

WEXNER CENTER FOR THE ARTS

FINANCIAL REPORT

For The Year Ended June 30, 2007

PARMS & COMPANY, LLC
CERTIFIED PUBLIC ACCOUNTANTS



Mary Taylor, CPA
Auditor of State

Board of Directors
Wexner Center for the Arts
2040 Blankenship Hall
901 Woody Hayes Drive
Columbus, Ohio 43210-4016

We have reviewed the *Independent Auditor's Report* of the Wexner Center for the Arts, Franklin County, prepared by Parms & Company, LLC, for the audit period July 1, 2006 through June 30, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Wexner Center for the Arts is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 20, 2008

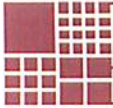
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Wexner Center for the Arts

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INDEPENDENT AUDITORS' REPORT

Wexner Center for the Arts
The Ohio State University

We have audited the accompanying statement of net assets of the Wexner Center for the Arts, which is a part of The Ohio State University, as of June 30, 2007, and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of Wexner Center for the Arts's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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 audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of Wexner Center for the Arts are intended to present the financial position and results of operations of only that portion of the financial reporting entity of The Ohio State University that is attributable to the transactions of Wexner Center for the Arts.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wexner Center for the Arts at June 30, 2007, and the results of its operations and its cash flows for the year 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 January 31, 2008, on our consideration of the Wexner Center for the Arts's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis presented on pages 2 through 7 is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Farms & Company, LLC

January 31, 2008

Wexner Center for the Arts

Management's Discussion and Analysis

Fiscal Year Ending June 30, 2007

The following Management's Discussion and Analysis, or MD&A, provides an overview of the financial position and activities of the Wexner Center for the Arts for the year ended June 30, 2007. We encourage you to read this MD&A section in conjunction with the audited financial statements and footnotes appearing in this report.

About the Wexner Center

The Wexner Center for the Arts, which opened in November 1989, is a multi-disciplinary arts center located on the Columbus campus of The Ohio State University. Conceived as a research laboratory for all the arts, it has emphasized commissions for new work and artist residencies since its inception. Its multidisciplinary programs encompass performing arts, exhibitions, and media arts (film/video) and have focused on cutting-edge culture from around the globe. The Wexner Center building is named in honor of Harry L. Wexner, the father of Leslie H. Wexner, chairman and founder of Limited Brands and a major donor to the center.

The Wexner Center receives significant financial support from the Wexner Center Foundation. The Foundation is a private, nonprofit partner of The Ohio State University Board of Trustees established for the overall purpose of advancing the interests of the Wexner Center for the Arts. Its primary role is to provide trustee guidance and sustained support for Wexner Center programming.

About the Financial Statements

The Wexner Center presents its financial reports in a "business type activity" format, in accordance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities – an amendment of GASB Statement No. 34*. In addition to this MD&A section, the financial report includes a Statement of Net Assets, a Statement of Revenues, Expenses and Other Changes in Net Assets, a Statement of Cash Flows and Notes to the Financial Statements.

Financial Highlights

The Wexner Center's financial position was relatively stable in Fiscal Year 2007. Restricted-nonexpendable net assets related to endowment funds increased \$504,803, to \$4,366,932. Expendable net assets, which include unrestricted and restricted-expendable net assets, decreased \$236,634, to \$490,649. Gift revenues totaled \$3,735,375. This gift figure includes \$2,086,392 in direct support from the Wexner Center Foundation.

The following sections provide additional details on the Wexner Center's 2007 financial results and a look ahead at significant economic conditions that are expected to affect the Center in the future.

Wexner Center for the Arts
Management's Discussion and Analysis
Fiscal Year Ending June 30, 2007

Statements of Net Assets

| Statements of Net Assets | <u>2007</u> | <u>2006</u> |
|---------------------------------------------|-----------------------------|-----------------------------|
| Cash and cash equivalents | \$ 727,756 | \$ 801,490 |
| Accounts receivable | 137,307 | 187,306 |
| Inventories and prepaid expenses | <u>225,426</u> | <u>202,419</u> |
| Total current assets | 1,090,489 | 1,191,215 |
| Endowments in OSU long-term investment pool | 4,366,932 | 3,862,129 |
| Property, plant & equipment, net | <u>46,880,168</u> | <u>48,943,294</u> |
| Total non-current assets | <u>51,247,100</u> | <u>52,805,423</u> |
| TOTAL ASSETS | \$ <u>52,337,589</u> | \$ <u>53,996,638</u> |
| LIABILITIES AND NET ASSETS | | |
| Accounts payable | \$ 289,153 | \$ 35,805 |
| Accrued salary and wages | 13,892 | 16,891 |
| Deposits and deferred revenues | 22,137 | 155,256 |
| Accrued vacation and sick leave - current | <u>20,504</u> | <u>16,715</u> |
| Total current liabilities | 345,686 | 224,667 |
| Accrued vacation and sick leave - long term | <u>254,154</u> | <u>239,265</u> |
| TOTAL LIABILITIES | \$ <u>599,840</u> | \$ <u>463,932</u> |
| Invested in capital assets | \$ 46,880,168 | \$ 48,943,294 |
| Restricted - nonexpendable | 4,366,932 | 3,862,129 |
| Restricted - expendable | 735,615 | (1,183,490) |
| Unrestricted | <u>(244,966)</u> | <u>1,910,773</u> |
| TOTAL NET ASSETS | \$ <u>51,737,749</u> | \$ <u>53,532,706</u> |

