



**T**ime and change brought with them a new era in leadership at the University during the 1989-90 fiscal year as Ohio State's presidency changed hands. New facilities, faculty, and students combined to revitalize the life of the campus community, bringing the University to the forefront of leadership in education, research, and related public service.

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**T**HE STEADY GROWTH OF THE NATION'S ECONOMY THAT MARKED MUCH OF THE 1980S WAS MIRRORED AT THE UNIVERSITY. AND ALTHOUGH OHIO STATE CLOSED OUT THE DECADE IN FINANCIAL HEALTH, ITS ONGOING NEED TO REPLACE INFRASTRUCTURE, AS WELL AS ITS CONTINUING COMMITMENT TO QUALITY, WILL REQUIRE INFUSIONS OF BOTH PUBLIC AND PRIVATE SUPPORT IN THE 1990S AS THE UNIVERSITY HELPS SHAPE INNOVATIVE APPROACHES TO THE CHALLENGES OF THE 21ST CENTURY.

THE SOUND MANAGEMENT OF ITS MANY ASSETS HELPS MAKE POSSIBLE THE MYRIAD CONTRIBUTIONS THAT THE OHIO STATE UNIVERSITY REGULARLY MAKES TO THE PEOPLE OF OHIO, THE NATION, AND THE WORLD. WE ARE PLEASED TO SHARE A SAMPLING OF THEM WITH YOU IN THESE PAGES.



**T**ime and change. A familiar refrain to the hundreds of thousands of Ohio State students—past and present—as the opening words of the final stanza of our beloved “Carmen Ohio.”

In my freshman year as the eleventh president of The Ohio State University, I have come to view these words as a motif to be developed over the next period of time, a theme to direct our efforts. Now is Ohio State’s time. As this report reflects, this institution has remarkable resources with which to face the challenges of the future, the challenges of change.

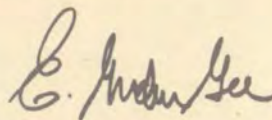
What might those challenges be? Some are upon us already. Competing for resources from the state, from research agencies, and from private sources. Improving classroom teaching, the curriculum, and the quality of the student body. Maintaining financial accessibility to an Ohio State education. Strengthening diversity and increasing tolerance. Continuing to strive for the best while controlling budgets. Enhancing the quality of the academic environment for students, faculty, and staff. And many more.

These challenges are not unique to Ohio State, but Ohio State is unique in the extraordinary resources it can bring to bear upon them. One’s first impression of this University is that it is immense. This report bears that out. No matter what you are counting, Ohio State is large.

I have quickly discovered, however, that it is possible to be large and good, large and intimate, large and caring. For this reason, I believe that it is Ohio State’s time, and it is our time to change. If we can focus our energies and superb resources on the challenges at hand, we will know no peer in the future. If we can harness the Ohio State spirit—perhaps our most valuable resource—we will know no limits.

The financial management of this University is both determined and daring, both cautious and creative. I applaud the efforts of many whose successes are reflected in this report. We are well-positioned to face the opportunities of change thanks to the achievements of many: the small, personal accomplishments of a solitary scholar working in the library; the collective feats of staff members working together to improve a system; the university-wide pride in the acclaim accorded a top-flight department, team, or project. All contribute to our collective strength.

While Ohio State has seen many changes over the past decade, there is no better time for this University than now, and no greater challenge for change than in the days ahead. This University is well prepared for these tasks. Armed with time-tested traditions of loyalty and opportunity and with the tradition of change, The Ohio State University is on an exciting course, and I am honored to be part of such a vibrant institution.



E. Gordon Gee





The Ohio State University, like all public universities in the state of Ohio, has worked over the past decade to improve the quality and diversity of higher education it offers to the citizens of this state, the nation, and the world. From undergraduate curriculum reform to the latest in medical research, the University is continuously working to provide the tools for success to current and future generations.

As a university's programs and priorities change, so do its people. 1990-91 will be a year of transition, building upon the strengths of the past, as represented in this report, and to establish new directions for the future under the leadership of incoming president, E. Gordon Gee.

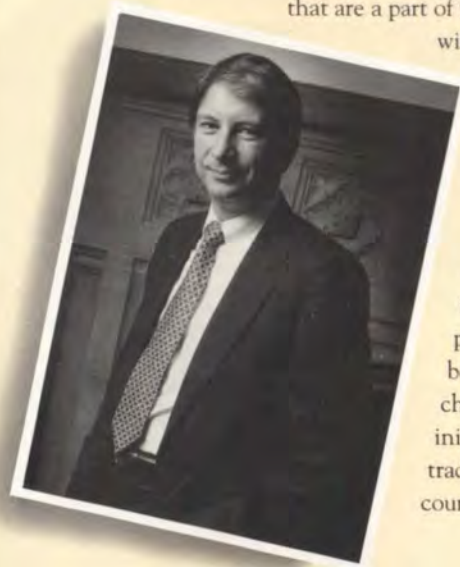
Only through efficient and effective management of all resources can the challenges of a changing environment be met. While appreciative of the resources provided by the state of Ohio and confident of its continued support, we must do more to strengthen our partnership with the state of Ohio. Even with the significant increases in state support for higher education achieved in the last decade, Ohio is still well below the national average, ranked 40th in the country in state support for higher education per \$1,000 of personal income. Consequently, although expenditures at Ohio's public universities continue to be at or below the national average, Ohio ranks eighth in the nation in the share of the costs of higher education covered by student tuition. This history of below average funding and above average tuition jeopardizes one of the fundamental principles of a land-grant institution, financial availability.

However, no successful public university can be dependent on a single funding source. As evidenced by the recently completed capital campaign that generated over \$460 million dollars, fund raising will play a significant role in the financial planning efforts of public and private institutions alike. In addition, competition for research dollars will intensify as institutions strive to increase their share of this critical resource.

Combined with these efforts to increase revenues will be a continuation of initiatives to control expenditures. Energy conservation, restructuring of benefits programs, reorganization, and internal reallocation of resources are but a sample of the programs that are a part of this University's consistent efforts to utilize resources

wisely. Each new initiative requires us to review existing programs and identify opportunities for consolidation and reallocation of funds. Once again we are challenged to change as obsolete processes are refined or eliminated to make way for new programs, facilities, and technologies.

The success of our academic mission is dependent on strong financial management and, as evidenced by its long and distinguished history, this University has proven that it possesses the collective skills to succeed in both arenas. Ohio State embraces the continuing challenge of containing costs while promoting new initiatives with confidence. The Ohio State University's tradition of excellence will ensure its place as one of this country's great public universities, now and in the future.



*William J. Shkurti*

William J. Shkurti



**T**HE 1989-90 FISCAL YEAR MARKED THE CLOSE OF THE UNIVERSITY'S SUCCESSFUL FUND-RAISING DRIVE. THIS CAMPAIGN FOR PRIVATE SUPPORT, AMONG THE LARGEST IN THE HISTORY OF PUBLIC HIGHER EDUCATION, BROUGHT OHIO STATE INTO THE FIRST TIER OF THE NATION'S EMINENT UNIVERSITIES AND SET A BENCHMARK BY WHICH ALL OTHER PUBLIC FUND-RAISING EFFORTS WILL BE MEASURED. THE CAMPAIGN EXCEEDED ITS OVERALL GOAL OF \$350 MILLION BY 31%, FOR A TOTAL OF MORE THAN \$460 MILLION—RAISING MORE FUNDS IN FIVE YEARS THAN IN THE ENTIRE PRECEDING 115 YEARS OF THE UNIVERSITY'S HISTORY AND EXCEEDING ITS INDIVIDUAL CAMPAIGN GOALS IN EVERY CATEGORY OF GIVING—ALUMNI, FRIENDS, CORPORATIONS, AND FOUNDATIONS. BY BUILDING ON ITS DISTINGUISHED PAST, THE UNIVERSITY HAS POSITIONED ITSELF TO FASHION A DYNAMIC FUTURE FOR THE PEOPLE OF OHIO, THE NATION, AND THE WORLD THROUGH THE MANY IMPRESSIVE ADDITIONS OF NEW FACULTY, WORLD-CLASS FACILITIES, AND SCHOLARSHIPS WHICH THE OHIO STATE UNIVERSITY CAMPAIGN MADE POSSIBLE.

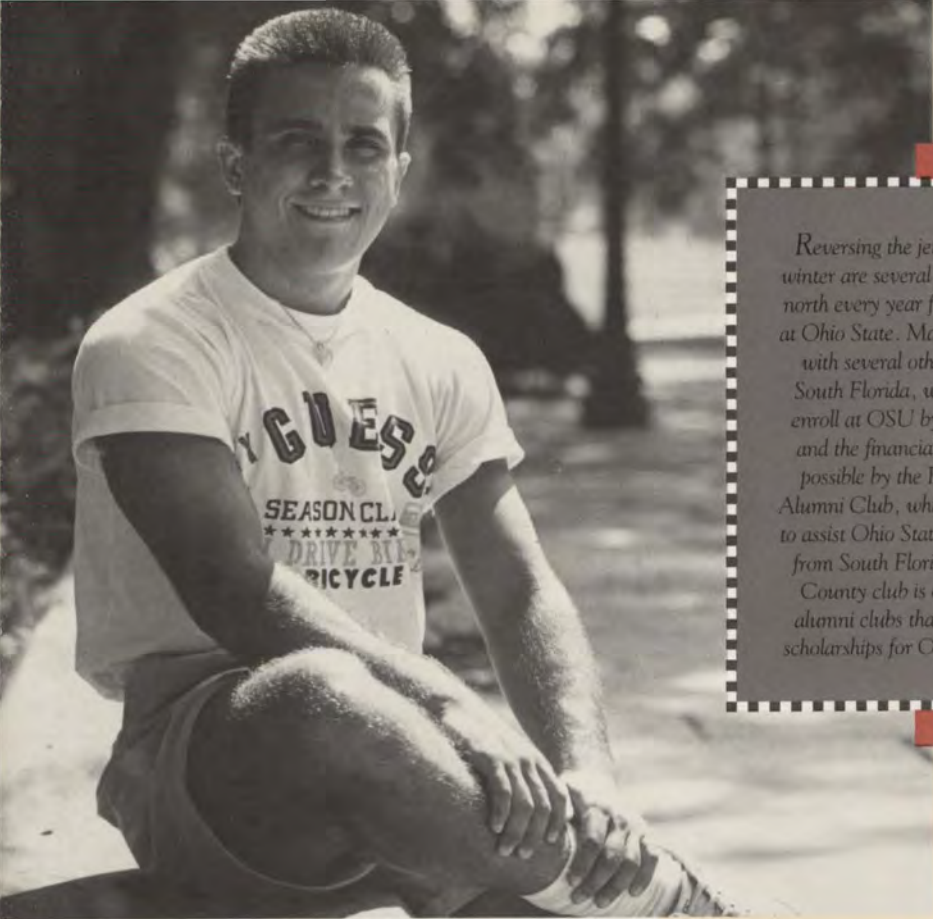


*After overcoming daunting engineering and construction problems, the Arthur G. James Cancer Hospital and Research Institute opened its doors to patients and some of the world's leading cancer-research specialists. Joining the ranks of Sloan-Kettering and M.D. Anderson, this facility features 12 research labs and a 160-bed hospital designed to make both patients and their families as comfortable as possible.*

