,721
SPACE TELESCOPE SCIENCE INSTITUTE	43.XXX	HST-GO-11571.01-A	27,085
SPACE TELESCOPE SCIENCE INSTITUTE	43.XXX	HST-GO-12253.01-A	46,514
UNISYS CORPORATION	43.XXX	TSM-000599	69,886
Subtotal Pass-Through Programs			232,205
Total National Aeronautics and Space Administration			995,598

Federal Agency/Pass-Through Grantor	CFDA No.	Federal/Pass-Through Grant Number	Expenditures
RESEARCH AND DEVELOPMENT CLUSTER (con't)			
NATIONAL SCIENCE FOUNDATION			
Direct Programs:			
NATIONAL SCIENCE FOUNDATION	47.041	CBET-0547165	$ 35,093
NATIONAL SCIENCE FOUNDATION	47.041	CMMI-0926420	40,364
NATIONAL SCIENCE FOUNDATION	47.041	CBET-0933415	39,377
NATIONAL SCIENCE FOUNDATION	47.041	CBET-1039869	45,157
NATIONAL SCIENCE FOUNDATION	47.041	CBET-1106118	106,852
NATIONAL SCIENCE FOUNDATION	47.041	ECCS-1129010	25,743
NATIONAL SCIENCE FOUNDATION	47.041	ECCS-1138749	69,881
NATIONAL SCIENCE FOUNDATION	47.049	DMS-0545895	22,205
NATIONAL SCIENCE FOUNDATION	47.049	AST-0708284	38,938
NATIONAL SCIENCE FOUNDATION	47.049	DMR-0710581	122,093
NATIONAL SCIENCE FOUNDATION	47.049	CHE-0745590	75,737
NATIONAL SCIENCE FOUNDATION	47.049	CHE-0809669	66,585
NATIONAL SCIENCE FOUNDATION	47.049	CHE-0848081	83,766
NATIONAL SCIENCE FOUNDATION	47.049	DMR-0902936	65,963
NATIONAL SCIENCE FOUNDATION	47.049	PHY-0969986	197,436
NATIONAL SCIENCE FOUNDATION	47.049	DMR-1005525	95,560
NATIONAL SCIENCE FOUNDATION	47.049	PHY-1005578	43,004
NATIONAL SCIENCE FOUNDATION	47.049	DMR-1056493	105,336
NATIONAL SCIENCE FOUNDATION	47.049	AST-1109576	73,269
NATIONAL SCIENCE FOUNDATION	47.049	CHE-1112250	39,779
NATIONAL SCIENCE FOUNDATION	47.049	CHE-1149367	15,748
NATIONAL SCIENCE FOUNDATION	47.049	PHY-0969297	145,344
NATIONAL SCIENCE FOUNDATION	47.049	PHY-0969788	155,626
NATIONAL SCIENCE FOUNDATION	47.049	DMR-1108285	45,173
NATIONAL SCIENCE FOUNDATION	47.074	IOS-0615753	8,221
NATIONAL SCIENCE FOUNDATION	47.074	DEB-0629819	67,617
NATIONAL SCIENCE FOUNDATION	47.074	IOS-0724135	8,145
NATIONAL SCIENCE FOUNDATION	47.074	IOS-0744798	49,614
NATIONAL SCIENCE FOUNDATION	47.074	IOS-0821930	160,397
NATIONAL SCIENCE FOUNDATION	47.074	IOS-0818412	29,439
NATIONAL SCIENCE FOUNDATION	47.074	IOS-0842624	108,610
NATIONAL SCIENCE FOUNDATION	47.074	DEB-0936855	160,497
NATIONAL SCIENCE FOUNDATION	47.074	IOS-0958926	22,199
NATIONAL SCIENCE FOUNDATION	47.074	IOS-0955569	121,280
NATIONAL SCIENCE FOUNDATION	47.074	IOS-1050154	93,155
NATIONAL SCIENCE FOUNDATION	47.074	DBI-1062327	22,862
NATIONAL SCIENCE FOUNDATION	47.074	IOS-1145887	22,903
NATIONAL SCIENCE FOUNDATION	47.074	IOS-1147087	5,431
NATIONAL SCIENCE FOUNDATION	47.075	BCS-0720025	13,474
NATIONAL SCIENCE FOUNDATION	47.075	BCS-0921952	101,953
NATIONAL SCIENCE FOUNDATION	47.075	BCS-1010118	32,373
NATIONAL SCIENCE FOUNDATION	47.075	SES-1051027	816
NATIONAL SCIENCE FOUNDATION	47.075	SES-1127710	71,909
NATIONAL SCIENCE FOUNDATION	47.075	BSC-1127164	30,228
NATIONAL SCIENCE FOUNDATION	47.076	HRD-0930229	120,992
NATIONAL SCIENCE FOUNDATION	47.076	DUE-0941224	99,258
NATIONAL SCIENCE FOUNDATION	47.076	DGE-0947813	454,037
NATIONAL SCIENCE FOUNDATION	47.076	DGE-1060934	34,994
NATIONAL SCIENCE FOUNDATION	47.076	DUE-0833295	144,996
NATIONAL SCIENCE FOUNDATION	47.076	DUE-0837751	24,408
NATIONAL SCIENCE FOUNDATION	47.078	ANT-1043576	31,570
NATIONAL SCIENCE FOUNDATION	47.078	ANT-1142720	28,174
NATIONAL SCIENCE FOUNDATION	47.079	OISE-0730257	459,189
ARRA-NATIONAL SCIENCE FOUNDATION	47.082	ARRA-DBI-0845955	73,511
ARRA-NATIONAL SCIENCE FOUNDATION	47.082	ARRA-SES-0851764	126,250
ARRA-NATIONAL SCIENCE FOUNDATION	47.082	ARRA-DMR-0906825	115,655
ARRA-NATIONAL SCIENCE FOUNDATION	47.082	ARRA-CHE-0911160	117,279
ARRA-NATIONAL SCIENCE FOUNDATION	47.082	ARRA-CCF-0915418	40,840
ARRA-NATIONAL SCIENCE FOUNDATION	47.082	ARRA-DEB-0918681	45,884
ARRA-NATIONAL SCIENCE FOUNDATION	47.082	ARRA-IOS-0918661	140,069
ARRA-NATIONAL SCIENCE FOUNDATION	47.082	ARRA-EAR-0922067	26,987
ARRA-NATIONAL SCIENCE FOUNDATION	47.082	ARRA-DBI-0922988	44,222
ARRA-NATIONAL SCIENCE FOUNDATION	47.082	ARRA-EAR-0933619	34,250
ARRA-NATIONAL SCIENCE FOUNDATION	47.082	ARRA-ANT-0944168	77,579
ARRA-NATIONAL SCIENCE FOUNDATION	47.082	ARRA-PHY-0963376	321,270
NATIONAL SCIENCE FOUNDATION	47.050	EAR-0844256	37,617
NATIONAL SCIENCE FOUNDATION	47.050	OCE-1061973	44,813
NATIONAL SCIENCE FOUNDATION	47.070	IIS-1018590	72,622
NATIONAL SCIENCE FOUNDATION	47.070	CCF-1054339	55,340
NATIONAL SCIENCE FOUNDATION	47.070	IIS-1117489	41,638
NATIONAL SCIENCE FOUNDATION	47.070	IIS-1135361	18,797
NATIONAL SCIENCE FOUNDATION	47.XXX	AST-0956640	134,923
Subtotal Direct Programs			5,852,316