Total **current assets** decreased \$100,726, to \$1,090,489 at June 30, 2007, due to a combination of declines in cash and accounts receivable balances. The Statement of Cash Flows, which is discussed in more detail below, provides additional details on sources and uses of Wexner Center cash.

Endowment investments in the University's long-term investment pool increased \$504,803, to \$4,366,932 at June 30, 2007, primarily due to appreciation in the market value of investments. The long-term investment pool is invested in a diversified portfolio of equities, fixed income, real estate, hedge funds, private equity, venture capital and natural resources that is intended to provide the long-term growth necessary to preserve the value of these funds, adjusted for inflation, while making distributions to support the University's mission.

The Wexner Center's **property, plant and equipment**, net of accumulated depreciation, decreased \$2,063,126, to \$46,880,168, primarily due to building depreciation. University facilities assigned to the Wexner Center include the Wexner Center building and the adjacent Mershon Auditorium. In October 2005, the Wexner Center galleries reopened

Wexner Center for the Arts
Management's Discussion and Analysis
Fiscal Year Ending June 30, 2007

after an extensive renovation. All program areas remained active during the renovation, but exhibitions were mounted off site, at the Belmont Building in downtown Columbus.

Current liabilities of the Wexner Center increased \$121,019, to \$345,686 at June 30, 2007. Increases in account payable were partially offset by decreases in deferred revenues.

Statement of Revenues, Expenses and Changes in Net Assets

| Statement of Revenues, Expenses and Changes in Net Assets | <u>2007</u> |
|-----------------------------------------------------------|----------------------|
| OPERATING REVENUES: | |
| Sales and services | \$ 975,180 |
| Grants and contracts | <u>183,417</u> |
| Total operating revenues | 1,158,597 |
| OPERATING EXPENSES: | |
| Salaries | 3,940,228 |
| Employee Benefits | 1,383,890 |
| Fees paid to performers and artists | 426,960 |
| Supplies and services | 3,523,570 |
| University overhead charges | 27,795 |
| Depreciation | <u>2,212,612</u> |
| Total operating expenses | 11,515,055 |
| OPERATING LOSS | (10,356,458) |
| NON-OPERATING REVENUES AND EXPENSES: | |
| University appropriations | 3,981,939 |
| Gifts | 3,735,375 |
| Endowment income distributions | 177,256 |
| Investment income | 526,528 |
| Transfers from University for capital projects | <u>140,403</u> |
| INCREASE (DECREASE) IN NET ASSETS | (1,794,957) |
| NET ASSETS -- Beginning of Year | <u>53,532,706</u> |
| NET ASSETS -- End of Year | <u>\$ 51,737,749</u> |

Total net assets (equity) of the Wexner Center decreased \$1,794,957, to \$51,737,749 at June 30, 2007. It should be noted that the required subtotal for net operating income or loss will generally reflect a "loss", primarily due to the way operating and non-operating items are defined under GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. Operating expenses include virtually all Wexner Center expenses.

Operating revenues, however, *exclude* certain significant revenue streams that the Center relies upon to fund current operations, including direct support from the University, current-use gifts and investment income.

Wexner Center for the Arts
Management's Discussion and Analysis
Fiscal Year Ending June 30, 2007

Statement of Cash Flows

| Statement of Cash Flows | <u>2007</u> |
|-----------------------------------------------|--------------------|
| Cash Provided by (Used in): | |
| Operating activities | \$ (7,980,945) |
| Noncapital financing activities | 7,717,314 |
| Capital and related financing activities | (9,083) |
| Investing activities | <u>198,980</u> |
| Net Increase (Decrease) in Cash | (73,734) |
| Cash and Cash Equivalents - Beginning of Year | <u>801,490</u> |
| Cash and Cash Equivalents - End of Year | <u>\$ 727,756</u> |

Total Wexner Center **cash and cash equivalents** decreased \$73,734, to \$727,756 at June 30, 2007. Operating activities include cash flows associated with sales and services, grants and contracts, and operating expenses. Noncapital financing activities include direct operating support from the University and gifts. Capital and related financing activities include payments for purchase or construction of capital assets and transfers for capital projects from the University. Net cash provided by investing activities consists primarily of endowment income distributions.