*No, Buckeyes don't grow on pine trees—but to illustrate the "greening" and good works that Ohio State makes possible, University employees were encouraged to help "plant seeds for the future" by contributing to the Campus Campaign. Since its inception, the Campus Campaign has raised nearly \$16 million in gifts and pledges—a unique achievement in institutional philanthropy.*







Reversing the jet-setting trends of winter are several students who head north every year for snow and study at Ohio State. Marc Williams, along with several other students from South Florida, was encouraged to enroll at OSU by alumni, friends, and the financial assistance made possible by the Broward County Alumni Club, which endowed a fund to assist Ohio State students who hail from South Florida. The Broward County club is one of 14 similar alumni clubs that have established scholarships for Ohio State students.



Among the most visible changes wrought by The Ohio State University Campaign is the Wexner Center for the Arts, which opened to worldwide acclaim in the fall of 1989. A permanent tribute to the foresight and generosity of the University's largest single benefactor, Leslie H. Wexner, the center has moved Ohio State to the forefront of the arts, bringing to campus artists whose work was heretofore rarely found outside the art-world hubs of New York, Paris, and Los Angeles.



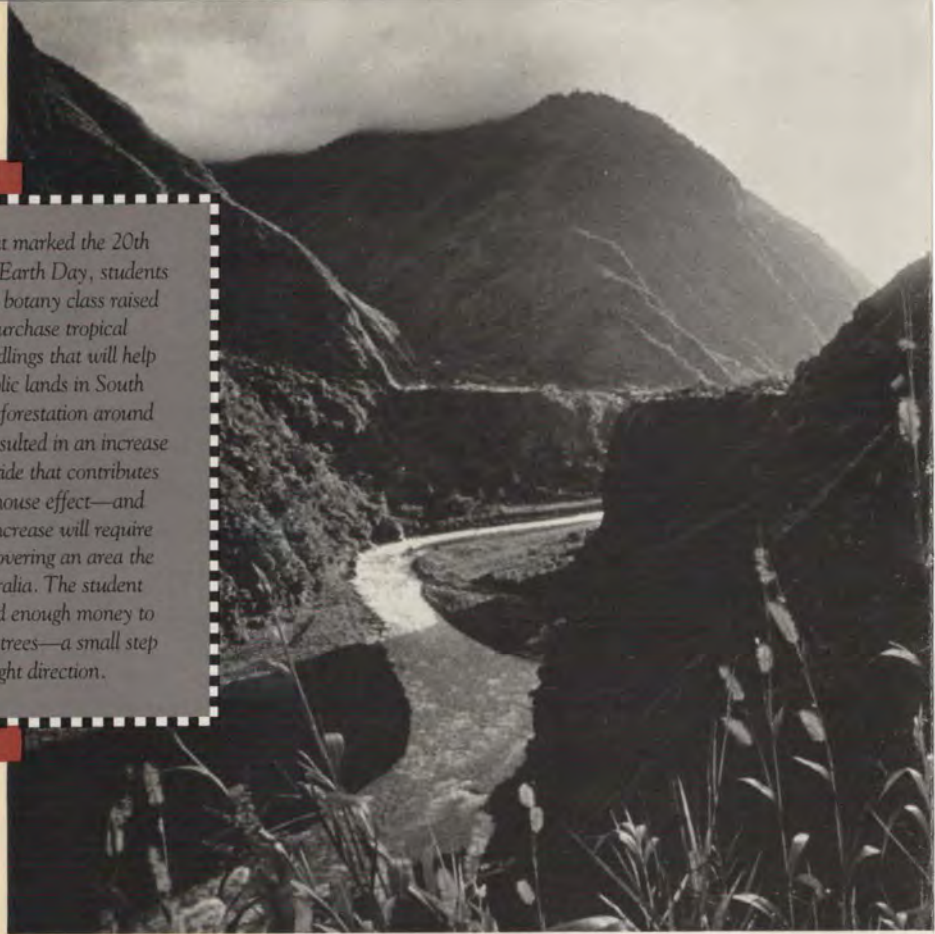
The University's diversity is often matched by the imagination of its benefactors. Cat lovers from Ohio and the Midwest joined forces to help create the nation's first feline clinical residency program in the College of Veterinary Medicine at Ohio State. Their gift of \$27,000 plus that of Edward Lowe Industries, which donated \$45,000, funded the program.

The University's ongoing effort to widen the avenue to opportunity for minorities and women received a welcome boost from the Ford Motor Company, which donated \$200,000 to establish the EEOC Scholarship for Minorities and Women. Ford was one of over 6,600 corporations to contribute to The Ohio State University Campaign.





In a year that marked the 20th anniversary of Earth Day, students in a 100-level botany class raised funds to purchase tropical hardwood seedlings that will help reforest public lands in South America. Deforestation around the globe has resulted in an increase in carbon dioxide that contributes to the greenhouse effect—and halting that increase will require new forests covering an area the size of Australia. The student activists raised enough money to plant 17,000 trees—a small step in the right direction.



The Frank W. Hale Jr. Black Cultural Center opened in the fall of 1989, meeting a long-standing need to establish a focal point on the campus dedicated to exploring African-American culture. The center, named for a former vice provost for minority affairs, provides tutoring, study areas, meeting and office space for Ohio State minority organizations, art galleries, a computer study center, and a library.



All the talk about "killer bees" is probably more buzz than bite. According to James Tew, associate professor in charge of the University's international bee-keeping program, Ohio won't see the same type of bees currently causing problems in Mexico and South America. Africanized honeybees, as they are known by scientists, simply aren't adapted to northern climates and are unlikely to significantly affect much of the United States.

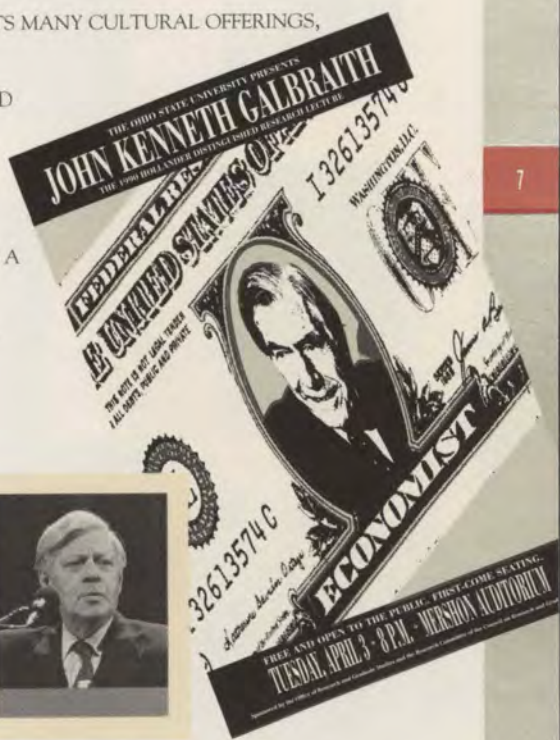
3rd ANNUAL UNIVERSITY FAMILY DAY



OHIO STATE



**S**ERVICE TO THE COMMUNITY BEYOND THE UNIVERSITY TOOK ON A VARIETY OF FORMS IN THE MOST RECENT FISCAL YEAR. IN ADDITION TO THE MORE OBVIOUS EXAMPLES OF OUTREACH SUCH AS THE WORK OF THE OHIO COOPERATIVE EXTENSION SERVICE, OHIO STATE FACULTY MEMBERS ALSO DEVOTED THEMSELVES TO ADDRESSING PUBLIC FORUMS AND CIVIC ASSOCIATIONS, OFFERING EXPERT-WITNESS TESTIMONY TO GOVERNMENT COMMITTEES, AND SERVING AS EDITORS AND READERS FOR PROFESSIONAL JOURNALS. IMPROVING THE READING SKILLS OF GRADE SCHOOL STUDENTS, REDUCING SOIL EROSION ON THE NATION'S FARMLANDS, INCREASING ACCESS TO THE JUDICIAL SYSTEM, AND ENCOURAGING A DEEPER UNDERSTANDING OF THE COUNTRY'S NATIONAL SECURITY INTERESTS ARE AMONG THE COUNTLESS EXAMPLES OF HOW THE UNIVERSITY'S SERVICE MISSION IS REALIZED. OHIO STATE ALSO MAKES AVAILABLE TO THE LARGER COMMUNITY ITS MANY CULTURAL OFFERINGS, INCLUDING ACCESS TO PERFORMANCES BY INTERNATIONAL AND LOCAL MUSICIANS, SINGERS, AND PERFORMANCE ARTISTS; EXHIBITS OF PAINTINGS, PHOTOGRAPHY, AND SCULPTURE; AND A HOST OF REGIONAL AND NATIONAL ATHLETIC COMPETITIONS.