Federal Agency/Pass-Through Grantor	CFDA No.	Federal/Pass-Through Grant Number	Expenditures
RESEARCH AND DEVELOPMENT CLUSTER (con't)			
NATIONAL SCIENCE FOUNDATION (con't)			
Pass-Through Programs From:			
OAKLAND UNIVERSITY	47.XXX	DMR-710529	$ 1,006
OHIO STATE UNIVERSITY	47.049	RF01042477; 60004660	239
PURDUE UNIVERSITY	47.070	4101-41416	13,590
THE COLLEGE OF WILLIAM & MARY	47.049	713141/OUsub01, OUsub02	81,416
UNIVERSITY OF ALASKA FAIRBANKS	47.078	UAF 09-0036; FP901996	41,872
UNIVERSITY OF TENNESSEE	47.076	OR1102-001.04	24,610
Subtotal Pass-Through Programs			162,733
Total National Science Foundation			6,015,049
TOTAL RESEARCH AND DEVELOPMENT CLUSTER			**20,565,511**
CHILD NUTRITION CLUSTER			
DEPARTMENT OF AGRICULTURE			
Pass-Through Programs From:			
OHIO DEPARTMENT OF EDUCATION	10.559	Ck# 4278941, #4322231; #981506; #6255957; #11216276; #14854182; #18135514	8,280
TOTAL CHILD NUTRITION CLUSTER			**8,280**
ECONOMIC DEVELOPMENT CLUSTER			
ECONOMIC DEVELOPMENT ADMINISTRATION			
Direct Programs:			
ECONOMIC DEVELOPMENT ADMINISTRATION	11.307	06-79-05483	604,327
TOTAL ECONOMIC DEVELOPMENT CLUSTER			**604,327**
FISH AND WILDLIFE CLUSTER			
DEPARTMENT OF THE INTERIOR			
Pass-Through Programs From:			
COMMONWEALTH OF KENTUCKY DEPARTMENT OF FISH AND WI	15.605	0700006848; 0800016307; 1000004546	820
TOTAL FISH AND WILDLIFE CLUSTER			**820**
HIGHWAY PLANNING AND CONSTRUCTION CLUSTER			
DEPARTMENT OF TRANSPORTATION			
Pass-Through Programs From:			
APPLIED RESEARCH ASSOCIATES	20.205	TSA-0001491-OhioU-00; 16961	9,353
OHIO DEPARTMENT OF TRANSPORTATION	20.205	21182	102,661
OHIO DEPARTMENT OF TRANSPORTATION	20.205	21934	139,576
OHIO DEPARTMENT OF TRANSPORTATION	20.205	21916	70,325
OHIO DEPARTMENT OF TRANSPORTATION	20.205	Federal Agreement No. E111419	11,914
OHIO DEPARTMENT OF TRANSPORTATION	20.205	24864	81,903
OHIO DEPARTMENT OF TRANSPORTATION	20.205	24903; 134659	18,011
OHIO DEPARTMENT OF TRANSPORTATION	20.205	24605; 134626	21,911
TEXAS A&M UNIVERSITY	20.205	9-S120302	7,089
UNIVERSITY OF AKRON	20.205	24285	39,367
TOTAL HIGHWAY PLANNING AND CONSTRUCTION CLUSTER			**502,110**

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2012

Federal Agency/Pass-Through Grantor	CFDA No.	Federal/Pass-Through Grant Number	Expenditures
TRIO CLUSTER			
DEPARTMENT OF EDUCATION			
Direct Programs:			
U S DEPARTMENT OF EDUCATION	84.042A	P042A100511	$ 315,338
U S DEPARTMENT OF EDUCATION	84.047A	P047A080818	282,220
U S DEPARTMENT OF EDUCATION	84.047A	P047A121446	43,972
TOTAL TRIO CLUSTER			**641,530**
EARLY INTERVENTION SERVICES (IDEA) CLUSTER			
DEPARTMENT OF EDUCATION			
Pass-Through Programs From:			
OHIO CHILD CARE RESOURCE AND REFERRAL ASSOCIATION	84.181A	UNKNOWN	3,106
TOTAL EARLY INTERVENTION SERVICES CLUSTER			**3,106**
TANF CLUSTER			
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Pass-Through Programs From:			
OHIO BOARD OF REGENTS	93.558	UNKNOWN	16,447
OHIO DEPARTMENT OF JOBS AND FAMILY SERVICES	93.558	G-1011-21-0625	669
TOTAL TANF CLUSTER			**17,116**
CSBG CLUSTER			
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Pass-Through Programs From:			
ARRA-OHIO ASSOCIATION OF COMMUNITY ACTION AGENCIES	93.710	ARRA-UNKNOWN	84,079
TOTAL CSBG CLUSTER			**84,079**
CCDF CLUSTER			
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Pass-Through Programs From:			
OHIO CHILD CARE RESOURCE AND REFERRAL ASSOCIATION	93.575	UNKNOWN	8,839
TOTAL CCDF CLUSTER			**8,839**
MEDICAID CLUSTER			
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Pass-Through Programs From:			
OHIO STATE UNIVERSITY	93.778	RF01273253; 60032973/60034117	56,487
TOTAL MEDICAID CLUSTER			**56,487**
OTHER PROGRAMS			
APPALACHIAN REGIONAL COMMISSION			
Direct Programs:			
APPALACHIAN REGIONAL COMMISSION	23.XXX	CO-16608-2010	39,782
Pass-Through Programs From:			
OHIO APPALACHIAN CENTER FOR HIGHER EDUCATION	23.XXX	UNKNOWN	2,922
OHIO APPALACHIAN CENTER FOR HIGHER EDUCATION	23.XXX	UNKNOWN	800
Subtotal Pass-Through Programs			3,722
Total Appalachian Regional Commission			43,504
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			
Pass-Through Programs From:			
OHIO ASSOCIATION OF SECOND HARVEST FOOD BANKS	94.XXX	UNKNOWN	5,265
OHIO COMMISSION ON SERVICE AND VOLUNTEERISM	94.006	06AFH-2550-11-OC068; 06AFH-1502-12-OC068	258,866
RURAL ACTION INC	94.XXX	UNKNOWN	800
Total Corporation for National and Community Service			264,931

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2012

Federal Agency/Pass-Through Grantor	CFDA No.	Federal/Pass-Through Grant Number	Expenditures
OTHER PROGRAMS (con't)			
DEPARTMENT OF AGRICULTURE			
Direct Programs:			
U S DEPARTMENT OF AGRICULTURE	10.769	41-005-316402113	$ 143,328
U S DEPARTMENT OF AGRICULTURE	10.769	RBEG	266
Subtotal Direct Programs			143,594
Pass-Through Programs From:			
OHIO DEPARTMENT OF HEALTH	10.557	DOH01-0000023180; DOH01-0000023782; DOH01-0000023782	41,648
OHIO STATE UNIVERSITY	10.500	60029794 (PO# RF01243310),60033875 (PO# RF01290212)	23,667
Subtotal Pass-Through Programs			65,315
Total Department of Agriculture			208,909
DEPARTMENT OF COMMERCE			
Direct Programs:			
ECONOMIC DEVELOPMENT ADMINISTRATION	11.302	06-86-05482	75,373
NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY	11.550	39-02-N09028	27,199
NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY	11.550	39-01-N10087	25,115
Subtotal Direct Programs			127,687
Pass-Through Programs From:			
BOWLING GREEN STATE UNIVERSITY	11.303	06-66-04858/04616/04741/04955/05054/05301/05704	32,964
UNIVERSITY OF MICHIGAN	11.XXX	3001346678	4,800
Subtotal Pass-Through Programs			37,764
Total Department of Commerce			165,451
DEPARTMENT OF DEFENSE			
Pass-Through Programs From:			
AIR FORCE OFFICE OF SCIENTIFIC RESEARCH	12.800	FA9550-12-1-0283	10,000
US ARMY RDECOM ACQUISITION CENTER	12.431	W911NF-12-1-0105	10,933
Subtotal Direct Programs			20,933
Pass-Through Programs From:			
OHIO DEPARTMENT OF DEVELOPMENT	12.002	MBDD 03-013/04-017/05-010/06-016/07-015/08-012; MBED 09-015; MBDD 10-016/11-013/12-015	32,748
Total Department of Defense			53,681
DEPARTMENT OF EDUCATION			
Direct Programs:			
U S DEPARTMENT OF EDUCATION	84.015A	P015A060159	27,920
U S DEPARTMENT OF EDUCATION	84.015A	P015A060008	400
U S DEPARTMENT OF EDUCATION	84.015A	P015A100009	152,956
U S DEPARTMENT OF EDUCATION	84.015B	P015B100009, P015B100009-12	249,202
U S DEPARTMENT OF EDUCATION	84.021A	P021A080002	36,199
U S DEPARTMENT OF EDUCATION	84.215P	U215P110022	179,104
Subtotal Direct Programs			645,781