Economic Factors That Will Affect the Future

The Wexner Center continues to be a hotbed of creative activity, preparing (as we always are) for “Wex Up Next.”

This winter and spring, our multiple stages will launch premieres by leading international artists in dance and theater. A full slate of jazz futurists as well as rising young bands from around the world will pack the house, and audiences will experience firsthand that moment of “being there” when it all begins.

Our film program, as always, presents a feast of cinematic treasures, often introduced by prominent visiting filmmakers, while also screening the work of emerging talents from around the world. Acclaimed films from the international festival circuit--from Sundance to Cannes to Buenos Aires—can all be seen right here in Columbus.

In our galleries, a spectacular array of painting, photography, cartoon graphics, sculpture, and even puppetry performances beckons. Upcoming exhibitions feature artists from as near as German Village and as far as Tel Aviv, and our annual distinguished lecture series welcomes illustrious art historians and critics with truly global pedigrees.

And all of this is punctuated by the visit of filmmaker Spike Lee, who will come to Columbus in February to receive the 2008 Wexner Prize. The occasion will offer

Wexner Center for the Arts
Management's Discussion and Analysis
Fiscal Year Ending June 30, 2007

specially orchestrated events for teens, for university students, for our members, and for the general public.

Private contributions from individuals, foundations, and corporations combine with generous public support from the University and public agencies to maintain the Wexner Center and its programs. These gifts enable the Wexner Center to provide a forum where new ideas are tested by artists and audiences alike.

The ability of the Wexner Center to meet the challenges of the future is subject to many influences outside of its control, including future levels of state and local funding and potential downturns in the national economy. However, based on what is now known about FY2008, Wexner Center management believes that the Center will maintain its stable financial position in the year ahead.

**The Ohio State University
Wexner Center for the Arts
Statement of Net Assets
As of June 30, 2007**

ASSETS

CURRENT ASSETS:

| | | |
|----------------------------------|----|-----------|
| Cash and cash equivalents | \$ | 727,756 |
| Accounts receivable | | 137,307 |
| Inventories and prepaid expenses | | 225,426 |
| | | 1,090,489 |

Total current assets 1,090,489

NON-CURRENT ASSETS:

| | | |
|---------------------------------------------|--|------------|
| Endowments in OSU long-term investment pool | | 4,366,932 |
| Property, plant & equipment, net | | 46,880,168 |
| | | 51,247,100 |

Total non-current assets 51,247,100

TOTAL ASSETS **\$ 52,337,589**

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

| | | |
|-------------------------------------------|----|---------|
| Accounts payable | \$ | 289,153 |
| Accrued salary and wages | | 13,892 |
| Deposits and deferred revenues | | 22,137 |
| Accrued vacation and sick leave - current | | 20,504 |
| | | 345,686 |

Total current liabilities 345,686

Accrued vacation and sick leave - long term 254,154

TOTAL LIABILITIES **599,840**

NET ASSETS:

| | | |
|----------------------------|--|------------|
| Invested in capital assets | | 46,880,168 |
| Restricted - nonexpendable | | 4,366,932 |
| Restricted - expendable | | 735,615 |
| Unrestricted | | (244,966) |
| | | 51,737,749 |

TOTAL NET ASSETS **\$ 51,737,749**

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

The Ohio State University
Wexner Center for the Arts
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2007

| | |
|------------------------------------------------|----------------------|
| OPERATING REVENUES: | |
| Sales and services | \$ 975,180 |
| Grants and contracts | 183,417 |
| | 1,158,597 |
| Total operating revenues | 1,158,597 |
| OPERATING EXPENSES: | |
| Salaries | 3,940,228 |
| Employee Benefits | 1,383,890 |
| Fees paid to performers and artists | 426,960 |
| Supplies and services | 3,523,570 |
| University overhead charges | 27,795 |
| Depreciation | 2,212,612 |
| | 11,515,055 |
| Total operating expenses | 11,515,055 |
| OPERATING LOSS | (10,356,458) |
| NON-OPERATING REVENUES AND EXPENSES: | |
| University appropriations | 3,981,939 |
| Gifts | 3,735,375 |
| Endowment income distributions | 177,256 |
| Investment income | 526,528 |
| Transfers from University for capital projects | 140,403 |
| | 8,561,501 |
| Total non-operating revenues | 8,561,501 |
| DECREASE IN NET ASSETS | (1,794,957) |
| NET ASSETS -- Beginning of Year | 53,532,706 |
| | 53,532,706 |
| NET ASSETS -- End of Year | \$ 51,737,749 |
| | 51,737,749 |