The University's first Staff Appreciation Week was highlighted by, among other things, an afternoon gathering on the Oval and a day at the Columbus Zoo. Over 5,000 family and friends of University faculty, staff, and students took advantage of discounted tickets to "spend the day with the animals."

The University regularly brings scholars, researchers, and prominent public figures to address campus audiences on a variety of topics. Among the recent speakers have been John Galbraith, a widely recognized economist and former member of the Roosevelt and Kennedy administrations; Elena Bonner, Soviet dissident and human rights advocate; Henry Cisneros, columnist, author, and former mayor of San Antonio; and Helmut Schmidt, former chancellor of West Germany, newspaper publisher, and international statesman. These talks were free and open to the public and offered audiences the opportunity to ask questions of the speakers.



DAY AT THE ZOO



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RESEARCH SPENDING AT OHIO STATE EXCEEDED THE \$100 MILLION MARK FOR THE FIFTH CONSECU-

TIVE YEAR. FUNDING SOURCES AGAIN REFLECT THE COMPREHENSIVE SCOPE OF APPLIED AND BASIC

RESEARCH THAT CONTINUES TO STRENGTHEN THE UNIVERSITY'S INTERNATIONAL REPUTATION.

SCIENTISTS AND SCHOLARS IN VIRTUALLY EVERY DISCIPLINE—FROM ASTROPHYSICS TO PARTICLE

PHYSICS AND FROM COMPUTER ANIMATION TO EPIGRAPHY—ARE CONTINUING TO CHART NEW

FRONTIERS OF KNOWLEDGE. AND THE UNIVERSITY'S CONSIDERABLE INVESTMENT IN CUTTING-EDGE

RESEARCH FACILITIES CONTINUES TO MAKE THEIR WORK POSSIBLE. THIS RESEARCH, WITH APPLICA-

TIONS FROM THE ARCAINE TO THE ORDINARY, CONTRIBUTES AS WELL TO THE QUALITY OF THE UNDER-

GRADUATE EXPERIENCE AT THE UNIVERSITY—FOR STUDENTS EXPOSED TO THE EXCITEMENT OF

DISCOVERY WILL BE ABLE TO FOSTER INNOVATIVE APPROACHES TO THE CHALLENGES THE NEXT

CENTURY WILL BRING.

*The Ohio Supercomputer Center obtained the world's fastest and most powerful computer when it took delivery of a new Cray Y-MP/864 supercomputer. This six-foot-high, seven-ton machine is 5.6 times faster than its predecessor, a Cray X-MP, and is capable of performing 2.7 billion calculations per second, or one calculation every six billionths of a second. Its innovative design enables electric signals to traverse its circuitry at roughly half the speed of light. The Ohio Supercomputer Center is a statewide facility serving dozens of colleges, universities, and industries. Among its many capabilities is sophisticated computer animation as shown here by a still from the award-winning Eurhythmy. This short film was one of three created by University faculty, staff, and former students to receive top honors at the Prix Ars Electronic '89, one of the world's foremost computer art competitions.*







Researchers using the Cray Y-MP generated this visualization showing the distribution of temperature gradients in Lake Erie. The Lake Erie Information Forecasting System, developed at the University under the direction of Professor Keith Bedford of civil engineering, is used for making real-time predictions of the physical status of Lake Erie and the other Great Lakes.

Each year the University honors several of its distinguished faculty by naming them University Professors for their accomplishments in teaching, research, and public service. Most recently Bunny C. Clark of physics, Robert A. Rapp of materials science and engineering, and Arnold M. Zwicky of linguistics were so honored. This lifetime designation brings with it a five-year \$50,000 grant to support the recipients' research and teaching activities.



As any parent knows, a child's body is extremely flexible. Unfortunately the dummies used in testing restraint systems for cars are not—and that difference, among others, is being researched by Richard Stalnaker, an associate professor of mechanical engineering. The dummies and the child-restraint-system tests they are used for employ 1970s technology, and updating that technology could save lives. In related safety research, Stalnaker is also studying bicycle helmets and their effectiveness in preventing head injuries. Bicycle accidents account for some 13,000 deaths in the United States each year, and Stalnaker believes that the testing being conducted at the Transportation Research Center can help reduce those numbers.





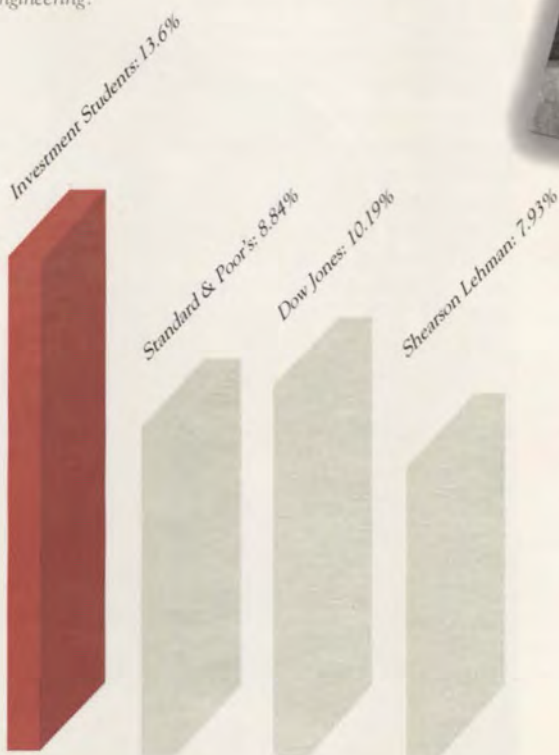
The Ohio State University Hospitals was recognized as one of the nation's best in rankings reported in U.S. News and World Report. In a survey of some 400 physicians from around the country, the hospitals' rehabilitation facility was mentioned as one of the leaders in its category. The 72-bed rehabilitation facility offers physical, occupational, and speech therapies and treats approximately 500 inpatients each year.



The University's two newest Ohio Eminent Scholars were appointed in the most recent fiscal year. Muttaiya Sundaralingam, the Ohio Eminent Scholar in Biological Macromolecular Structure joined the faculty in the Department of Chemistry; he also holds an appointment with the Biotechnology Center. Hamish Fraser, Ohio Eminent Scholar in High Temperature Structural Materials, is now on faculty in the Department of Materials Science and Engineering.



Investing and high finance took on a new meaning for advanced undergraduate students in the University's College of Business who were given the opportunity to invest \$5 million of Ohio State's endowment funds. The students carried out all the necessary research prior to making their investment recommendations, including visiting companies, doing analysis, and talking to brokers. As the accompanying chart shows, the program was a big success and is likely to attract more of the country's better business students.





**F**ROM ILLUMINATED MANUSCRIPTS TO CARTOON ART, THE UNIVERSITY'S DIVERSITY WAS MATCHED BY QUALITY IN DEPTH. OHIO STATE'S STUDENTS, FACULTY, AND PROGRAMS CONTINUED TO GARNER HIGH MARKS IN A VARIETY OF RANKINGS AND RECOGNITION. AND DESPITE A DRAMATIC DOWNTURN IN THE NUMBERS OF GRADUATING HIGH SCHOOL SENIORS COUPLED WITH HIGHER ADMISSIONS STANDARDS, WE CONTINUED TO MAINTAIN BOTH QUALITY AND QUANTITY IN ENROLLMENTS. THE UNIVERSITY HAS THE GREATEST NUMBER OF NATIONAL MERIT AND NATIONAL ACHIEVEMENT SCHOLARS IN OHIO AND REMAINS THE LARGEST SINGLE-CAMPUS-ENROLLMENT INSTITUTION IN THE COUNTRY. THE FACULTY WITNESSED AN INFUSION OF SOME 261 NEW MEMBERS, FOR A NET INCREASE OF 15. THESE FIGURES INCLUDE THE ADDITION OF TWO OHIO EMINENT SCHOLARS, BRINGING TO 10 THE TOTAL NUMBER OF SUCH APPOINTMENTS AT THE UNIVERSITY.



*Two Ohio State seniors were named to USA Today's All-USA College Academic teams. William Bien, who graduated with a dual major in Chinese and economics, made the paper's first team, and Svetlana Shtrom, an honors student who graduated with a major in molecular genetics, was named to the second team. Bien and Shtrom were among only 40 students nationwide to achieve this recognition.*



*Chaucer scholars from around the world will be making pilgrimage to Ohio State—or at least their manuscripts will. The University is now home to Studies in the Age of Chaucer, arguably the richest source of scholarship on the times and works of Geoffrey Chaucer available today. This acquisition is likely to solidify the University's reputation for research in this field—a reputation already firmly established by Ohio State's Center for Medieval and Renaissance Studies.*





**T**RANSITION BEST DESCRIBES THE STATE OF THE UNIVERSITY DURING THE RECENT FISCAL YEAR AS THE CAMPUS COMMUNITY WITNESSED THE CLOSE OF ONE ERA AND THE BEGINNING OF ANOTHER. PRESIDENT EDWARD H. JENNINGS ANNOUNCED HIS DESIRE TO RETURN TO THE CLASSROOM AND WORK ONCE AGAIN IN HIS CHOSEN FIELD—TEACHING, AND E. GORDON GEE WAS NAMED BY THE BOARD OF TRUSTEES AS THE OHIO STATE UNIVERSITY'S 11TH PRESIDENT. SEVERAL SENIOR ADMINISTRATIVE OFFICES OPENED UP, INCLUDING VICE PRESIDENCIES IN FINANCE, BUSINESS AND ADMINISTRATION, AND COMMUNICATIONS AND DEVELOPMENT. THE UNIVERSITY'S PROVOST LEFT TO ASSUME THE PRESIDENCY OF THE UNIVERSITY OF OREGON—MARKING THE THIRD TIME IN 10 YEARS THAT OHIO STATE'S CHIEF ACADEMIC OFFICER MOVED ON TO THE TOP POSITION AT A SISTER INSTITUTION. THESE CHANGES ATTEST TO THE QUALITY AND CHALLENGE THE UNIVERSITY HAS CONSISTENTLY OFFERED NOT ONLY TO ITS STUDENTS AND FACULTY BUT TO ITS ADMINISTRATIVE LEADERS AS WELL.