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2012

Federal Agency/Pass-Through Grantor	CFDA No.	Federal/Pass-Through Grant Number	Expenditures
OTHER PROGRAMS (con't)			
DEPARTMENT OF EDUCATION (con't)			
Pass-Through Programs From:			
ATHENS CITY SCHOOL DISTRICT	84.287C	5720	$ 66,712
ATHENS CITY SCHOOL DISTRICT	84.XXX	UNKNOWN	17,537
ATHENS CITY SCHOOL DISTRICT	84.XXX	UNKNOWN	11,306
BELLAIRE LOCAL SCHOOL DISTRICT	84.XXX	UNKNOWN	27,611
COLUMBUS STATE COMMUNITY COLLEGE	84.243	TPFDBASE0607_K/0708_K/0809_K; 0610_K; 0611_K	1,432
COTIM MEMBERS	84.015B	P015A060157	10,600
EAST CENTRAL OHIO ESC	84.287	UNKNOWN	3,592
FEDERAL HOCKING LOCAL SCHOOL DISTRICT	84.287C	192	79,377
FEDERAL HOCKING LOCAL SCHOOL DISTRICT	84.287	5901	148,062
GALLIA-VINTON EDUCATIONAL SERVICE CENTER	84.XXX	UNKNOWN	11,883
ILLINOIS STATE BOARD OF EDUCATION	84.XXX	UNKNOWN	1,576
INSTITUTE FOR INTERNATIONAL EDUCATION	84.XXX	UNKNOWN	840
KRATOS TECHNOLOGY AND TRAINING SOLUTIONS, INC.	84.XXX	KTTS-0048-RMC01;PO-0002879	70,663
MEIGS LOCAL SCHOOL DISTRICT	84.364A	71007	22,603
NATIONAL WRITING PROJECT CORPORATION	84.928A	07-OH06	42,347
OHIO APPALACHIAN CENTER FOR HIGHER EDUCATION	84.378A	UNKNOWN	4,922
OHIO BOARD OF REGENTS	84.334A	BOR01-0000001452; BOR01-0000001623; BOR01-0000001779; BOR01-0000002404	80,485
OHIO BOARD OF REGENTS	84.334S	BOR01-0000001778; BOR-01-0000002395	69,533
OHIO BOARD OF REGENTS	84.XXX	13455	17,248
OHIO BOARD OF REGENTS	84.002	PO	316,770
OHIO BOARD OF REGENTS	84.367	14519	112,064
OHIO BOARD OF REGENTS	84.367	10-38, 11-35	192,256
OHIO REHABILITATION SERVICES COMMISSION	84.XXX	RSC01-0000005956	5,500
OHIO STATE UNIVERSITY	84.350C	RF01097801; 60012518	34,270
OHIO VIRTUAL ACADEMY	84.XXX	UNKNOWN	1,350
PERRY HOCKING EDUCATIONAL SERVICE CENTER	84.XXX	90505, 90509, 90506; 100382, 100384, 100383; 110623, 110624; 110414; 120146, 120147, 120148	18,496
ROSS COUNTY COMMUNITY ACTION AGENCY	84.XXX	Ck# 014179	2,500
SINCLAIR COMMUNITY COLLEGE	84.002	UNKNOWN	5,948
SOUTHERN LOCAL SCHOOL DISTRICT (PERRY COUNTY)	84.XXX	UNKNOWN	36,266
STARK EDUCATION PARTNERSHIP	84.XXX	Ck# 13574	39,319
TRIMBLE LOCAL SCHOOL DISTRICT	84.215K	U215K100256	58,595
TRIMBLE LOCAL SCHOOL DISTRICT	84.287C	UNKNOWN	150,716
TRIMBLE LOCAL SCHOOL DISTRICT	84.XXX	UNKNOWN	46,593
WELLSTON CITY SCHOOL DISTRICT	84.395A	72127	47
WELLSTON CITY SCHOOL DISTRICT	84.395A	UNKNOWN	10,636
Subtotal Pass-Through Programs			1,719,655
Total Department of Education			2,365,436
DEPARTMENT OF ENERGY			
Direct Programs:			
U S DEPARTMENT OF ENERGY	81.214	DE-EM0000357	425,194
Pass-Through Programs From:			
FLUOR B&W PORTSMOUTH, LLC	81.XXX	PO-0002257	83,910
FLUOR B&W PORTSMOUTH, LLC	81.XXX	PO-0003901	6,094
OHIO DEPARTMENT OF DEVELOPMENT	81.041	SEP-11-05	14,573
ARRA-OHIO DEPARTMENT OF DEVELOPMENT	81.128	ARRA-EECBG-10-17	1,080,345
ARRA-OHIO DEPARTMENT OF DEVELOPMENT	81.128	ARRA-EECBG-10-16	265,900
Subtotal Pass-Through Programs			1,450,822
Total Department of Energy			1,876,016
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct Programs:			
Centers for Disease Control			
CENTERS FOR DISEASE CONTROL AND PREVENTION	93.946	H75DP002306	107,334
Health Resources and Services Administration			
HEALTH RESOURCES AND SERVICES ADMINISTRATION	93.247	D09HP09349	370,981
HEALTH RESOURCES AND SERVICES ADMINISTRATION	93.358	A10HP22082	29,976
HEALTH RESOURCES AND SERVICES ADMINISTRATION	93.359	D11HP22202-01-00	116,184
HEALTH RESOURCES AND SERVICES ADMINISTRATION	93.912	D04RH12664	84,815
			601,956
Subtotal Direct Programs			709,290