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

**The Ohio State University
Wexner Center for the Arts
Statement of Cash Flows
For the Year Ended June 30, 2007**

Cash Flows from Operating Activities:

| | |
|-----------------------------------------------|--------------------|
| Grant and contract receipts | \$ 183,417 |
| Receipts for sales and services | 892,060 |
| Payments to or on behalf of employees | (3,943,227) |
| University employee benefit payments | (1,365,212) |
| Payments to artists and performers | (426,960) |
| Payments to vendors for supplies and services | (3,321,023) |
| Net cash used in operating activities | <u>(7,980,945)</u> |

Cash Flows from Noncapital Financing Activities:

| | |
|------------------------------------------------------|------------------|
| University appropriations | 3,981,939 |
| Gifts | <u>3,735,375</u> |
| Net cash provided by noncapital financing activities | 7,717,314 |

Cash Flows from Capital Financing Activities:

| | |
|---------------------------------------------------------|----------------|
| Payments for purchase or construction of capital assets | (149,486) |
| Transfers from University for capital projects | <u>140,403</u> |
| Net cash used in capital financing activities | (9,083) |

Cash Flows from Investing Activities:

| | |
|-------------------------------------------|----------------|
| Interest income and dividends received | <u>198,980</u> |
| Net cash provided by investing activities | <u>198,980</u> |

Net Decrease in Cash and Cash Equivalents

| | |
|-----------------------------------------------|-------------------|
| | (73,734) |
| Cash and Cash Equivalents - Beginning of Year | <u>801,490</u> |
| Cash and Cash Equivalents - End of Year | <u>\$ 727,756</u> |

Reconciliation of Net Operating Loss to Net Cash

Provided (Used) by Operating Activities:

| | |
|--------------------------------------------------------------------------------------------------|-----------------------|
| Operating loss | \$ (10,356,457) |
| Adjustments to reconcile net operating loss to net cash provided (used) by operating activities: | |
| Depreciation expense | 2,212,612 |
| Changes in assets and liabilities: | |
| Accounts receivable, net | 49,999 |
| Inventories and prepaid expenses | (23,007) |
| Accounts payable | 253,348 |
| Accrued salary and wages | (2,999) |
| Deposits and deferred credits | (133,119) |
| Compensated absences | 18,678 |
| Net cash provided (used) by operating activities | <u>\$ (7,980,945)</u> |

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

**THE OHIO STATE UNIVERSITY
WEXNER CENTER FOR THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2007**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Entity

Wexner Center for the Arts is a part of The Ohio State University (the University) financial reporting entity. The financial statements of the University contain more extensive disclosure of the significant accounting policies of the University as a whole.

Basis of Presentation

Wexner Center for the Arts complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Wexner Center for the Arts reports as a special purpose government engaged solely in “business type activities” under GASB Statement No. 34. GASB Statement Nos. 20 and 34 provide Wexner Center for the Arts the option of electing to apply FASB pronouncements issued after November 30, 1989. Wexner Center for the Arts has elected not to apply those pronouncements

Basis of Accounting

The financial statements of Wexner Center for the Arts have been prepared on the accrual basis whereby all revenues are recorded when earned and all expenses are recorded when they are considered to be a legal or contractual obligation to pay.

Cash

Cash of Wexner Center for the Arts is maintained by the University which commingles the funds with other University-related organizations.

Endowment Investments

Endowment funds are handled by the Treasurer of the University who commingles the funds with other University-related organizations. Earned investment income is allocated to each organization based on its share of the total funds invested at the beginning of each year. Additions to endowment investments are recorded as nonoperating revenues in the statement of revenues, expenses and changes in net assets. Investments are recorded at their fair value. Investment income from endowment investments is unrestricted by the donors, and as such becomes a part of unrestricted net assets.

Capital Assets

Capital assets with a unit cost of over \$3,000 are recorded at cost at date of acquisition, or, if donated, at fair market value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expenditure categories. Expenditures for construction in progress are capitalized as incurred. Routine maintenance and repairs are charged to expenses as incurred.

**THE OHIO STATE UNIVERSITY
WEXNER CENTER FOR THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2007**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

All revenues from programmatic sources are considered to be operating revenues. Included in non-operating revenues are University support, investment income, and gifts. Gift revenues are recorded upon receipt from donors. Grant funds are recorded as revenues when the grant's contractual requirements, when applicable, have been met. The principal expendable restricted resources of Wexner Center are current-use gifts and endowment income distributions.

Donated Facilities and Administrative Support from The Ohio State University

The University charges the Wexner Center for allocated overhead costs associated with sales of goods and services. In addition, the University provides certain donated facilities and administrative services, which are not reflected in the Wexner Center's revenues and expenses.

Support from the Wexner Center Foundation

The Wexner Center Foundation is a private, nonprofit partner of The Ohio State University Board of Trustees established for the overall purpose of advancing the interests of the Wexner Center for the Arts. Its primary role is to provide trustee guidance and sustained support for Wexner Center programming. For the year ended June 30, 2007, the Foundation provided \$2,086,392 of direct support to the Wexner Center, which is included in gift revenues on the Statement of Revenues, Expenses and Changes in Net Assets.