*The epitome of a modern university's "chief operating officer," President Jennings surprised many by announcing his return to teaching. His years as president of the University were as dramatic as any since the expansion of Ohio State during the 1950s and '60s. Jennings proved himself an able administrator, determined fundraiser, and unfailing proponent of excellence—which became the byword of his administration.*

*The Colleges of Business and Engineering were ranked among the top graduate schools in the country, according to annual survey results published in U.S. News and World Report. The criteria for selection included student selectivity, placement, graduation rates, instructional resources, research, and academic reputation. Ours was the only university in the state to make either list. In separate departmental rankings, the magazine rated Ohio State's real estate education program fifth in the nation.*







After a 56-year stay in the basement of Derby Hall, the University Bookstores moved above ground to a new home in the Central Classroom Building, which until recently was the central receiving facility for the Columbus campus. Loading docks and a multitude of doorways, pillars, and low ceilings gave way to a wealth of windows, muted carpeting, and plaster cornices. The new 37,000-square-foot renovation looks a bit like a cozy urban shopping mall—a definite step up from the basement.



With a nose that resembles a hammerhead shark's, this unique twin-engine turboprop airplane was designed to compete with other business turboprops and even some jets. Professor Gerald Gregorek of aeronautical and astronautical engineering, one of its principal designers, believes the Avanti, as it is called, will more than recover its hefty \$4 million dollar price tag because its efficient aerodynamic design and lightweight construction materials will cut fuel consumption. Roomier and quieter than comparable planes and capable of 500-mile-per-hour speeds, the Avanti is built by Piaggio, an Italian aircraft manufacturer.



Some 14 million Americans either have or are at risk of developing progressive kidney failure—and researchers at University Hospitals are hoping to lower those numbers by helping patients modify their diets and control their blood pressure. Initial results of a study being conducted here have thus far proved promising and could result in dramatic changes in the treatment and prevention of advanced kidney disease.

Concluding a lengthy search, the Board of Trustees named E. Gordon Gee to the presidency of the University. The "guy in the bow-tie," as he has come to be known, had been president of the University of Colorado for five years prior to coming to Ohio State. He is a former president of the University of West Virginia, where he also served as the dean of its law school for several years. Gee has a doctorate in education as well as a law degree, both from Columbia University.





## TUITION FOR THREE QUARTERS (1990)

## Columbus Campus

## Resident

Undergraduate	\$ 2,343
Graduate	3,321
Graduate Professional	
Law	3,836
Medicine	6,453
Dentistry, Optometry, and Veterinary Medicine	5,289
Pharmacy	3,837

## Non-Resident

Undergraduate	6,942
Graduate	8,604
Graduate Professional	
Law	9,456
Medicine	18,606
Dentistry, Optometry, and Veterinary Medicine	16,143
Pharmacy	9,456

## FINANCIAL AID (1989-1990)

Total estimated recipients	38,200
Total student financial assistance	\$189.9 million
Total grants and scholarships	71.9 million
Total loans	49.8 million
Total on-campus employment	68.2 million
Total federal assistance	65.0 million
Total University assistance	116.0 million
Total state assistance	4.5 million
Total outside agencies assistance	4.4 million

## RESEARCH SPENDING (1989-1990)

Ohio State University Research Foundation	\$114.49 million
Engineering Experiment Station	7.30 million
Ohio Agricultural Research and Development Center	17.11 million
Business and Administration	1.85 million
Children's Hospital Research Foundation	4.42 million
<b>Total</b>	<b>\$145.17 million</b>



**NUMBER OF PERSONS ENROLLED (AUTUMN 1989)**

Total (all campuses)	58,994
Undergraduate students	45,933
Graduate students	10,370
Professional students	2,691
Female	28,382
Male	30,612
Columbus campus	52,895
Regional campuses at Lima, Mansfield, Marion, and Newark, and the Agricultural Technical Institute, Wooster	6,099

**NUMBER OF FACULTY AND STAFF (ALL CAMPUSES, DECEMBER 1989)**

	Number	Full-time Equivalent
Faculty	4,457	4,045
Administrative and Professional	6,369	5,847
Civil Service	6,261	5,982
Student	11,411	4,768
<b>Total</b>	<b>28,498</b>	<b>20,642</b>

**ANNUAL PAYROLL (1989-1990)**

\$573.1 million

**DEGREES AND CERTIFICATES AWARDED (FISCAL YEAR 1989-1990)**

Graduate Degrees	Doctoral	600
	Masters	2,176
	Certificates	0
	<b>Total</b>	<b>2,776</b>
Undergraduate Degrees		7,820
<b>Total Degrees and Certificates</b>		<b>10,596</b>
Total Degrees since 1878 (not including certificates)		392,527
Total Degrees during last decade (not including certificates)		104,430



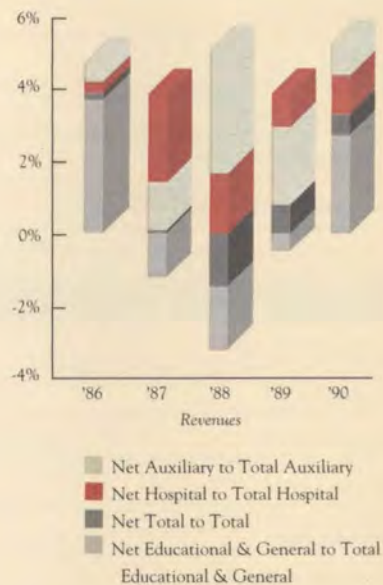


**A**s we close out the decade of the eighties, we reflect on the changes time has brought to The Ohio State University. From a financial perspective, the changes appear staggering. Current funds operating dollars, state appropriations for educational and general activities, and investment in plant doubled; book value of the endowment tripled; bonded debt quadrupled. While few but us financial types have recognized these significant changes, the entire University witnessed several dramatic changes in administrative leadership, including the retirement of Weldon E. Ihrig, vice president for finance since 1981 and dedicated University employee for over 25 years. This 1990 annual financial report, in celebration of our fifth year of publication, is dedicated to the honor of Mr. Ihrig, who was instrumental in its beginnings. We wish him a happy, healthy life in Oregon, where he now resides.

An effective way to communicate the financial condition of any organization is to look at the Balance Sheet, which represents financial position at the end of the fiscal year, the Statement of Revenues, Expenditures, and Changes in Fund Equities, which represents the results of operations, and selected financial ratios. For universities, each fund group should be reviewed separately, and, while current financial condition and results of operations are important, historical trends should be reviewed to lend perspective to today as well as point to the future if trends continue.

*Current Funds* show strong improvement over the previous two years, with \$30.3 million added to fund equity in 1990. Spending controls and the absence of early retirement buyout opportunities contributed significantly to the recovery. Current funds include three primary activities: educational and general; auxiliary enterprises; and hospitals. All three activities had a positive net operating margin, as shown in the chart *Net Operating Ratios*. These ratios reflect the percentage of revenues that remain after expenditures and mandatory transfers. Annual fluctuations in net operations are not uncommon in higher education. Constant gains could indicate that prices are too high, while constant losses could spell financial disaster. The long-term goal is to break-even or be slightly positive, on average. Particularly for auxiliaries and hospitals, which are self-supporting, operating surpluses are critical to fund major capital needs such as facilities repair and renovation, and equipment replacement. When nonmandatory transfers for these capital and other needs are considered, the net revenue contributions for 1990 are: educational and general, 2.8%; auxiliary enterprises, -2.6%; and hospitals (excluding depreciation), 4.3%.

NET OPERATING RATIOS





Revenues and other additions, \$1,158.8 million, increased 6.4%, \$70.0 million, over 1989. By activity, this increase includes:

- Educational and general activities:
  - State appropriations, \$18.8 million, 6.0%;
  - Tuition, fees, and other student charges, \$18.0 million, 11.3%;
  - Federal support, \$1.7 million, 1.3%;
  - Investment income and realized gains, \$2.1 million, 9.2%;
  - Sales & Services, \$1.9 million, 6.6%.
- Auxiliary enterprises, \$3.6 million, 4.2%;
- Hospitals, \$23.8 million, 10.7%.

Revenues and other additions, by type, as opposed to activity, are shown in the pie chart.

Expenditures and other deductions, \$1,087.7 million, increased \$30.9 million, only 2.9%, over 1989. By activity, this increase includes:

- Educational and general:
  - Instruction and departmental research, -\$1.8 million, -0.5%;
  - Separately budgeted research, \$0.4 million, 0.3%;
  - Academic support, \$2.3 million, 3.4%;
  - Student services and scholarships, \$2.0 million, 3.4%;
  - Institutional support, plant operations and maintenance, \$2.3 million, 2.8%;
- Auxiliary enterprises, \$2.5 million, 3.3%;
- Hospitals, \$21.5 million, 10.1%.

Mandatory transfers are primarily for principal and interest payments on long-term debt. Nonmandatory transfers include capital improvements of \$15.1 million and transfers to endowment funds of \$7.0 million, including the funding of three Ohio Eminent Scholar awards received in 1990.

**Loan Funds** show a total of \$42.9 million in loans outstanding to students, a 7.6% increase over 1989. U.S. government grants to support student loans increased only 1.9%

**Endowment and Annuity Funds** equity increased \$31.2 million, 13.3%, over 1989. The steady increase since 1986, shown in the *Funds Equity* chart (right), parallels the University's successful five-year capital campaign. Private support increased 5.8% over 1989, while investment income and realized gains increased 12.4%.