Federal Agency/Pass-Through Grantor	CFDA No.	Federal/Pass-Through Grant Number	Expenditures
OTHER PROGRAMS (con't)			
DEPARTMENT OF HEALTH AND HUMAN SERVICES (con't)			
Pass-Through Programs From:			
ATHENS CITY-COUNTY HEALTH DEPARTMENT	93.991	2B01DP009042-09	$ 8,538
ATHENS HOCKING VINTON 317 BOARD	93.XXX	UNKNOWN	13,335
ARRA-CASE WESTERN RESERVE UNIVERSITY	93.718	ARRA-90RC001201	7,500
CROSSROADS COUNSELING SERVICES, INC.	93.XXX	UNKNOWN	1,919
FAIRFIELD COUNTY FAMILY, ADULT & CHILDREN FIRST CO	93.276	UNKNOWN	5,303
FRIENDS OF THE CONGRESSIONAL GLAUCOMA CAUCUS	93.XXX	SSSP# 53	328
IRONTON LAWRENCE COMMUNITY ACTION ORGANIZATION	93.XXX	UNKNOWN	13,998
MENTAL HEALTH AND RECOVERY SERVICES BOARD OF STARK	93.XXX	UNKNOWN	3,837
OHIO CHILD CARE RESOURCE AND REFERRAL ASSOCIATION	93.994	UNKNOWN	9,078
OHIO DEPARTMENT OF ALCOHOL AND DRUG ADDICTION	93.XXX	ADA01-0000001256; ADA01-0000001621; ADA01-0000001875; ADA01-0000002167	224,307
OHIO DEPARTMENT OF ALCOHOL AND DRUG ADDICTION	93.XXX	ADA01-0000002006	64,111
OHIO DEPARTMENT OF HEALTH	93.243	00540011LA0110/LA0211/LA0312	875,273
OHIO DEPARTMENT OF HEALTH	93.283	5U58DP000795-04	18,920
OHIO DEPARTMENT OF HEALTH	93.994	05-4-001-1-MC-07; 00540011MC0108/0209/0310/0411/0512/0613	53,932
OHIO DEPARTMENT OF JOBS AND FAMILY SERVICES	93.645	G-1213-06-0150; JFS01-0000011562	9,712
OHIO DEPARTMENT OF JOBS AND FAMILY SERVICES	93.654	JFS01-0000008516; JFS01-0000009830/10742	4,555
OHIO DEPARTMENT OF JOBS AND FAMILY SERVICES	93.658	JFS01-0000008516; JFS01-0000009830/10742	4,917
OHIO DEPARTMENT OF JOBS AND FAMILY SERVICES	93.658	G-1213-06-0150; JFS01-0000011562	31,489
OHIO DEPARTMENT OF JOBS AND FAMILY SERVICES	93.659	JFS01-0000008516; JFS01-0000009830/10742	5,550
ARRA-OHIO HEALTH INFORMATION PARTNERSHIP (OHIP)	93.718	ARRA-90RC001201	631,237
PICKAWAY COUNTY COMMUNITY ACTION ORGANIZATION	93.XXX	UNKNOWN	5,000
THE CENTER FOR APPALACHIAN PHILANTHROPY	93.283	01 A-2	41,092
THE UNIVERSITY OF TOLEDO	93.107	F 2007-6; PO# 85448; F2008-17; PO#116919; PO# 141877; F-2010-31	47,012
THE UNIVERSITY OF TOLEDO	93.107	F-2012-1111	82,855
Subtotal Pass-Through Programs			2,163,798
Total Department of Health and Human Services			2,873,088
DEPARTMENT OF HOMELAND SECURITY			
Direct Programs:			
FEDERAL EMERGENCY MANAGEMENT AGENCY	97.036	FEMA-4002-DR-09-UAGH2	63,749
Pass-Through Programs From:			
FRANKLIN COUNTY OFFICE OF HOMELAND SECURITY & JUST	97.008	0298-12	4,312
FRANKLIN COUNTY OFFICE OF HOMELAND SECURITY & JUST	97.008	08-UASI-OU	90,470
Subtotal Pass-Through Programs			94,782
Total Department of Homeland Security			158,531
DEPARTMENT OF JUSTICE			
Direct Programs:			
FEDERAL BUREAU OF PRISONS	16.XXX	DJBP010200000009	17,569
U S DEPARTMENT OF JUSTICE	16.525	2009-WA-AX-0003	73,402
Total Department of Justice			90,971
DEPARTMENT OF LABOR			
Direct Programs:			
U S DEPARTMENT OF LABOR	17.268	HG-22714-12-60-A-39	135
Pass-Through Programs From:			
ARRA-OHIO BOARD OF REGENTS	17.275	ARRA-A-1011-15-0727	(81)
Total Department of Labor			54
DEPARTMENT OF STATE			
Direct Programs:			
U S DEPARTMENT OF STATE	19.401	S-ECAAE-11-CA-076 (DT)	238,088
U S DEPARTMENT OF STATE	19.401	S-ECAAE-12-CA-076 Preaward	26,110
U S DEPARTMENT OF STATE	19.415	S-ECAPE-09-GR-199 (KF)	42,018
Total Department of the State			306,216

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2012

Federal Agency/Pass-Through Grantor	CFDA No.	Federal/Pass-Through Grant Number	Expenditures
OTHER PROGRAMS (con't)			
DEPARTMENT OF TRANSPORTATION			
Direct Programs:			
FEDERAL AVIATION ADMINISTRATION	20.106	3-39-0006-1710	$ 20,592
FEDERAL AVIATION ADMINISTRATION	20.106	3-39-0006-1609	7,095
Subtotal Direct Programs			27,687
Pass-Through Programs From:			
NORTHEAST OHIO AREAWIDE COORDINATING AGENCY	20.XXX	6429e	7,054
Total Department of Transportation			34,741
DEPARTMENT OF VETERANS AFFAIRS			
Direct Programs:			
VETERANS AFFAIRS MEDICAL CENTER	64.XXX	V538S-336	1,971
Total Department of Veterans Affairs			1,971
ENVIRONMENTAL PROTECTION AGENCY			
Direct Programs:			
U S ENVIRONMENTAL PROTECTION AGENCY	66.034	XA-83492901	25,789
Pass-Through Programs From:			
MIAMI VALLEY REGIONAL PLANNING COMMISSION	66.XXX	PO 25303; 26259; 28138; 29118; 210141; 211017; 212010	11,739
MIDWEST BIODIVERSITY INSTITUTE	66.XXX	UNKNOWN	99,889
NORTHEAST OHIO AREAWIDE COORDINATING AGENCY	66.XXX	UNKNOWN	14,946
OHIO ENVIRONMENTAL PROTECTION AGENCY	66.460	10(h) EPA-11	342,771
STATE OF WASHINGTON	66.817	IA C1200080	3,502
Subtotal Pass-Through Programs			472,847
Total Environmental Protection Agency			498,636
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			
Pass-Through Programs From:			
OHIO AEROSPACE INSTITUTE	43.XXX	OSCG 064749	23,526
OHIO AEROSPACE INSTITUTE	43.XXX	Ck #1369	17,945
OHIO AEROSPACE INSTITUTE	43.XXX	UNKNOWN	13,500
Total National Aeronautics and Space Administration			54,971
NATIONAL ENDOWMENT FOR THE ARTS			
Direct Programs:			
NATIONAL ENDOWMENT FOR THE ARTS	45.024	11-5200-7075	8,784
NATIONAL ENDOWMENT FOR THE ARTS	45.024	11-3400-7021	15
Subtotal Direct Programs			8,799
Pass-Through Programs From:			
OHIO HUMANITIES COUNCIL	45.XXX	OHC-R12-026	2,884
Total National Endowment for the Arts			11,683
NATIONAL HISTORICAL PUBLICATIONS AND RECORDS COMMISSION			
Direct Programs:			
NATIONAL HISTORICAL PUBLICATIONS AND RECORDS COMMI	89.003	NAR09-RB-50056-09	16,033
Total National Historical Publications and Records Commission			16,033
SMALL BUSINESS ADMINISTRATION			
Direct Programs:			
U S SMALL BUSINESS ADMINISTRATION	59.000	SBAHQ-08-I-0044; SBAHQ-09-I-0192	67,758
Pass-Through Programs From:			
FOUNDATION FOR APPALACHIAN OHIO	59.XXX	SBAHQ-09-I-0097	35,157
OHIO DEPARTMENT OF DEVELOPMENT	59.037	ECDD 04-101/05-169/06-125/07-146/08-102/09-185/10-179/11-232/12-090	97,195
OHIO DEPARTMENT OF DEVELOPMENT	59.037	12-265A	1,764
OHIO DEPARTMENT OF DEVELOPMENT	59.XXX	ECDD 11-288	22,500
Subtotal Pass-Through Programs			156,616
Total Small Business Administration			224,374
UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT			
Pass-Through Programs From:			
FHI360	98.XXX	3879-OU-01; 3879-CARE-01	327,808
AMERICAN COUNCIL ON EDUCATION	98.012	EDH-A-00-08-00008-00	73,082
Total United States Agency for International Development			400,890
TOTAL OTHER PROGRAMS			**9,650,087**
GRAND TOTAL FEDERAL AWARDS			**$ 302,923,349**

See Notes to Schedule of Expenditures of Federal Awards.