Management Estimates

The preparation of financial statements in conformity with accounting principles, generally accepted in the United States of America, requires the use of management estimates, primarily related to collectibility of receivables and compensated absences. Actual results could differ from those estimates.

Net Assets

GASB Statement No. 34 reports equity as "Net Assets" rather than "fund balance." Net assets are classified according to external donor restrictions or availability of assets for satisfaction of Wexner Center's obligations. Nonexpendable restricted net assets are gifts that have been received for endowment purposes, the corpus of which cannot be expended. Expendable restricted net assets represent funds that have been gifted for specific purposes.

**THE OHIO STATE UNIVERSITY
WEXNER CENTER FOR THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2007**

NOTE 2: CASH AND INVESTMENTS

The cash balance as of June 30, 2007 consists of pooled funds which are held and managed by the Treasurer's Office of the University. Endowment investments represent the Wexner Center's share of pooled investment funds.

The following summarizes pooled shares and related values as of June 30, 2007:

| <u>Name of Fund</u> | <u>Number of Shares</u> | <u>Cost</u> | <u>Market Value</u> |
|-----------------------------|-------------------------|---------------------|---------------------|
| HAAS CARL FUND | 34.49 | \$ 155,130 | \$ 260,176 |
| LONG, ETHEL MANLEY | 9.67 | 35,000 | 72,916 |
| TAPPEN ENDOWED FD | 2.62 | 15,000 | 19,771 |
| WEXNER CENTER PROGRAMS | 5.33 | 25,000 | 40,244 |
| ARNOLD SA MAINT WCA | 4.09 | 28,000 | 30,868 |
| FND-DUKE PERFORMING ARTS | 384.97 | 2,539,431 | 2,903,977 |
| GLIMCHER D&H PROGRAM FD | 17.64 | 100,000 | 133,089 |
| LAMBERT FAMILY LECTURE | 56.38 | 382,112 | 425,336 |
| Director's Dialogue Fd | 7.11 | 50,000 | 54,882 |
| FUNG FAMILY WEXNER CTR | 43.91 | 250,000 | 331,265 |
| WEXNER CTR EDUCATION END FD | 9.78 | 57,675 | 73,801 |
| FND-TUCKERMAN CHILD | 2.73 | 25,000 | 20,607 |
| Total | | \$ 3,662,347 | \$ 4,366,932 |

Total Endowment investments by investment type at June 30, 2007 are as follows:

| | <u>2007</u> |
|------------------------------|----------------------------|
| Common Stock | \$ 1,435,287 |
| Equity Mutual Funds | 1,309,296 |
| US Govt Obligations | 76,235 |
| US Govt Agency Obligations | 108,085 |
| Corporate Bonds & Notes | 163,355 |
| Bond Mutual Funds | 181,944 |
| International Bonds | 32,291 |
| Real Estate | 277,871 |
| Partnerships and Hedge Funds | 666,392 |
| Cash in Trust | 116,176 |
| Total | \$ <u>4,366,932</u> |

Statement No. 3 as amended by Statement No. 40 of the Government Accounting Standards Board requires the disclosure of essential risk information about deposits and investments. The disclosure requirements cover four main areas: credit risk, interest rate and investment maturity, interest rate sensitivity and foreign exchange exposure.

**THE OHIO STATE UNIVERSITY
WEXNER CENTER FOR THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2007**

NOTE 2: CASH AND INVESTMENTS (continued)

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.

The maturities of the Wexner Center’s interest-bearing investments at June 30, 2007 are as follows:

| | <u>Investment Maturities (in years)</u> | | | | |
|----------------------------|-----------------------------------------|--------------------|-------------------|-------------------|---------------------|
| | <u>Fair Market Value</u> | <u>Less than 1</u> | <u>1-5</u> | <u>6-10</u> | <u>More than 10</u> |
| US GOVT OBLIGATIONS | \$ 76,235 | \$ 3,791 | \$ 9,077 | \$ 52,055 | \$ 11,312 |
| US GOVT AGENCY OBLIGATIONS | 108,085 | 4,281 | 23,420 | 17,734 | 62,650 |
| CORPORATE BONDS | 163,355 | 6,427 | 43,592 | 67,978 | 45,358 |
| BOND MUTUAL FUNDS | 181,944 | 14,625 | 64,089 | 77,803 | 25,427 |
| INTERNATIONAL BONDS | 32,291 | 0 | 5,515 | 5,856 | 20,920 |
| TOTAL | \$ 561,910 | \$ 29,124 | \$ 145,693 | \$ 221,426 | \$ 165,667 |

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit quality information – as commonly expressed in terms of the credit ratings issued by nationally recognized statistical rating organizations such as Moody’s Investors Service, Standard & Poor’s, or Fitch Ratings – provides a current depiction of potential variable cash flows and credit risk.