**CURRENT FUNDS REVENUES & OTHER ADDITIONS 1990**  
\$1,158.8 (in millions)

1. State Appropriations \$340.9 (29%)
2. Sales & Service \$335.0 (29%)
3. Other \$75.6 (7%)
4. Private Support \$97.3 (8%)
5. Federal Support \$133.0 (12%)
6. Tuition & Fees \$177.0 (15%)



**CURRENT FUNDS EXPENDITURES & OTHER DEDUCTIONS 1990**  
\$1,087.7 (in millions)

1. Instruction & Department Research \$332.0 (30%)
2. Auxiliaries & Hospitals \$312.3 (29%)
3. Other \$24.5 (2%)
4. Public Service \$54.6 (5%)
5. Institutional Support, Plant Operations & Maintenance \$85.6 (8%)
6. Student Services & Scholarships \$62.9 (6%)
7. Academic Support \$71.3 (7%)
8. Research \$144.5 (13%)



**FUNDS EQUITY (in millions)**

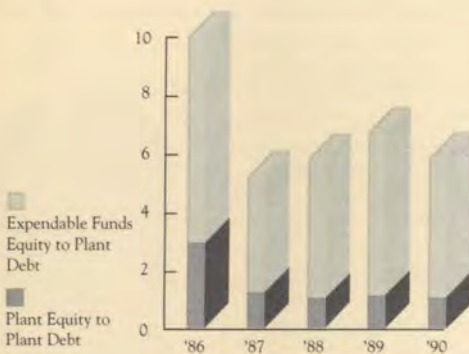




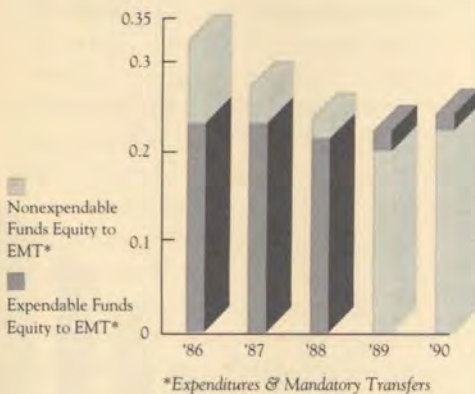
TOTAL ASSETS (in millions)



PLANT DEBT RATIOS (X:1)



FUND EQUITY RATIOS (X:1)



Plant Funds have also shown tremendous growth, with investment in plant over \$1.4 billion, including \$50.9 million construction in progress. The University is currently committed to an additional \$204.2 million in future capital projects. While the majority of our major construction is funded via state capital appropriations, the University relies on long-term debt for auxiliary enterprises and non-academic facilities. \$54.2 million fixed rate bonds were issued in 1990, bringing total plant debt to \$209.4 million. Despite significant increases in the use of debt to renovate and replace aging facilities and provide state-of-the-art medical,

research, and instructional facilities and equipment, the University maintains healthy plant debt ratios (see chart). The ratio of expendable fund equity to plant debt, 1.1:1 indicates we have sufficient liquid assets to pay current and long-term liabilities as they come due. Within the industry, 1:1 is considered healthy. The strength of two other ratios further enhances our position. The ratio of plant equity to plant debt, at 5.9:1, is nearly double the industry norm of 3:1. This ratio becomes more important as an indicator of potential liquid assets as the first ratio drops below 1:1. The ratio of available assets to general liabilities, at 4.6:1, is more than double the industry norm of 2:1. It indicates we have more than adequate resources to satisfy all liabilities.

Other indicators of general financial health are the fund equity ratios. The ratio of expendable funds equity to expenditures and mandatory transfers measures our ability to continue the current level of operations from existing resources and without current income. Ideally, expendable funds equity should increase at the same rate as expenditures and mandatory transfers, providing a constant layer of protection against financial hardship. The recent decline is due to planned uses of accumulated resources to fund critical operating and capital needs, and the early retirement program. The ratio of nonexpendable funds equity to expenditures and mandatory transfers is an indicator of the availability of both current and future funds. Although nonexpendable, these funds support student loans, provide a basis for bond ratings, and generate income for operating and capital needs.

The University ends the decade of the eighties on solid financial ground. We completed the largest fund raising effort in our history as well as in all public higher education, and exceeded our \$350 million goal by \$110 million. Once the domain of private universities, fund raising has become the lifeblood of public institutions faced with tight state resources. Ohio State is no exception. Our continued commitment to outstanding performance in instruction and research cannot survive without a stable base of funding. The University will continue to build this base with external research grants and private gifts, as well as to reallocate existing resources toward meeting the challenges of the nineties.

Janet G. Achterman



**Deloitte &  
Touche**

155 East Broad Street      Facsimile: (614) 229-4647  
Columbus, Ohio 43215-3650  
Telephone: (614) 221-1000

INDEPENDENT AUDITORS' REPORT

Board of Trustees  
The Ohio State University  
Columbus, Ohio

We have audited the accompanying balance sheet of The Ohio State University as of June 30, 1990 and the related statement of revenues, expenditures and changes in fund equities for the year 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 audit.

We conducted our audit in accordance with generally accepted auditing standards. 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Ohio State University as of June 30, 1990, and the revenues, expenditures and changes in fund equities for the year then ended in conformity with generally accepted accounting principles.

We have previously audited the financial statements of The Ohio State University for the year ended June 30, 1989, comparative financial information from which is contained herein. In our opinion, such comparative financial information has been properly extracted from the prior year's statements.

*Deloitte & Touche*

November 21, 1990



## BALANCE SHEET

June 30, 1990, with Comparative Financial Information for 1989  
(in thousands)

	CURRENT			
	UNRESTRICTED		RESTRICTED	
	1990	1989	1990	1989
<b>ASSETS:</b>				
Cash and cash equivalents .....	\$ 2,293	\$ 1,128	\$ 1,393	\$ 4,434
Accounts receivable, net .....	64,823	50,136	20,151	17,011
State and federal receivables .....	-	-	3,998	5,509
Notes receivable, net .....	-	-	-	-
Accrued interest receivable .....	2,151	2,697	-	-
Inventories and prepaid expenses .....	25,845	25,118	2,630	2,627
Investments .....	30,501	25,837	197	197
Investment in plant .....	-	-	-	-
Interfund accounts .....	100,528	79,456	36,472	30,609
<b>TOTAL ASSETS</b> .....	<u>\$ 226,141</u>	<u>\$ 184,372</u>	<u>\$ 64,841</u>	<u>\$ 60,387</u>
<b>LIABILITIES AND FUND EQUITIES:</b>				
<b>LIABILITIES</b>				
Accounts payable and accrued liabilities .....	\$ 152,091	\$ 134,680	\$ 8,401	\$ 12,512
Deposits and deferred credits .....	35,320	35,165	10,000	7,515
Bonds, notes, and lease obligations payable .....	-	-	-	-
<b>TOTAL LIABILITIES</b> .....	<u>187,411</u>	<u>169,845</u>	<u>18,401</u>	<u>20,027</u>
<b>FUND EQUITIES</b>				
Unrestricted — Allocated .....	79,920	73,508	-	-
— Unallocated .....	(41,190)	(58,981)	-	-
Restricted .....	-	-	46,440	40,360
U.S. Government grants .....	-	-	-	-
Net investment in plant .....	-	-	-	-
<b>TOTAL FUND EQUITIES</b> .....	<u>38,730</u>	<u>14,527</u>	<u>46,440</u>	<u>40,360</u>
<b>TOTAL LIABILITIES AND FUND EQUITIES</b> .....	<u>\$ 226,141</u>	<u>\$ 184,372</u>	<u>\$ 64,841</u>	<u>\$ 60,387</u>

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



LOAN		ENDOWMENT & ANNUITY		PLANT		AGENCY	
1990	1989	1990	1989	1990	1989	1990	1989
\$ 5,941	\$ 7,690	\$ -	\$ -	\$ -	\$ 140	\$ 991	\$ 632
-	-	278	31	-	-	689	470
-	-	-	-	21,740	23,444	-	-
42,900	39,878	-	-	-	-	-	-
1,724	1,636	30	4	437	184	-	-
-	-	-	-	-	-	44	-
-	-	476,385	428,500	58,772	28,706	-	-
-	-	-	-	1,427,319	1,311,073	-	-
(180)	(348)	(188,911)	(172,206)	52,091	62,489	-	-
<u>\$ 50,385</u>	<u>\$ 48,856</u>	<u>\$ 287,782</u>	<u>\$ 256,329</u>	<u>\$ 1,560,359</u>	<u>\$ 1,426,036</u>	<u>\$ 1,724</u>	<u>\$ 1,102</u>
\$ -	\$ -	\$ 7,239	\$ 7,871	\$ 8,916	\$ 6,053	\$ 108	\$ 145
-	-	15,180	14,300	-	-	1,616	957
-	-	-	-	209,448	168,891	-	-
-	-	22,419	22,171	218,364	174,944	1,724	1,102
1,536	1,265	17,164	16,682	59,773	54,912	-	-
-	-	-	-	-	-	-	-
5,714	5,265	248,199	217,476	41,713	48,807	-	-
43,135	42,326	-	-	-	-	-	-
-	-	-	-	1,240,509	1,147,373	-	-
<u>50,385</u>	<u>48,856</u>	<u>265,363</u>	<u>234,158</u>	<u>1,341,995</u>	<u>1,251,092</u>	-	-
<u>\$ 50,385</u>	<u>\$ 48,856</u>	<u>\$ 287,782</u>	<u>\$ 256,329</u>	<u>\$ 1,560,359</u>	<u>\$ 1,426,036</u>	<u>\$ 1,724</u>	<u>\$ 1,102</u>

THE OHIO STATE UNIVERSITY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND EQUITIES

Year Ended June 30, 1990, with Comparative Financial Information for 1989 (in thousands)