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

Note 1 - Basis of Presentation and Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Ohio University under programs of the federal government for the year ended June 30, 2012. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-21, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Because the Schedule presents only a selected portion of the operations of Ohio University, it is not intended to and does not present the financial position, changes in net assets, or cash flows, if applicable, of Ohio University. Pass-through entity identifying numbers are presented where available.

Note 2 - Noncash Assistance

During the year ended June 30, 2012, Ohio University did not receive any nonmonetary assistance.

Note 3 - Catalog of Federal Domestic Assistance (CFDA) Numbers

All programs with identifiable CFDA numbers have been listed separately. Grant numbers have been provided for several programs for which CFDA numbers were not available.

Note 4 - Subrecipient Awards

Of the federal expenditures presented in the Schedule, federal awards were provided to subrecipients as follows:

Federal Program Title	CFDA Number	Amount Provided to Subrecipients
Economic Development Support for Planning Organizations	11.302	$ 2,642
Economic Adjustment Assistance	11.307	125,469
Basic, Applied, and Advanced Research in Science and Engineering	12.630	194,817
Aviation Research Grants	20.108	39,840
Highway Planning and Construction	20.205	36,760
Design, Development, Verification, and Validation of An Integrated Alerting and Notification Function for an Intelligent Integrated Flight Deck	43.XXX	234,214
Social, Behavioral, and Economic Sciences	47.075	29,912
Education and Human Resources	47.076	272,668
Trans-NSF Recovery Act Research Support	47.082	28,838
Nonpoint Source Implementation Grants	66.460	331,240
State Energy Program	81.041	42,942
Renewable Energy Research and Development	81.087	26,484
Advanced Research and Projects Agency - Energy Financial Assistance Program	81.135	11,576
Overseas Programs - Group Projects Abroad	84.021A	28,995
Research Related to Deafness and Communication Disorders	93.173	343,469
Mental Health Research Grants	93.242	38,838
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	438,728
Trans-NIH Recovery Act Research Support	93.701	47
Health Information Technology Regional Extension Centers Program	93.718	489,675
Blood Diseases and Resources Research	93.839	(186)
Biomedical Research and Research Training	93.859	30,641
Rural Health Care Services Outreach and Rural Health Network Development Program	93.912	51,447
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	93.946	26,596
International Research and Research Training	93.989	54,530
Ohio Strategic Prevention Framework State Incentive Grant (SPF-SIG) Evaluation	93.XXX	142,577
	Total	$ 3,022,759

Note 5 - Adjustments and Transfers

As allowable and in accordance with federal regulations issued by the U.S. Department of Education, in the year ended June 30, 2012, the University expended $87,603 of the 2010-2011 Federal Work Study (FWS) Program (84.033) award carried forward to the 2011-2012 award year. The University also carried forward $114,391 of the 2011-2012 FWS Program (84.033) to be expended in the 2012-2013 award year.

During the year ended June 30, 2012, the University transferred $111,519 of the 2011-2012 FWS Program (84.033) award to the Supplemental Educational Opportunity Grant (SEOG) Program (84.007). In addition, the University expended $72,819 of the 2010-2011 SEOG Program (84.007) award carried forward to the 2011-2012 award year. The University carried forward $65,721 of the 2011-2012 SEOG Program (84.007) to be expended in the 2012-2013 award year.

Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ______ Yes __X__ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ______ Yes __X__ None reported

Noncompliance material to financial statements noted? ______ Yes __X__ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? __X__ Yes ______ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ______ Yes __X__ None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? __X__ Yes ______ No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.007, 84.033, 84.038, 84.063, 84.268, 84.375, 84.376, 84.379, 93.342, and 93.925	Student Financial Aid Cluster
81.128	ARRA - Ohio Department of Development

Dollar threshold used to distinguish between type A and type B programs: $1,363,668

Auditee qualified as low-risk auditee? __X__ Yes ______ No

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

Reference Number	Finding
2012-01	**Program Name** - Student Financial Aid Cluster - Federal Direct Student Loans and Perkins Loan Program - 84.268 and 84.063

Pass-through Entity - NA

Finding Type - Material weakness and material noncompliance with laws and regulations

Criteria - Special tests and provisions compliance requirement - Changes in a student's status are required to be reported to the National Student Loan Data System (NSLDS) within 30 days of the change or included in a Student Status Confirmation Report (SSCR) sent to the NSLDS within 60 days of the status change (34 CFR § 682.610).

Condition - The University did not report status changes within the required time frame.

Questioned Costs - None

Context - Of the 25 students tested for status change testing, 23 of those students did not have status changes reported in a timely manner.

Cause and Effect - The University transmits student enrollment data to the Federal Clearinghouse, but not within the timeline required by federal regulations. As a result, these students did not have status changes updated with the Federal Clearinghouse or the NSLDS within the required time frame.

Recommendation - The University should submit student enrollment information more frequently to ensure compliance with federal regulations by having the registrar's office upload reports on a monthly basis.

Views of Responsible Officials and Planned Corrective Actions - Due to the transition and implementation of a new student system that went into effect for summer 2011, reports to the National Student Clearinghouse were delayed. Ohio University has been working closely with the National Student Clearinghouse to get its data submitted manually. Ohio University fully expects to submit data timely for the 2012-2013 year and will follow the Clearinghouse recommendation of submitting data monthly.

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2012-02	**Program Name** - Student Financial Aid Cluster - 84.007, 84.033, 84.063, 84.375, 84.376, 84.268, 84.038, and 84.379

Pass-through Entity - None

Finding Type - Material weakness and material noncompliance with laws and regulations

Criteria - Special tests and provisions compliance requirement - Returns of Title IV funds are required to be disbursed directly to a student for any amount of a post-withdrawal disbursement of grant funds that is not credited to the student's account. The institution must make the disbursement as soon as possible, but no later than 45 days after the date of the institution's determination that the student withdrew (34 CFR § 668.22(a)(ii)(B)(1)). The withdrawal date is the date that the student began the withdrawal process, provided official notification to the school in writing or orally, or ceases attendance (34 CFR § 668.22(c) and (d)).

Condition - The University did not return Title IV refunds to students within 45 days.

Questioned Costs - None

Context - Of the 25 students tested for return of Title IV funds, there were 18 instances in which Title IV refunds were not returned to students within 45 days.

Cause and Effect - The calculations were not performed in a timely manner, resulting in a delay in the recording of the funds.

Recommendation - We recommend the student financial aid department implement a review process and establish internal deadlines to ensure Title IV refunds are returned in a timely manner.

Views of Responsible Officials and Planned Corrective Actions - The conversion to a new student system in summer 2011 resulted in a delay in developing reports to identify students subject to the Return to Title IV calculation. A preliminary report has been developed, and the University is in the process of reviewing and adjusting student accounts per federal regulations. The drawdown for federal funds was adjusted during the 2011-2012 financial aid year to eliminate issues with the return of funds to the federal programs.

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Ohio University
National Collegiate Athletics Association

Agreed-upon Procedures Report
Related to NCAA Constitution 3.2.4.16
June 30, 2012

Ohio University
National Collegiate Athletics Association Report

Contents

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Independent Accountant's Report on
the Application of Agreed-upon Procedures

Dr. Roderick J. McDavis
President
Ohio University
Athens, OH 45701

We have performed the procedures enumerated below, which were agreed to by the VP for finance and administration of Ohio University (the "University"), solely to assist you in evaluating whether the accompanying Intercollegiate Athletics Program statement of revenue and expenditures of Ohio University is in compliance with the National Collegiate Athletics Association (NCAA) Constitution 3.2.4.16 for the year ended June 30, 2012. Ohio University's management is responsible for the statement of revenue and expenditures (the "statement") and the statement's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Agreed-upon Procedures Related to the Statement of Revenue and Expenditures

The procedures that we performed and our results are as follows:

<u>Internal Control Structure</u>

A. In preparation for our procedures related to the University's internal control structure, we met with Jim Schaus, Director of Athletics, and Julie Allison, University Controller, and inquired about the general control environment over intercollegiate athletic finances, the level of control consciousness in the University, the competence of personnel, and the protection of records and equipment. We obtained the audited financial statements for the year ended June 30, 2012 and we obtained the documentation of the accounting systems and procedures unique to the intercollegiate athletics department. We did not obtain any additional reports regarding internal control and any corrective action taken in response to comments concerning the internal control structure, as none were available. We noted the control environment and accounting systems are unique to the intercollegiate athletics and not addressed in connection with the audit of the University's financial statements for the athletic department's cash receipts and the ticket collection receipting process. We then performed the following procedures:

   (1) **Procedure:** We selected six athletic department cash receipts and agreed the following to those receipts:

      a. Remittance advice or copies of checks
      b. Deposits made to the business office

The deposit dates for these cash receipts tested were September 9, 2011, September 10, 2011, September 15, 2011, October 1, 2011, November 22, 2011, and November 23, 2011.

