The Ohio University Foundation and Subsidiaries

Consolidated Financial Statements as of and for the Years Ended June 30, 2007 and 2006, Supplemental Schedules as of and for the Year Ended June 30, 2007, and Independent Auditors' Report

Mary Taylor, CPA
Auditor of State

Board of Trustees
Ohio University Foundation
166 Hdl Center Ste 204
Athens, Ohio 45701

We have reviewed the *Independent Auditors' Report* of the Ohio University Foundation, Athens County, prepared by Deloitte & Touche LLP, 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 Ohio University Foundation is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 15, 2008

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THE OHIO UNIVERSITY FOUNDATION AND SUBSIDIARIES

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INDEPENDENT AUDITORS' REPORT

To The Board of Trustees of
The Ohio University Foundation
Athens, OH

We have audited the accompanying consolidated statements of financial position of The Ohio University Foundation, an Ohio not-for-profit corporation (the "Foundation"), and subsidiaries as of June 30, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the management of the Foundation. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the consolidated financial statements of one consolidated subsidiary, which represents total assets constituting 10.2% and 11.2%, respectively, of the consolidated total assets at June 30, 2007 and 2006, and total revenues of 7.6% and 5.2%, respectively, of the consolidated total revenues for the years then ended. Those statements were audited by another auditor whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for that consolidated subsidiary, is based solely on the report of the other auditor.

We conducted our audits 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 consideration of internal control over financial reporting as a basis for designing procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used, and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits and the reports of the other auditor provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditor, such consolidated financial statements present fairly, in all material respects, the financial position of The Ohio University Foundation and subsidiaries as of June 30, 2007 and 2006, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As explained in Note 5, the consolidated financial statements include investments that are not listed on national exchanges or for which quoted market prices are not available. These investments include limited partnerships, hedge funds, funds-of-funds, and commingled funds that are not mutual funds. Such investments totaled $51,173,000 (21.4% of net assets) and $52,941,000 (24.2% of net assets) at June 30, 2007 and 2006, respectively. Where a publicly-listed price is not available, management uses alternative sources of information including the funds' audited financial statements, unaudited interim reports, lists of underlying fund holdings, and similar evidence provided by the fund managers to determine fair values of the investments.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of the Foundation, taken as a whole. The consolidating information on pages 21–27 is presented for purposes of additional analysis rather than to present the financial position, change in net assets, and cash flows of the individual entities, and is not a required part of the basic consolidated financial statements. These schedules are the responsibility of the management of the Foundation. Such schedules have been subjected to the auditing procedures applied in our audits of the basic consolidated financial statements and, in our opinion, based on our audits and the report of the other auditor, are fairly stated in all material respects when considered in relation to the basic consolidated financial statements taken as a whole, subject to the previous paragraph.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2007, on our consideration of the Foundation'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 audits.

Deloitte & Touche LLP

October 12, 2007

THE OHIO UNIVERSITY FOUNDATION
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2007 AND 2006

	2007	2006
ASSETS		
CURRENT ASSETS:		
Cash	$ 5,849,783	$ 9,587,895
Accounts receivable — net	871,804	927,319
Pledges receivable — net	17,211,309	27,141,520
Bequests receivable	1,688,039	1,380,885
Interest and dividends receivable	240,470	123,586
Prepaid expenses	915,264	954,129
Investments	210,089,100	177,710,204
Cash surrender value — life insurance policies	2,133,520	2,326,534
Charitable remainder trusts	2,684,684	2,525,515
Charitable gift annuities	2,960,350	2,995,210
Deposits with trustees — restricted cash	3,072,984	3,809,375
Property and equipment — net	30,514,914	31,130,520
Other assets	199,585	233,251
TOTAL	$278,431,806	$260,845,943
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable:		
Ohio University	$ -	$ 714,807
Trade and other	829,258	1,593,526
Deposits held in custody for others	296,757	263,548
Annuities payable	1,918,974	1,977,299
Charitable remainder trust obligation	1,208,068	1,129,816
Bonds payable	30,075,000	30,605,000
Notes payable	4,323,100	5,522,857
Other liabilities	165,469	240,975
Total liabilities	38,816,626	42,047,828
NET ASSETS:		
Unrestricted	6,920,856	1,934,757
Temporarily restricted	111,188,428	110,872,406
Permanently restricted	121,505,896	105,990,952
Total net assets	239,615,180	218,798,115
TOTAL	$278,431,806	$260,845,943

See notes to consolidated financial statements.