	CURRENT			
	UNRESTRICTED		RESTRICTED	
	1990	1989	1990	1989
<b>REVENUES AND OTHER ADDITIONS</b>				
Educational and general:				
Tuition, fees, and other student charges .....	\$ 177,057	\$ 159,071	\$ -	\$ -
State appropriations .....	277,172	260,084	52,002	50,250
Federal support .....	18,980	17,731	113,924	113,488
Other state support .....	789	1,228	12,738	16,318
Local support .....	29	74	13,040	11,315
Private support .....	8,881	10,468	83,155	82,151
Investment income and realized gains .....	14,506	11,813	10,875	11,432
Sales and services .....	30,900	28,985	-	-
Other sources .....	9,447	6,490	1	1
Total educational and general .....	<u>537,761</u>	<u>495,944</u>	<u>285,735</u>	<u>284,955</u>
Auxiliary enterprises .....	84,883	81,845	4,884	4,265
Hospitals .....	233,341	211,748	12,261	10,062
Interest and penalties on loans receivable .....	-	-	-	-
Plant fund additions .....	-	-	-	-
Retirement of indebtedness .....	-	-	-	-
<b>TOTAL REVENUES AND OTHER ADDITIONS .....</b>	<b><u>855,985</u></b>	<b><u>789,537</u></b>	<b><u>302,880</u></b>	<b><u>299,282</u></b>
<b>EXPENDITURES AND OTHER DEDUCTIONS</b>				
Educational and general .....	502,341	489,759	248,632	255,922
Auxiliary enterprises .....	74,260	72,866	3,845	2,720
Hospitals .....	221,922	202,718	12,281	9,996
Administrative and collection costs .....	-	-	-	-
Indirect costs recovered .....	-	-	24,452	22,883
Refunded to grantor .....	-	-	6	-
Provision for uncollectible loans .....	-	-	-	-
Payment to annuitants .....	-	-	-	-
Expended for plant facilities .....	-	-	-	-
Retirement of indebtedness .....	-	-	-	-
Disposal of plant facilities .....	-	-	-	-
<b>TOTAL EXPENDITURES AND OTHER DEDUCTIONS .....</b>	<b><u>798,523</u></b>	<b><u>765,343</u></b>	<b><u>289,216</u></b>	<b><u>291,521</u></b>
<b>TRANSFERS AMONG FUNDS</b>				
—ADDITIONS/(DEDUCTIONS)				
Mandatory .....	(16,621)	(14,875)	(1,785)	(1,715)
Non-mandatory .....	(16,638)	(27,076)	(5,799)	(3,684)
<b>TOTAL TRANSFERS .....</b>	<b><u>(33,259)</u></b>	<b><u>(41,951)</u></b>	<b><u>(7,584)</u></b>	<b><u>(5,399)</u></b>
<b>NET INCREASE/(DECREASE) FOR THE YEAR .....</b>	<b>24,203</b>	<b>(17,757)</b>	<b>6,080</b>	<b>2,362</b>
<b>FUND EQUITY, BEGINNING OF THE YEAR .....</b>	<b>14,527</b>	<b>32,284</b>	<b>40,360</b>	<b>37,998</b>
<b>FUND EQUITY, END OF THE YEAR .....</b>	<b><u>\$ 38,730</u></b>	<b><u>\$ 14,527</u></b>	<b><u>\$ 46,440</u></b>	<b><u>\$ 40,360</u></b>

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



LOAN		ENDORSEMENT & ANNUITY		PLANT	
1990	1989	1990	1989	1990	1989
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	40,957	20,090
181	406	-	-	371	981
-	-	-	-	635	45
-	-	-	-	-	-
197	141	14,443	13,650	111	146
677	739	10,368	9,222	5,984	7,099
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,477	1,449	-	-	-	-
-	-	-	-	126,087	92,443
-	-	-	-	11,366	13,926
<u>2,532</u>	<u>2,735</u>	<u>24,811</u>	<u>22,872</u>	<u>185,511</u>	<u>134,730</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
612	922	-	-	-	-
-	-	-	-	-	-
-	-	-	-	107	-
400	275	-	-	-	-
-	-	580	397	-	-
-	-	-	-	97,110	69,306
-	-	15	12	23,476	25,449
-	-	-	-	7,760	2,813
<u>1,012</u>	<u>1,197</u>	<u>595</u>	<u>409</u>	<u>128,453</u>	<u>97,568</u>
-	45	-	-	18,406	16,545
<u>9</u>	<u>(9)</u>	<u>6,989</u>	<u>2,892</u>	<u>15,439</u>	<u>27,877</u>
<u>9</u>	<u>36</u>	<u>6,989</u>	<u>2,892</u>	<u>33,845</u>	<u>44,422</u>
1,529	1,574	31,205	25,355	90,903	81,584
<u>48,856</u>	<u>47,282</u>	<u>234,158</u>	<u>208,803</u>	<u>1,251,092</u>	<u>1,169,508</u>
<u>\$ 50,385</u>	<u>\$ 48,856</u>	<u>\$ 265,363</u>	<u>\$ 234,158</u>	<u>\$ 1,341,995</u>	<u>\$ 1,251,092</u>



## 1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES:

### BASIS OF PRESENTATION:

The accompanying financial statements consist of the accounts of The Ohio State University; its Hospitals and Clinics; three separate statutory entities for which the University has special responsibility—The Ohio Agricultural Research and Development Center, The Ohio State University Dormitory Revenue Bond Fund, and the Ohio Supercomputer Center; and four legally independent corporations performing special activities related to the University—The Ohio State University Research Foundation, The Ohio State University Student Loan Foundation, Inc., the Transportation Research Center of Ohio, Inc., and the Hospital Helicopter Consortium of Central Ohio, Inc.

### BASIS OF ACCOUNTING:

The financial statements of the University are prepared on the accrual basis in accordance with generally accepted accounting principles for state-assisted colleges and universities. Resources are classified for accounting and reporting purposes into funds that reflect the specific activities, objectives, or restrictions of the resources. Separate accounts are maintained within each fund.

In the accompanying financial statements, funds that have similar characteristics are combined into fund groups, and all financial transactions have been recorded and reported by fund group. Fund equities restricted by outside sources are so indicated and are distinguished from unrestricted funds and funds allocated to specific purposes.

### DESCRIPTION OF FUNDS:

Each of the following fund groups is a self-balancing set of accounts:

*Current Funds* include those resources that are available for current operations. These funds can be either unrestricted or restricted and used for educational and general purposes, auxiliary enterprises, or University Hospitals. Current funds are considered unrestricted

unless donors or external agencies restrict their use to specific purposes, programs, colleges, departments, or schools.

The Board of Trustees of The Ohio State University has responsibility for all the University's financial affairs and assets. By delegation, however, the University operates largely on a decentralized basis through its academic and support departments. The annual budgets for unrestricted academic and support functions, departmental earnings operations, and operations of restricted funds must be approved by the board but are managed at the department level. In accordance with this system of delegated authority, the balances resulting from these operations are allocated for use by the respective departments to support working capital needs, to provide funds for related academic programs and internally sponsored research, and to afford a nominal provision for unanticipated shortfalls in revenues and deviations in enrollment.

*Loan Funds* include resources available for loans to students. As these loans are repaid, the principal and accumulated interest are available for further student loans.

*Endowment and Similar Funds* include endowment funds, for which donors or external agencies have stipulated that the principal is not expendable, that it must remain inviolate in perpetuity, and that it is to be invested to produce income that may be expended or added to principal; term endowments, which are like endowment funds, except that all or part of the principal may be utilized after a stated period of time or upon the occurrence of a particular event; and funds functioning as endowment (quasi-endowment) which have been designated by the University to be retained and invested and which both principal and income may be utilized at the discretion of the governing board, subject to any donor-imposed restrictions on use. The endowment fund principal includes the original value of the endowment, subsequent additions, and realized gains/losses attributable to investment transactions.



*Annuity and Life Income Funds* consist primarily of life income funds which are resources acquired by the University on condition by the donor that periodic income be paid during the lifetime of the income beneficiary.

*Plant Funds* include four self-balancing sub-groups:

(1) Unexpended funds include resources derived from various sources to finance the acquisition of long-life assets.

(2) Renewals and replacements funds include resources set aside for future renewal and replacement of current assets. The University maintains a program of regularly estimating future requirements for major maintenance and renovation of buildings and equipment. The cost of meeting those requirements is provided through regular transfers from current operating funds to funds reserved for renewals and replacements of plant.

(3) Retirement of indebtedness funds include resources specifically accumulated for payment of principal and interest on debt incurred in connection with the acquisition of properties.

(4) Investment in plant includes all long-life assets in the service of the University and construction in progress. Physical properties, which include land, buildings, improvements, equipment, and library books, are principally stated at cost. In accordance with generally accepted accounting principles for state-assisted colleges and universities, depreciation is not provided. To the extent current funds are used to finance plant assets, the amounts so provided are accounted for (a) as expenditures of current funds and additions to property and equipment in the plant fund in the case of movable equipment and capital projects; (b) as mandatory transfers in the case of required provisions for debt amortization and interest; and (c) as transfers of a non-mandatory nature in other cases, principally provisions for renewals and replacements.

*Agency Funds* include resources held by the University on behalf of others in the capacity of custodian or fiscal agent.

#### CASH AND INVESTMENTS:

Cash and cash equivalents consist primarily of petty cash, demand deposit accounts, savings accounts, and overnight repurchase agreements.

Investments are carried at the lower of amortized cost or market, where the decline is considered to be other than temporary. Securities received as a gift are carried at fair market value at the date of the gift. Investment in real estate is carried at cost, if purchased, or appraised value at the date of the gift.

Investment income is recognized on an accrual basis; interest and dividends are recorded when earned. Discounts and premiums are amortized over the life of the investment.

#### INVENTORIES:

The University's inventories consist principally of books and supplies of the bookstores and central food stores and general stores and are valued at the lower of moving average cost or market.