Result: Management indicated that receipting processes were unique to athletics. For the cash receipts selected for testing, we found no discrepancies between the remittance advice or copy of check and the related cash deposit amount with the bank.

(2) **Procedure:** We selected three home games and tested the ticket collection receipting process by comparing the total receipts for such games to the reconciliation and documentation of the related cash deposit amount with the bank. The games selected for this testing were football against Gardner-Webb on September 10, 2011, football against Kent State University on October 1, 2011, and football against Miami University on November 22, 2011.

Result: Management indicated that the ticket collection process was unique to athletics; therefore, we selected three home football games during the year and agreed the total receipts for such events, as documented by the University's ticket reconciliation procedures, to supporting documentation of the related cash deposit amount with the bank. We obtained reconciliations for three home football games and agreed the revenue based on the actual attendance figures to revenue reported on the statement of revenue and expenses. We found no discrepancies between the reconciliation, the receipts for each event, and the related cash deposit amount with the bank.

<u>Capital Expenditure Survey and Related Debt</u>

B. In preparation for our procedures related to the capital expenditure survey, we obtained the capital expenditure survey for the reporting period prepared by management; we obtained the University's policies and procedures for acquiring, approving, depreciating, and disposing of intercollegiate athletics-related assets; and we obtained repayment schedules for all outstanding intercollegiate athletics debt maintained by the University during the reporting period. We then performed the following procedures:

(1) **Procedure:** We agreed the data provided on the capital expenditure survey to the University's general ledger and disclosed additions, deletions, and book values in the report.

Result: Procedures were performed without exception. Additions, deletions, and book values are disclosed in Note 2.

(2) **Procedure:** We recalculated the annual maturities (consisting of principal and interest) provided in the schedules obtained. We then agreed the total annual maturities to the amortization schedules and the University's general ledger and disclosed in the report.

Result: Procedures were performed without exception. Annual maturities are disclosed in Note 3.

Dr. Roderick J. McDavis
President
Ohio University

Intercollegiate Athletics Restricted and Endowment and Plant Funds

C. **Procedure:** We requested a summary of significant additions exceeding 10 percent of restricted funds related to intercollegiate athletics, as well as significant changes exceeding 10 percent of endowment and plant funds related to intercollegiate athletics prepared by management.

   Result: We obtained a summary of contributions received during the year and noted no additions exceeding 10 percent of total contributions related to intercollegiate athletics during the year except for the $1,000,000 contribution disclosed in Note 1. There were no changes of endowment and plant funds related to intercollegiate athletics which exceeded 10 percent.

Statement of Revenue and Expenditures

D. **Procedure:** We obtained the Intercollegiate Athletics Program statement of revenue and expenditures for the reporting period prepared by management and recalculated the amounts on the statement. We then agreed the amounts on the statement to management's worksheets supporting the preparation of the statement and agreed the amounts on such worksheets to the University's general ledger.

   Result: Procedures were performed without exception.

E. **Procedure:** We agreed revenue and expenditure amounts from the statement to prior year amounts and budget estimates. We obtained and documented any variations exceeding 10 percent and $100,000.

   Results: The following significant variations between actual expenditures in the current year and actual expenditures in the prior year were identified and discussed with the University controller:

   - We obtained and documented a significant variation from the prior year exceeding 10 percent for ticket sales - gates receipts revenue. We noted an increase in ticket sales - gates receipts revenue of $300,448 from the prior year balance of $848,470 to the current year balance of $1,148,918. This represents an increase from the prior year of approximately 35 percent. We noted that the increase in ticket sales is derived primarily from the post-season game play as follows: football MAC Championship $17,840, football bowl game $1,960, men's basketball MAC championships $26,142, and men's basketball NCAA tournament $148,292. Moreover, there was an increase in regular season men's basketball ticket sales of $13,152; $8,657 more recognized for men's basketball fundraising recorded as preferred seating; the remaining increase is associated with increased contributions to the Bobcat Club and the fundraising portion recorded as preferred seating. Finally, there was a $30,000 increase related to fundraising for the new multi-purpose facility, which represents the 20 percent of donations that are recorded as "preferred seating" and is the noncharitable portion of the donation.

- We obtained and documented a significant variation from the prior year exceeding 10 percent for guarantee revenue. We noted a decrease in guarantee revenue of $150,500 from the prior year balance of $900,000 to the current year balance of $749,500. This represents a decrease from the prior year of approximately 17 percent. We noted that the decrease was due to the football team playing in three revenue-guarantee games in fiscal year 2011 as compared to only two games in fiscal year 2012.

- We obtained and documented a significant variation from the prior year exceeding 10 percent for contribution revenue. We noted an increase in contribution revenue of $1,280,746 from the prior year balance of $726,544 to the current year balance of $2,007,290. This represents an increase from the prior year of approximately 176 percent. We noted that the increase was due primarily to a $1,000,000 contribution received in fiscal year 2012 from a private foundation.

- We obtained and documented a significant variation from the prior year exceeding 10 percent for NCAA/conference distributions, including all tournament revenue. We noted an increase in distributions of $827,402 from the prior year balance of $1,637,987 to the current year balance of $2,465,389. We noted that $300,000 was received from the MAC office for the buyout penalty payment from Temple University. In addition, a $475,000 payment for the Idaho Potato Bowl game was received. The remaining increase was associated with men's basketball receiving an additional NCAA men's basketball incentive payment as a result of their performance in the NCAA tournament.

- We obtained and documented a significant variation from the prior year exceeding 10 percent for royalties, advertisements, and sponsorships. We noted an increase in royalties of $144,852 from the prior year balance of $786,076 to the current year balance of $930,928. We noted an increase of $20,000 in additional revenue from sponsorship agreements as a part of a multi-year contract agreement. There was also an additional $124,000 received in merchandising and trademark fees as a result of apparel sales, which is attributed to the post-season play events in both football and men’s basketball.

- We obtained and documented a significant variation from the prior year exceeding 10 percent for sports camp revenues. We noted a decrease in sports camp revenue of $131,161 from the prior year balance of $335,210 to the current year balance of $202,049. We noted a decrease due to the cancellation of the men's basketball sports camp as a result of a major, multi-day power failure during June 2012 when the sports camp was scheduled to occur. Participants arrived, and within a few hours the power outage occurred and the camp was canceled and the participants were reimbursed.

- We obtained and documented a significant variation from the prior year exceeding 10 percent for other revenue. We noted a decrease in other revenue of $104,986 from the prior year balance of $494,915 to the current year balance of $389,929. We noted a decrease due to the consignment tickets that were sold for The Ohio State University versus Ohio University football game in Columbus, Ohio that was played in fiscal year 2011 and not in fiscal year 2012.

- We obtained and documented a significant variation from the prior year exceeding 10 percent for guarantee expenditures. We noted an increase in guarantee expenditures of $149,027 from the prior year balance of $570,473 to the current year balance of $719,500. We noted that the increase was due to additional guarantee games scheduled for men's basketball.