The credit ratings of the Wexner Center’s interest-bearing investments at June 30, 2007 are as follows:

| Credit Rating (S&P) | <u>Investment Maturities (in years)</u> | | | | |
|---------------------|-----------------------------------------|-----------------------------|------------------------|--------------------------|----------------------------|
| | <u>Total</u> | <u>US Govt & Agency</u> | <u>Corporate Bonds</u> | <u>Bond Mutual Funds</u> | <u>International Bonds</u> |
| AAA | \$ 265,487 | \$ 182,287 | \$ 17,478 | \$ 65,722 | \$ 0 |
| AA | 24,107 | 1,340 | 13,180 | 9,173 | 414 |
| A | 58,379 | 0 | 31,177 | 27,202 | 0 |
| BBB | 36,430 | 0 | 28,035 | 6,334 | 2,061 |
| BB | 49,713 | 0 | 8,996 | 26,679 | 14,038 |
| B | 73,559 | 0 | 36,973 | 34,765 | 1,821 |
| CCC | 24,107 | 0 | 13,598 | 10,509 | 0 |
| CC | 0 | 0 | 0 | 0 | 0 |
| C | 0 | 0 | 0 | 0 | 0 |
| Not Rated | 30,128 | 693 | 13,918 | 1,558 | 13,957 |
| Total | \$ 561,910 | \$ 184,320 | \$ 163,355 | \$ 181,944 | \$ 32,291 |

**THE OHIO STATE UNIVERSITY
WEXNER CENTER FOR THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2007**

NOTE 2: CASH AND INVESTMENTS (continued)

Foreign currency risk – Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit.

At June 30, 2007, the Wexner Center’s exposure to foreign currency risk is as follows:

| Currency | Common Stock | Equity Mutual Fund | Bond Mutual Fund | Corporate Bonds | International Bond |
|------------------------------|-------------------|-----------------------|---------------------|--------------------|-----------------------|
| Argentina Peso | \$ 0 | \$ 35,833 | \$ 0 | \$ 0 | \$ 3,609 |
| Australian Dollar | 8,178 | 7,978 | 4,984 | 0 | 0 |
| Brazilian Real | 8,852 | 16,854 | 1,871 | 0 | 0 |
| Canadian Dollar | 14,867 | 53,796 | 3,148 | 0 | 0 |
| China - Yuan | 0 | 14,920 | 0 | 0 | 0 |
| Colombian Peso | 0 | 0 | 0 | 0 | 372 |
| Danish Krone | 882 | 1,622 | 554 | 0 | 0 |
| Egyptian Pound | 615 | 1,439 | 0 | 0 | 0 |
| EURO | 107,966 | 247,263 | 25,735 | 0 | 0 |
| Hong Kong Dollar | 15,163 | 10,407 | 0 | 0 | 0 |
| Hungarian Forint | 0 | 2,395 | 0 | 0 | 0 |
| Indonesian Rupiah | 1,873 | 3,384 | 1,229 | 0 | 0 |
| India - Rupee | 0 | 2,687 | 0 | 0 | 0 |
| Israeli Shekel | 1,023 | 911 | 0 | 0 | 0 |
| Japanese Yen | 67,914 | 144,188 | 23,958 | 0 | 0 |
| Malaysian Ringgit | 8,501 | 1,743 | 1,879 | 0 | 0 |
| Mexican Peso | 2,053 | 8,871 | 1,777 | 739 | 922 |
| New Taiwan Dollar | 6,728 | 10,412 | 0 | 0 | 0 |
| New Zealand DOLLAR | 287 | 1,574 | 1,603 | 0 | 0 |
| Norwegian Krone | 14,325 | 10,544 | 0 | 0 | 0 |
| Pakistan - Rupee | 0 | 1,529 | 0 | 0 | 0 |
| Peru - Nuevo Sol | 0 | 1,979 | 0 | 0 | 0 |
| Phillippine Peso | 1,126 | 1,900 | 0 | 0 | 0 |
| Polish Zloty | 831 | 2,136 | 2,974 | 0 | 0 |
| Russia - Rouble | 0 | 10,412 | 0 | 0 | 0 |
| Great Britain Pound Sterling | 48,379 | 150,483 | 3,688 | 0 | 0 |
| Singapore Dollar | 4,286 | 5,392 | 2,758 | 0 | 0 |
| South African Rand | 15,760 | 9,040 | 1,930 | 0 | 0 |
| South Korean Won | 17,259 | 15,021 | 0 | 0 | 0 |
| Sri Lanka - Ruppee | 0 | 360 | 0 | 0 | 0 |
| Swedish Krona | 7,733 | 21,121 | 1,150 | 0 | 0 |
| Swiss Franc | 7,755 | 43,075 | 382 | 0 | 0 |
| Thailand Baht | 2,461 | 2,080 | 0 | 0 | 0 |
| Turish Lira | 0 | 3,407 | 0 | 0 | 1,830 |
| US Dollar | 55,348 | 130,446 | 8,242 | 8,674 | 25,558 |
| Total | \$ 420,164 | \$ 975,202 | \$ 87,863 | \$ 9,414 | \$ 32,291 |