The inventories of the Hospitals consist principally of pharmaceuticals and operating supplies and are valued at cost on a first-in, first-out basis.

#### DEFERRED CREDITS:

Deferred credits in the current unrestricted fund are principally comprised of receipts relating to tuition, room, board, and athletic events in advance of the services to be provided. The University will recognize unrestricted revenue to the extent these services are provided over the coming fiscal year.

#### GIFTS AND PLEDGES:

The University does not report pledges in the financial statements until the gifts are received. The University's gift records indicate that approximately \$138,058 in pledges are outstanding at June 30, 1990. Since those pledges are often payable either at the discretion of the donors or through their estates, neither the realizable value nor the period of collection can be determined.



#### GOVERNMENT GRANTS AND CONTRACTS:

Government grants and contracts normally provide for the recovery of direct and indirect costs, subject to audit. The University recognizes revenue associated with direct costs as the related costs are incurred. Recovery of related indirect costs is generally recorded at fixed rates negotiated for a period of one to three years.

#### HOSPITALS REVENUE:

Revenue received under third-party cost reimbursement agreements (primarily the federal Medicare and Medicaid programs) are subject to examination and retroactive adjustments by the agencies administering the programs. In the normal course of business the Hospitals are contesting certain issues resulting from examination of prior years' reimbursement reports. The accompanying financial statements include provisions for estimated retroactive adjustments arising from such examinations and contested issues. The Hospitals recognize settlements of protested adjustments or appeals upon resolution of the matters.

#### FOUNDATION:

The Ohio State University Foundation (the Foundation) is a not-for-profit organization which operates under a separate board exclusively for the benefit of The Ohio State University. At June 30, 1990, the net assets of the Foundation, not included in the financial statements of the University, are \$16,463, of which \$7,864 are restricted funds and \$8,599 are endowment funds. Included in the University's Endowment Fund liabilities at June 30, 1990, are Foundation deposits totaling \$14,771. During the fiscal year ended June 30, 1990, the Foundation distributed \$1,227 to the University.

#### OTHER:

The University is exempt from income taxes as a non-profit organization under federal income tax laws and regulations of the Internal Revenue Service except for unrelated business income.

The University is the sole shareholder of the stock of a corporation that owns and operates a hotel in Columbus, Ohio. The stock of the corporation was recorded in the University's Endowment Fund at its fair value at the date of the gift. The University is contingently liable as guarantor of \$1,000 of the corporation's mortgage note payable.

#### 2. ACCOUNTS AND NOTES RECEIVABLE:

Accounts receivable at June 30, 1990, are net of allowances for doubtful accounts in current unrestricted and current restricted funds of \$29,135 and \$644, respectively.

Notes receivable at June 30, 1990, consist primarily of National Direct Student Loans and are net of an allowance for doubtful accounts of \$5,850. The fund equities related to this and other federal loan programs principally represent advances which are ultimately refundable to the federal government.

#### 3. CASH AND INVESTMENTS:

At June 30, 1990, the carrying amount of the University's bank deposits for all funds is \$10,618 (including repurchase agreements of \$14,208) as compared to bank balances of \$2,216 (excluding repurchase agreements). The differences in carrying amount and bank balances are caused by outstanding checks and deposits in-transit. Of the bank balances, \$408 is covered by federal deposit insurance and \$1,808 is uninsured but collateralized by pools of securities pledged by the depository banks and held in the name of the respective banks. The collateral for overnight repurchase agreements, which consists of U.S. Government securities, is held by the Federal Reserve Bank of Cleveland in the member bank's name.

Statutes authorize the University to invest in obligations of the U.S. Treasury, Agencies and Instrumentalities, Municipal and State Bonds, Certificates of Deposits collateralized at market value, Repurchase Agreements, Reverse Repurchase Agreements, and Forward Commitments. Statutes authorize the University to invest Endowment Funds in the above



investments as well as Commercial Paper rated A-1 by Standard and Poor's Corporation or P-1 by Moody's Commercial Paper Record, Banker's Acceptances, Eurodollars, Corporate Bonds, Common and Preferred Stock, Mutual Funds, and Real Estate upon specific authorization of the Board of Trustees.

Statement No. 3 of the Governmental Accounting Standards Board requires government entities to categorize investments to give an indication of the level of risk assumed by the entity at year end.

Category 1 includes investments that are insured or registered or for which securities are held by the University or its agent in the name of the University. Category 2 includes uninsured and unregistered investments for which securities are held by the broker's or dealer's trust department or agent in the name of the University. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the University's name.

The carrying value and market value of investments at June 30, 1990, are:

	Carrying Value	Market Value
Money market instruments .....	\$ 52,761	\$ 52,761
U.S. Government securities .....	326,163	324,529
Mutual funds .....	51,908	54,729
Common stocks .....	94,982	130,053
Corporate bonds .....	19,281	19,080
Real estate .....	16,519	44,680
Other .....	4,241	4,241
Total investments .....	<u>\$ 565,855</u>	<u>\$ 630,073</u>

The U.S. Government securities are invested through trust agreements with banks who keep the securities in their safekeeping accounts at the Federal Reserve Bank in "book entry" form in the name of the respective bank, but who also internally designate the securities as owned by or pledged to the University (Category 2). Common stocks, corporate bonds, money market instruments, and commercial paper are invested through trust agreements with banks who keep the investments in their safekeeping accounts

at the Depository Trust Company or Chase Manhattan Bank in "book entry" form in the name of the respective bank, but who also internally designate the investments as owned by or pledged to the University (Category 2).

Approximately \$460,064 of these investments are accounted for on a pooled basis. The University employs the share method of accounting for pooled investments and for proportionate distribution of income to each fund which participates in the pool.

#### 4. INVESTMENT IN PLANT:

Investment in plant at June 30, 1990, is composed of the following:

Land .....	\$ 25,874
Improvements other than buildings .....	76,422
Buildings .....	836,191
Movable equipment and furniture .....	368,586
Library books .....	69,287
Construction in progress .....	50,959
Total .....	<u>\$ 1,427,319</u>



5. DEBT:

Bonds and notes payable at June 30, 1990, consist of the following:

	Interest Rate	Amount
U.S. Department of Education Note .....	3.00%	\$ 123
IBM Note .....	7.73%	488
Pacificorp Note .....	8.99%	22
Dormitory Revenue Bonds, due serially through 2006 .....	3.50%–4.50%	9,963
General Receipts Bonds:		
Series 1985A, due serially through 2001 .....	5.25%–8.40%	20,890
Series 1985B, due serially through 2002 .....	Variable	29,900
Series 1986A, due serially through 2002 .....	4.65%–7.65%	39,125
Series 1986B, due serially through 2007 .....	Variable	43,700
Series 1990, due serially through 2009 .....	5.90%–7.15%	54,265
Total .....		<u>\$ 198,476</u>

Principal amounts due within each of the next five years on obligations outstanding at June 30, 1990, are as follows:

Year ended June 30,	
1991 .....	\$ 12,357
1992 .....	13,257
1993 .....	11,921
1994 .....	12,888
1995 .....	13,772
1996 and thereafter .....	134,281
Total .....	<u>\$ 198,476</u>

Dormitory bond indentures require that certain net revenues of the related properties, and student fees, be pledged to finance mandatory deposits to sinking funds.

General Receipts Bonds are backed by the unrestricted receipts of the University, excluding certain items as described in the bond indentures.

The bond indentures provide for mandatory reserves of \$21,244 for future payment of principal and interest. At June 30, 1990, the University is in compliance with those requirements.

Series 1985B and 1986B Variable Rate Demand Bonds bear interest at rates based upon yield evaluations at par of comparable securities, not to exceed 15%. At the discretion of the University, the interest rate on the bonds can be converted to a fixed rate. The bonds may be redeemed by the University or sold by the bondholders to a remarketing agent

appointed by the University, at any time prior to conversion to a fixed rate at a price equal to the principal amount plus accrued interest.

Concurrent with the issuance of the 1985B Bonds, the University entered into a standby bond purchase and term loan agreement with a bank to provide for remarketing fund support. Subject to the terms of the agreement, the bank will purchase bonds which have been tendered by the bondholders but which have not been remarketed by the remarketing agent. The bank will hold the bonds until the earlier of January 2, 1991, the remarketing or redemption of the tendered bonds, or termination of the agreement, during which time the interest rate to the University will be at the Overnight Federal Funds rate plus 3/8 of 1%. At the option of the University, the bank has agreed to make a five-year term loan, payable in equal semi-annual installments, to the University to redeem outstanding bonds held by the bank on January 2, 1991. At the option of the University, the interest rate on the term loan will be either 1/2 of 1% above the 90-day Federal Funds rate or 1% above the 180-day Federal Funds rate. The agreement will terminate on the earlier of January 2, 1991, upon the conversion of the bonds to a fixed rate, or upon the occurrence of certain events of default.

Similarly, with respect to the 1986B Bonds, the University entered into a



standby bond purchase agreement with a bank. Subject to the terms of the agreement, the bank will purchase bonds which have been tendered by the bondholders, but which have not been remarketed by the remarketing agent. Under the agreement, the bank will hold the bonds until the earlier of August 31, 1991, the remarketing or redemption of the tendered bonds, or termination of the agreement, during which time the interest rate to the University will be at one of three rates at the option of the University. These rates will be 95% of the bank's prime rate, the Overnight Federal Funds rate plus 3/8 of 1%, or an adjusted LIBOR rate plus 1/4 of 1%. Unless extended by the bank, the agreement will terminate the earlier of August 31, 1991, upon the conversion of the bonds to a fixed rate, or upon the occurrence of certain events of default.

Unless the agreements are extended or replaced, the University will assume direct bond redemption responsibility after notice of 30 days for bonds tendered after January 2, 1991 and August 31, 1991, for the 1985B Bonds and 1986B Bonds, respectively.