- We obtained and documented a significant variation from the prior year exceeding 10 percent for team travel expenditures. We noted an increase in team travel expenditures of $721,171 from the prior year balance of $1,733,789 to the current year balance of $2,454,960. We noted an increase of $500,000 due to the costs associated with the football team's post-season games (bowl game and MAC championship) and NCAA regular-season games. The residual difference of $200,000 is the result of the men's basketball post-season games in the NCAA tournament.

- We obtained and documented a significant variation from the prior year exceeding 10 percent for equipment, uniforms, and supplies expenditures. We noted an increase in equipment, uniforms, and supplies of $203,998 from the prior year balance of $747,752 to the current year balance of $951,750. We noted an increase in additional expenses related to the football team of $40,000 for equipment and apparel as well as $50,000 in video and computer equipment. Additional expenses related to the basketball team in the current year amounted to $18,000 for athletic supplies and apparel during their post-season games. Lastly, additional expenses related to other sports resulted in $60,000 in athletic supplies, equipment, and apparel, as well as $22,000 in medical supplies, due to increased injuries and longer seasons (due to post-season events).

- We obtained and documented a significant variation from the prior year exceeding 10 percent for fundraising, marketing, and promotional expenditures. We noted an increase in fundraising, marketing, and promotional expenditures of $450,435 from the prior year balance of $820,475 to the current year balance of $1,270,910. We noted an increase due to the expanded effort to raise donations primarily related to proposed multi-purpose building.

- We obtained and documented a significant variation from the prior year exceeding 10 percent for sports camp expenses. We noted a decrease in sports camp expenses of $235,194 from the prior year balance of $441,753 to the current year balance of $206,559. We noted a decrease due to football sports camps being canceled as a result of fewer clinics than in prior years. An additional decrease of $203,000 was due to the departure of the former men's basketball coach as well as the major power outage during the basketball camps in June 2012 (as noted in the sports camp revenue description above).

- We obtained and documented a significant variation from the prior year exceeding 10 percent for direct facilities, maintenance, and rental expenditures. We noted an increase in direct facilities, maintenance, and rental expenditures of $406,878 from the prior year balance of $523,289 to the current year balance of $930,167. We noted an increase of $169,000 due to the initiation of expenditures related to the multi-purpose facility. An additional $200,000 of the increase over the prior year was related to the renovation of the men's basketball locker rooms.

- We obtained and documented a significant variation from the prior year exceeding 10 percent for other operating expenses. We noted a decrease in other operating expenses of $797,628 from the prior year balance of $1,402,667 to the current year balance of $605,039. We noted $258,000 of the decrease is due to the payment for tickets purchased from The Ohio State University for football in the prior year; the game did not occur during 2012. An additional $337,000 of the decrease is the result of funds being transferred in the prior year, which were not made in the current year ($200,000 to a guarantee reserve and $137,000 to a repair replacement reserve). Lastly, $152,000 of the decrease is the result of a budget reduction to the intercollegiate athletics (ICA) auxiliary and the fundraising operation of ICA.

  We inquired of management and a budget to actual comparison is not performed at the account level as presented in the statement of revenue and expenditures. We did obtain the budget for the year ended June 30, 2012 by natural account code.

Revenue

F. **Revenue Procedures:** We agreed each operating revenue category reported in the statement during the reporting period to supporting schedules provided by the University.

   (1) Ticket Sales

   Procedure: We agreed tickets sold during the reporting period, complimentary tickets provided during the reporting period, and unsold tickets to the related revenue reported by the University in the statement and related attendance figures and recalculated totals. We agreed one revenue receipt obtained from the above supporting schedule to supporting documentation. The receipt selected was received on September 10, 2011 for the home football game against Gardner-Webb.

Result: We agreed one revenue receipt obtained from the above supporting schedule to the bank deposit slip and the amount deposited with the bank. For one ticket reconciliation for men's baseball, we noted that there was an unreconciled difference of $150.13.

(2) Guarantees

Procedure: We inquired of management and the University does not receive settlement reports for away games. We selected a sample of three contractual agreements pertaining to revenue derived from guaranteed contests during the reporting period and agreed the selection to the University's general ledger and/or the statement, and recalculated totals. We agreed a sample of three revenue receipts obtained from the above revenue-supporting schedule to supporting documentation. The games selected for this testing were football against New Mexico State University on September 3, 2011, men's basketball against Northern Iowa University on December 20, 2011, and football against Rutgers University on September 24, 2011.

Result: We agreed a sample of three revenue receipts obtained from the above revenue-supporting schedule to bank deposit slips. We noted no exceptions.

(3) Contributions

Procedure: We obtained supporting documentation for each contribution of monies, goods, or services received directly by an Intercollegiate Athletics Program for any affiliated or outside organization, agency, or group of individuals that constitutes 10 percent or more of all contributions received for intercollegiate athletics during the reporting period and disclosed the source and dollar value of these contributions in the report. We agreed one revenue receipt obtained from the above revenue-supporting schedules to supporting documentation.

Result: We disclosed the source and dollar amount of these contributions in Note 1. We agreed one revenue receipt received on June 4, 2012 to the bank deposit slip. We noted no exceptions.

(4) NCAA/Conference Distributions Including All Tournament Revenue

Procedure: We obtained one agreement related to the University's participation in revenue from tournaments during the reporting period. We agreed the related revenue to the University's general ledger and recalculated totals. We agreed one revenue receipt obtained from the above revenue-supporting schedules to supporting documentation.

Dr. Roderick J. McDavis
President
Ohio University

Result: We agreed one revenue receipt obtained from the above revenue-supporting schedules to a distribution report received by the University from the NCAA disclosing the total distributions to be received by each NCAA conference. We noted no exceptions.

Expenditures

G. **Expenditure Procedures:** We agreed each operating expenditure category reported in the statement during the reporting period to supporting schedules provided by the University.

(1) Athletic Student Aid

Procedure: We selected a sample of 15 students from the listing of University student aid recipients during the reporting period. We obtained individual student account detail for each selection and agreed total aid allocated from the related aid award letter to the student's account and recalculated totals. We agreed a sample of 15 expenses from the above expense-supporting schedules to supporting documentation.

Result: We agreed a sample of 11 expenses from the above expense-supporting schedules to the related aid award letter. For four of the 15 students selected, no aid award letter was available. The student accounts tested are summarized below:

Student	Amount Awarded
1	$ 10,000
2	1,500
3	32,778
4	14,860
5	18,566
6	2,700
7	500
8	6,300
9	14,200
10	23,343
11	14,761
12	32,981
13	5,198
14	8,624
15	5,379

(2) <u>Guarantees</u>

Procedure: We inquired of management and the University does not prepare settlement reports for home games. We obtained three contractual agreements pertaining to expenses recorded by the University from home football games during the reporting period. We agreed related amounts expensed by the University during the reporting period to the University's general ledger and recalculated totals. We agreed a sample of three expenses obtained from the above expense-supporting schedules to supporting documentation. The games selected for this testing were men's basketball against North Carolina A&T State University on December 23, 2011, men's basketball against Kennesaw State University on December 30, 2011, and football against Gardner-Webb University on September 10, 2011.

Result: We agreed a sample of three expenses obtained from the above expense-supporting schedules to bank statements. We noted no exceptions.

(3) <u>Coaching Salaries, Benefits, and Bonuses Paid by the University and Related Entities</u>

Procedure: We obtained a listing of coaches employed by the University during the reporting period. We selected a sample of five coaches' contracts that included the head football and head men's and women's basketball coaches from the above listing. We agreed the financial terms and conditions of each selection to the related coaching salaries, benefits, and bonuses recorded by the University and related entities in the statement during the reporting period. We obtained W-2s or 1099s for each selection. We agreed related W-2s to the related coaching salaries, benefits, and bonuses paid by the University and related entities' expense recorded by the University in the statement during the reporting period and recalculated totals. We agreed a sample of three expenses obtained from the above expense-supporting schedules to supporting documentation.