**THE OHIO STATE UNIVERSITY
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For the Year Ended June 30, 2007**

NOTE 3: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2007, were as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance |
|----------------------------------|----------------------|-------------|-------------|-------------------|
| Non-depreciable assets | | | | |
| Construction in progress | \$ 1,865,604 | 115,555 | (971,004) | \$ 1,010,155 |
| Depreciable assets | | | | |
| Buildings | 70,608,131 | 989,063 | - | 71,597,194 |
| Furniture and Equipment | 2,280,763 | 15,871 | (303,909) | 1,992,725 |
| Total cost of depreciable assets | 72,888,894 | 1,004,934 | (303,909) | 73,589,920 |
| Total cost of capital assets | 74,754,498 | 1,120,490 | (1,274,913) | 74,600,075 |
| Less accumulated depreciation | 25,811,204 | 2,212,612 | (303,909) | 27,719,907 |
| Net capital assets | \$ 48,943,294 | (1,092,122) | (971,004) | \$ 46,880,168 |

The following estimated useful lives are used to compute depreciation:

| | |
|-------------------------|---------------|
| Furniture and Equipment | 5 - 15 years |
| Buildings | 20 - 40 years |

NOTE 4: RETIREMENT PLAN

All employees covered under Wexner Center are employees of The University and are covered by the Ohio Public Employees Retirement System (“OPERS”), a cost sharing, multiple employer defined benefit pension plan. OPERS provides retirement and disability benefits, annual cost-of-living adjustments, health care benefits, and death benefits to Plan members and beneficiaries. Chapter 145 of the Ohio Revised Code assigns the authority to establish and amend benefit provisions. OPERS issues a publicly available comprehensive annual financial report which includes financial statements and required supplementary information for OPERS. That report may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio, 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

OPERS administers three separate pension plans as described below:

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NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2007**

NOTE 4: RETIREMENT PLAN (continued)

1. The Traditional Pension Plan - a cost sharing, multiple-employer defined benefit pension plan.
2. The Member-Directed Plan - a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of member and (vested) employer contributions plus any investment earnings.
3. The Combined Plan - a cost sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. The Ohio Revised Code provides statutory authority for member and employer contributions. For 2007, member and employer contribution rates were consistent across all three plans. For 2007, the member and employer contribution rates were 9% and 13.77%, respectively.

Wexner Center's employer contributions to PERS for the years ended June 30, 2007, 2006 and 2005 were \$501,798, \$489,841 and \$459,181, respectively, equal to 100% of the required contributions for each year.

NOTE 5: OTHER POSTEMPLOYMENT BENEFITS

OPERS also provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit ("OPEB") as described in GASB Statement No. 12, *Disclosure of Information of Postemployment Benefits other than Pension Benefits by State and Local Government Employers*. A portion of each contribution to OPERS is set aside for the funding of postretirement health care. The Ohio Revised Code provides statutory authority for authority for employer contributions. Effective January 1, 2007, the rate for state employers was 13.70% of covered payroll; 4.5% was the portion that was used to fund health care for the year. These rates are the actuarially determined contribution requirement for OPERS. Other postemployment benefits for health care costs provided by OPERS are as follows:

**THE OHIO STATE UNIVERSITY
WEXNER CENTER FOR THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2007**

NOTE 5: OTHER POSTEMPLOYMENT BENEFITS (continued)

The assumptions and calculations below were based on the Retirement System's latest actuarial review performed as of December 31, 2005. An entry age normal actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor. The investment assumption rate for 2005 was 6.50%. An annual increase of 4.00% compounded annually is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.00% base increase, were assumed to range from 0.50% to 6.30%. Health care costs were assumed to increase at the projected wage inflation rate plus an additional factor ranging from .50% to 6% for the next 9 years. In subsequent years (10 and beyond) health care costs were assumed to increase 4% (the projected wage inflation rate).

OPEB are advance-funded on an actuarially determined basis. The Traditional Pension and Combined Plans had 369,214 active contributing participants as of December 31, 2006. The number of active contributing participants for both plans used in the December 31, 2005, actuarial valuation was 358,804. The amount of employer contributions used to fund post-employment benefits is estimated to be \$70,435 (based on multiplying actual contributions by .3323). As of December 31, 2005, the actuarial value of the Retirement System's net assets available for OPEB was \$11.1 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$31.3 billion and \$20.2 billion, respectively.