Total interest expense incurred on indebtedness for the year ended June 30, 1990, is \$10,408 and is reflected in the total retirement of indebtedness fund deduction of \$23,476. Interest of \$5,958 is capitalized in the investment in plant fund after netting \$822 of interest income.

#### 6. ENDOWMENT AND ANNUITY FUNDS:

The fund equities comprising the endowment and annuity funds at June 30, 1990, are as follows:

Endowments .....	\$ 205,693
Quasi-endowments .....	53,451
Annuity .....	6,219
Total .....	<u>\$ 265,363</u>

#### 7. STATE SUPPORT:

The University is a state-assisted institution of higher education which receives a

student enrollment-based instructional subsidy from the state of Ohio. This subsidy is determined annually, based upon a formula devised by the Ohio Board of Regents, adjusted to resources available.

The state also provides line-item appropriations which support, in part, the current operations of various activities including partial support of clinical teaching expenditures incurred at The Ohio State University Hospitals and other health sciences teaching facilities, The Ohio State University Cooperative Extension Service, The Ohio Agricultural Research and Development Center, and the Labor Education and Research Service. Other line-item state appropriations are distributed to the University by the Ohio Board of Regents for public service health-manpower programs and the Selective Excellence Program.

In addition to the current operating subsidies, the state of Ohio provides the funding for and constructs major plant facilities on the University's campuses. The funding is obtained from the issuance of revenue bonds by the Ohio Public Facilities Commission (OPFC), which in turn initiates the construction and subsequent lease of the facility by the Ohio Board of Regents.

Such facilities are reflected as buildings or construction in progress in the accompanying balance sheet. Neither the obligations for the revenue bonds issued by OPFC nor the annual debt service charges for principal and interest on the bonds are reflected in the University's financial statements. Debt service is funded through appropriations to the Ohio Board of Regents by the General Assembly.

The facilities are not pledged as collateral for the revenue bonds. Instead, the bonds are supported by a pledge of monies in the Higher Education Bond Service Fund and future payments to be received by such fund, which is established in the custody of the treasurer of state.



8. EDUCATIONAL AND GENERAL EXPENDITURES:

Educational and general expenditures for the year ended June 30, 1990, consist of the following:

Instructional and departmental research .....	\$ 332,038
Separately budgeted research .....	144,523
Public service .....	54,613
Academic support .....	71,310
Student services .....	27,586
Institutional support .....	40,288
Operation and maintenance of plant .....	45,314
Scholarships and fellowships .....	35,301
Total .....	<u>\$ 750,973</u>

9. RETIREMENT PLANS:

The University faculty is covered by the State Teachers Retirement System of Ohio (STRS). Substantially all other employees are covered by the Public Employees Retirement System of Ohio (PERS). These retirement programs are statewide cost-sharing multiple employer plans. The payroll for employees covered by STRS and PERS for the year ended June 30, 1990, is \$176,800 and \$307,585, respectively; the University's total payroll is \$573,050.

The Revised Code of Ohio provides STRS and PERS statutory authority for employee and employer contributions. Rates are established by the retirement boards upon recommendation by the actuaries. During the most recent actuarial studies there were no changes in actuarial assumptions, benefit provisions, actuarial funding methods, or other significant factors except for PERS increasing its assumed rate of return on investments from 7.50% to 7.75% and changing its benefit formula to provide 2.50% of "Final Average Salary" for each year of service in excess of 30 years; and STRS increasing its assumed annual growth rate of member covered payroll from 5.50% to 5.875% and amending the plan benefit provisions to increase the benefit formula with no effect on the employer's contribution requirement. During fiscal year 1990 the statutory rates established by the retirement boards and those computed by the actuaries were the same.

The actuarially determined contributions made to STRS for the year ended June 30, 1990, are \$15,505 from employees and \$24,752 from the University; these contributions represented 8.77% and 14.00% of covered payroll, respectively. For PERS, actuarially determined contributions amount to \$26,145 from employees and \$42,170 from the University which represent 8.50% and 13.71% of covered payroll, respectively.

Effective July 1, 1983, the University began paying the employee's share of the retirement contribution in exchange for a corresponding reduction in gross taxable compensation.

All employees who participate in STRS or PERS and retire are entitled to a retirement benefit, payable for life, equal to the following percentage of their final average salary for each year of credited service: 2.00% for STRS up to a maximum of 90.00%; 2.10 % for PERS for the first 30 years of credited service and 2.50% for each additional year of credited service up to a maximum of 100.00%. Final average salary is the employee's average salary over the highest three years earnings. Benefits fully vest upon reaching 5 years of service. Employees may retire at any age with 30 years of service, at age 60 with a minimum of 5 years of credited service, and at age 55 with a minimum of 25 years of service. Those individuals who retire with less than 30 years of service or less than age 65 receive reduced retirement benefits. Benefits are established by state statute.



The "pension benefit obligation" is the actuarial present value of credited benefits, adjusted for the effects of projected salary increases and any step rate benefits, estimated to be payable in the future as a result of the employee's service to date. The measure is intended to help users assess the STRS and PERS funding status on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among similar state retirement systems and employers. The systemwide pension benefit obligations and net assets available for benefits were approximately \$21,978,000 and \$16,057,000, respectively for STRS as of June 30, 1989, and approximately \$15,657,900 and \$13,290,300, respectively for PERS as of December 31, 1988. Total pension benefit obligations do not include any health care data.

The University's actuarially determined contribution requirements expressed as a percentage of systemwide current year actuarially determined contribution requirements for all participating employers was 3.87% for STRS as of June 30, 1989, and 7.97% for PERS as of December 31, 1989, as computed from the most recent available actuarial information.

Comprehensive Annual Financial Reports for STRS and PERS for the years ended June 30, 1989, and December 31, 1989, respectively, contain historical trend information for three years. They do not hold any securities in the form of notes, bonds, or other instruments of any of the entities contributing to the systems.

The University is also participating in STRS and PERS early retirement incentive programs, whereby individuals meeting certain requirements may, at their option, retire and have the University purchase up to five years of retirement credit. Under these plans, the University incurred approximately \$3,976 of expense during the year for fiscal year 1990's retirees. This expense represents the total value of the future payouts of the obligation to be made by the University in the current fiscal year through fiscal year 1994.

#### 10. LEASES

Facilities for the airport, child care, and stores/receiving and equipment for radiology services, telephone services, and administrative services are leased under capital leases. The original cost and lease obligations related to these capital leases as of June 30, 1990, are \$15,171 and \$10,972, respectively.

Future minimum lease payments for capital leases at June 30, 1990, are:

Year ended June 30,	Payments
1991 .....	\$ 2,418
1992 .....	1,889
1993 .....	1,392
1994 .....	1,198
1995 .....	1,056
1996 and thereafter .....	10,751
Total .....	18,704
Less amount representing	
interest .....	7,732
Net minimum lease payments	<u>\$ 10,972</u>

Contingent or sublease rentals and lease commitments under operating leases that have initial or remaining lease terms in excess of one year are not significant.





11. CAPITAL PROJECT COMMITMENTS:

At June 30, 1990, the University is committed to future capital expenditures as follows:

Contractual commitments .....	\$ 74,308
Estimated cost of projects not yet under contract .....	<u>180,901</u>
Total project costs .....	255,209
Less amounts expended to date .....	<u>(50,959)</u>
Total .....	<u>\$ 204,250</u>

These projects are being funded by:

State appropriations .....	\$ 173,163
Federal grants .....	3,191
Issuance of University long-term debt .....	27,800
Internal and other sources .....	<u>51,055</u>
Total .....	<u>\$ 255,209</u>

12. SELF-INSURANCE PROGRAMS:

The Hospitals have established a trustee self-insurance fund for professional liability claims. The estimated liability and the related contributions to the fund are based upon an independent actuarial determination.

The Hospitals' estimate of professional malpractice liability includes provisions for known claims and for unreported claims and incidents. This liability at June 30, 1990, of the anticipated future payments on gross claims is estimated at its present value of \$8,079 using an assumed interest rate of 8.00%. Although actual experience upon the ultimate disposition of the claims may vary from this estimate, the self-insurance fund assets of \$15,062 are in excess of the recorded liability at June 30, 1990, and the excess of \$6,983 is reflected in the Hospitals' allocated fund equity.

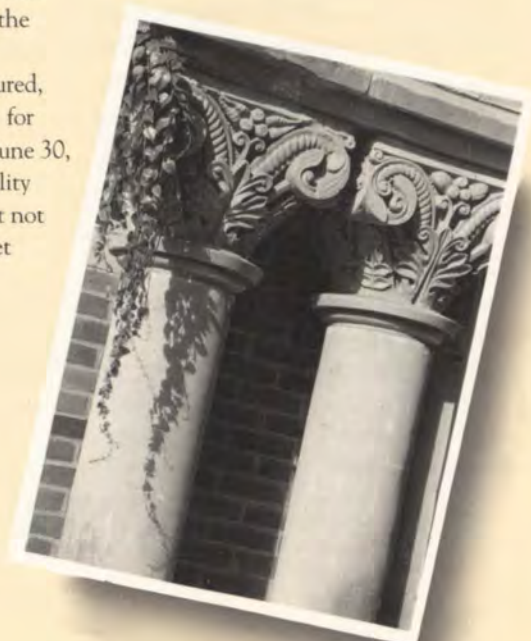
The University is also self-insured, with a stop-loss ceiling of \$56,597, for employee health insurance. As of June 30, 1990, \$16,673 is recorded as a liability relating to both claims received but not paid and claims incurred but not yet reported.

13. CONTINGENCIES:

The University is a party in a number of legal actions. While the final outcome cannot be determined at this time, management is of the opinion that the liability, if any, for these legal actions will not have a material adverse effect on the University's financial position.

14. FUNDS HELD IN TRUST BY OTHERS:

The University is the beneficiary of and annually receives income from funds held in trust by other trustees. These funds are administered by outside trustees and are neither in the possession nor under the control of the University. The principal amount of these funds is not determinable at the present time.





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