Result: We agreed a sample of three expenses obtained from the above expense-supporting schedules to supporting payroll reports. We noted no exceptions.

<u>Related to Affiliated and Outside Organizations Not Under the University's Accounting Control</u>

H. **Procedure:** In preparation for our procedures related to the University's affiliated and outside organizations we:

(1) Inquired of management as to whether they have identified any affiliated and outside organizations that meet any of the following criteria:

a. Booster organizations established by or on behalf of an Intercollegiate Athletics Program

b. Independent or affiliated foundations or other organizations that have, as a principal purpose, generating or maintaining of grants-in-aid or scholarship funds, gifts, endowments or other monies, goods, or services to be used entirely or in part by the Intercollegiate Athletics Program

c. Alumni organizations that have as one of their principal purposes the generating of monies, goods, or services for or on behalf of an Intercollegiate Athletics Program and that contribute monies, goods, or services directly to an Intercollegiate Athletics Program, booster group, or independent or affiliated foundation as previously noted

(2) We also obtained documentation on the University's practices and procedures for monitoring the internal controls in place and financial activities of these organizations. We inquired of management on the procedures for gathering information on the nature and extent of affiliated and outside organization activity for or on behalf of the University's Intercollegiate Athletics Program.

(3) We requested audited financial statements of the organization and any additional reports regarding internal controls and any corrective action taken in response to comments concerning the control environment. We did not perform the following supplemental procedures, as audited financial statements were not available:

a. For expenses on or on behalf of Intercollegiate Athletic Programs by affiliated and outside organizations not under the University's accounting control, we obtained the organization's statements for the reporting period. We agreed the amounts reported to the organization's general ledger.

b. We obtained a summary of revenue and expenses for or on behalf of the organization.

Result: We inquired of management as to whether it had identified any affiliated or outside organizations that meet the above criteria. Management indicated that the Green and White Boosters Club met the above criteria. We obtained documentation on the University's practices and procedures for monitoring the internal controls in place and financial activities of this organization. We were unable to obtain the audited financial statements for the outside organization identified. The Ohio University Foundation confirmed that the financial activities of the affiliate and outside organization listed above were recorded on the books of the Ohio University Foundation and are not included in either the Intercollegiate Athletics Program statement of revenue and expenditures or the books of the University.

Dr. Roderick J. McDavis
President
Ohio University

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

This report is intended solely for the information and use of Ohio University's management and the National Collegiate Athletics Association and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

December 17, 2012

Ohio University
National Collegiate Athletics Association Report

Intercollegiate Athletics Program Statement of Revenue and Expenditures
Year Ended June 30, 2012

	Men's Football	Men's Basketball	Women's Basketball	Other Sports	Nonprogram Specific	Total
Operating Revenue						
Ticket sales - Gate receipts	$ 490,015	$ 503,613	$ 5,846	$ 38,927	$ 110,517	$ 1,148,918
Guarantees	725,000	20,000	-	4,500	-	749,500
Contributions	57,431	181,526	660	110,474	1,657,199	2,007,290
Student fees	5,725,561	2,274,547	1,217,107	5,321,554	3,784,207	18,322,976
Indirect facilities and administrative support	764,004	275,811	134,425	664,001	510,164	2,348,405
NCAA/Conference distributions including all tournament revenue	880,378	640,541	70,677	502,822	370,971	2,465,389
Program sales, concessions, novelty sales, and parking	25,830	14,787	-	-	65,519	106,136
Royalties, advertisements, and sponsorships	-	-	-	-	930,928	930,928
Sports camp revenue	28,215	37,700	8,663	127,471	-	202,049
Endowment and investment income	-	-	-	-	-	-
Other	11,183	2,175	-	25,626	350,945	389,929
Total operating revenue	8,707,617	3,950,700	1,437,378	6,795,375	7,780,450	28,671,520
Operating Expenditures						
Athletic student aid	2,577,829	386,584	450,143	2,970,430	292,544	6,677,530
Guarantees	350,000	333,000	36,000	500	-	719,500
Coaching salaries, benefits, and bonuses paid by the University and related entities	1,611,796	775,660	412,211	1,565,256	65	4,364,988
Support staff/Administrative salaries, benefits, and bonuses paid by the University and related entities	170,797	98,944	46,596	47,660	2,098,912	2,462,909
Recruiting	232,195	79,721	55,495	120,689	-	488,100
Team travel	1,253,257	405,208	114,754	681,741	-	2,454,960
Equipment, uniforms, and supplies	316,035	73,972	28,472	272,094	261,177	951,750
Game expenses	89,200	84,523	51,904	74,208	-	299,835
Fundraising, marketing, and promotion	159,072	78,714	14,287	24,216	994,621	1,270,910
Sports camp expenses	28,302	37,700	10,708	129,849	-	206,559
Direct facilities, maintenance, and rental	268,425	239,782	14,341	104,789	302,830	930,167
Indirect facilities and administrative support	764,004	275,811	134,425	664,001	510,164	2,348,405
Medical expenses and medical insurance	1,931	-	-	3,843	319,830	325,604
Memberships and dues	830	6,299	640	18,399	275,922	302,090
Other operating expenses	44,431	155,244	18,134	178,082	209,148	605,039
Total operating expenditures	7,868,104	3,031,162	1,388,110	6,855,757	5,265,213	24,408,346
Excess of Revenue Over (Under) Expenditures	**$ 839,513**	**$ 919,538**	**$ 49,268**	**$ (60,382)**	**$ 2,515,237**	**$ 4,263,174**

See Notes to Intercollegiate Athletics Program Statement of Revenue and Expenditures.

Note 1 - Contributions

Individual contributions of monies, goods, or services received directly by the University's intercollegiate athletics program from any affiliated or outside organization, agency, or individuals (e.g., contributions by corporate sponsors) that constitute 10 percent or more of all contributions received for intercollegiate athletics during the year ended June 30, 2012 are as follows:

Source of Funds, Goods, and Services	Value
A Private Foundation	$ 1,000,000

Note 2 - Intercollegiate Athletics-related Assets

Property and equipment are recorded at cost or, if donated, the estimated fair value at the time of donation. Expenditures for maintenance and repairs are charged to current expenditures as incurred. Depreciation is computed using the straight-line method over the estimated useful life of the asset. No depreciation is recorded on land. Expenditures for major renewals and betterments that extend the useful lives of the assets are capitalized. Estimated service lives range from 5-50 years depending on class.

The current year capitalized additions and deletions to facilities during the year ended June 30, 2012 are as follows:

	Additions	Deletions
Football athletics facilities	$ -	$ -
Basketball athletics facilities	234,068	60,510
Total athletics facilities	$ 234,068	$ 60,510
Other institutional facilities	$ 43,455,162	$ 372,530

Note 2 - Intercollegiate Athletics-related Assets (Continued)

The total estimated book values of property and equipment, net of depreciation, of the University as of the year ended June 30, 2012 are as follows:

	Estimated Book Value
Athletics-related property, plant, and equipment balance	$ 13,021,276
University's total property, plant, and equipment balance	$ 646,087,408

Note 3 - Intercollegiate Athletics-related Debt

The annual debt service and debt outstanding for the University as of the year ended June 30, 2012 is as follows:

	Annual Debt Service	Debt Outstanding
Athletics-related facilities	$ 239,634	$ 3,093,030
University's total	47,885,158	199,295,000

The repayment schedule for all outstanding intercollegiate athletics debt maintained by the University during the year ended June 30, 2012 is as follows:

Years Ending June 30	Total Intercollegiate Athletics Debt
2013	$ 239,634
2014	238,970
2015	238,462
2016	238,192
2017	238,627
2018-2022	1,188,499
2023-2025	710,646
Total	$ 3,093,030

OHIO UNIVERSITY

ATHENS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 29, 2013