On September 9, 2004 the OPERS Retirement Board adopted a Health Care Preservation Plan ("HCPP") with an effective date of January 1, 2007. The HCPP restructures OPERS' health care coverage to improve the financial solvency of the fund in response to skyrocketing health care costs. In 2005, OPERS created in 2005 a separate investment pool for health care assets. In addition, member and employer contribution rates increased as of January 1, 2006.

Under the HCPP, retirees eligible for health care coverage will receive a graded monthly allocation based on their years of service at retirement. The Plan incorporates a cafeteria approach, offering a broad range of health care options that allow benefit recipients to use their monthly allocation to purchase health care coverage customized to meet their individual needs. If the monthly allocation exceeds the cost of the options selected, the excess is deposited into a Retiree Medical Account that can be used to fund future health care expenses.

**THE OHIO STATE UNIVERSITY
WEXNER CENTER FOR THE ARTS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2007**

NOTE 6: ACCRUED COMPENSATION AND COMPENSATED ABSENCES

The Wexner Center employees earn vacation and sick leave on a monthly basis. Classified civil service employees may accrue vacation benefits up to a maximum of three years credit. Administrative and professional staff and faculty may accrue vacation benefits up to a maximum of 240 hours. For all classes of employees, any earned but unused vacation benefit is payable upon termination. Sick leave may be accrued without limit. However, earned but unused sick leave benefits are payable only upon retirement from the University with ten or more years of state service. The amount of sick leave benefit payable at retirement is one fourth of the accrued but unused sick leave up to a maximum of 240 hours.

Wexner Center for the Arts follows the University's policy for accruing sick leave liability. Wexner Center accrues a sick leave liability for those employees who are currently eligible to receive termination payments along with other employees who are expected to become eligible to receive such payments. This liability is calculated using the "termination payment method" which is set forth in Appendix C, Example 4 of the GASB Statement No. 16, *Accounting for Compensated Absences*.

Under the termination method, Wexner Center for the Arts utilizes the University's calculated rate, Sick Leave Termination Cost Per Year Worked, that is based on the University's actual historical experience of sick leave payouts to terminated employees. This ratio is then applied by Wexner Center for the Arts to the total year-of-service for Wexner Center current employees.

As of June 30, 2007, accrued salaries were \$13,892. Accrued vacation and sick leave liability at June 30, 2007 was \$274,658.

NOTE 7: UNIVERSITY SUPPORT

The operations of Wexner Center for the Arts are supported in part by the general revenues of the University. The University provides for the general operating costs of Wexner Center operations. The University's direct support amounted to \$4,122,342 for the year ended June 30, 2007.

**THE OHIO STATE UNIVERSITY
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NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2007**

NOTE 8: OPERATING LEASE OBLIGATION

Wexner Center leases office space under an agreement with a 5 year occupancy term covering the period March 1, 2004 through February 28, 2009. As of June 30, 2007, future minimum rental payments is summarized below:

| | |
|-------|-------------------|
| 2008 | \$ 121,780 |
| 2009 | <u>82,264</u> |
| Total | \$ <u>204,044</u> |

Rental expense charged to operations was \$108,964 for the year ended June 30, 2007.

Wexner Center leases apartment space for visiting artists under an agreement with a 2 year occupancy term covering the period November 1, 2006 through October 31, 2008. As of June 30, 2007, future minimum rental payments is summarized below:

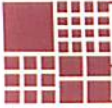
| | |
|-------|-----------------|
| 2008 | \$ 4,800 |
| 2009 | <u>1,720</u> |
| Total | \$ <u>6,520</u> |

Rental expense charged to operations was \$3,360 for the year ended June 30, 2007.

Wexner Center leases café space under a proposed agreement with a 5 year occupancy term covering the period September 25, 2006 through December 31, 2012. As of June 30, 2007, future minimum rental payments is summarized below:

| | |
|-------|------------------|
| 2008 | \$ 19,500 |
| 2009 | 19,500 |
| 2010 | 19,500 |
| 2011 | 19,500 |
| 2012 | <u>19,500</u> |
| Total | \$ <u>97,500</u> |

Rental income received to operations was \$4,223 for the year ended June 30, 2007.



**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***

We have audited the financial statements of Wexner Center for the Arts, which is a part of The Ohio State University, as of and for the year ended June 30, 2007, and have issued our report thereon dated January 31, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Wexner Center for the Arts' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Wexner Center for the Arts' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Wexner Center for the Arts' internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Wexner Center for the Arts' 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the use of the board of trustees and management and is not intended to be and should not be used by anyone other than these specified parties.

Farms & Company, LLC

January 31, 2008



Mary Taylor, CPA
Auditor of State

THE OHIO STATE UNIVERSITY
WEXNER CENTER FOR THE ARTS

FRANKLIN COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 6, 2008