THE OHIO UNIVERSITY FOUNDATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2007

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER SUPPORT:				
Gifts and contributions	$ 318,731	$ 3,123,068	$ 4,755,318	$ 8,197,117
Donor gift change in designation or beneficiary	229,125	(15,317,456)	10,201,220	(4,887,111)
University support	3,397,557			3,397,557
Income from investments:				
Interest and dividends	585,056	2,751,576		3,336,632
Change in market value of investments:				
Sold during the year (realized gain)	826,413	5,447,580	117,413	6,391,406
Held at year-end (unrealized gain)	5,724,432	16,496,846	361,371	22,582,649
Revenues from sales, services, and events	272,066			272,066
Change in value — split-interest agreements	8,571	105,268	21,413	135,252
Administrative fee income	1,064,681			1,064,681
Other	742,933	346,944	58,209	1,148,086
Inn-Ohio of Athens, Inc. revenues	4,331,178			4,331,178
Housing for Ohio revenues	3,823,323			3,823,323
Total	21,324,066	12,953,826	15,514,944	49,792,836
Net assets released from restrictions — satisfaction of program restrictions:				
Alumni relations	230,678	(230,678)		
Institutional support	989,125	(989,125)		
Instruction and departmental support	5,524,277	(5,524,277)		
Academic services support	1,733,161	(1,733,161)		
Intercollegiate athletics support	627,172	(627,172)		
Student services	147,699	(147,699)		
Scholarships and fellowships	2,896,732	(2,896,732)		
Public services	35,718	(35,718)		
Research	58,224	(58,224)		
Other	377,104	(377,104)		
Supporting organization operations	17,914	(17,914)		
Total	12,637,804	(12,637,804)	-	-
Total revenues and other support	33,961,870	316,022	15,514,944	49,792,836

(Continued)

THE OHIO UNIVERSITY FOUNDATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2007

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
EXPENSES:				
Program services:				
Alumni relations	$ 2,200,068	$ -	$ -	$ 2,200,068
Institutional support	1,142,788			1,142,788
Instruction and departmental support	5,849,044			5,849,044
Academic services support	1,733,161			1,733,161
Intercollegiate athletics support	633,033			633,033
Student services	147,699			147,699
Scholarships and fellowships	2,972,107			2,972,107
Public services	35,718			35,718
Research	338,367			338,367
Supporting services:				
Fund raising and development	4,812,940			4,812,940
Fund administration	573,282			573,282
Other	410,742			410,742
Inn-Ohio of Athens, Inc. operations	4,261,088			4,261,088
Housing for Ohio operations	3,847,820			3,847,820
Supporting organization operations	17,914			17,914
Total expenses	28,975,771	-	-	28,975,771
CHANGES IN NET ASSETS	4,986,099	316,022	15,514,944	20,817,065
NET ASSETS — Beginning of year	1,934,757	110,872,406	105,990,952	218,798,115
NET ASSETS — End of year	$ 6,920,856	$111,188,428	$121,505,896	$239,615,180

See notes to consolidated financial statements.

(Concluded)

THE OHIO UNIVERSITY FOUNDATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2006

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER SUPPORT:				
Gifts and contributions	$ 551,390	$ 30,965,470	$ 4,189,518	$ 35,706,378
University support	3,364,852			3,364,852
Income from investments:				
Interest and dividends	125,829	1,841,590		1,967,419
Change in market value of investments:				
Sold during the year (realized gain)	1,235,061	8,279,942	193,105	9,708,108
Held at year-end (unrealized gain)	1,381,280	2,993,750	97,365	4,472,395
Revenues from sales, services, and events	209,778			209,778
Change in value — split-interest agreements	(3,099)	72,800	(62,230)	7,471
Administrative fee income	996,005			996,005
Other	847,712	177,305	(60,162)	964,855
Inn-Ohio of Athens, Inc. revenues	4,313,636			4,313,636
Housing for Ohio revenues	3,678,035			3,678,035
Total	16,700,479	44,330,857	4,357,596	65,388,932
Net assets released from restrictions — satisfaction of program restrictions:				
Alumni relations	(75,964)	75,964		
Institutional support	1,444,203	(1,444,203)		
Instruction and departmental support	5,023,457	(5,023,457)		
Academic services support	1,662,673	(1,662,673)		
Intercollegiate athletics support	866,228	(866,228)		
Student services	110,047	(110,047)		
Scholarships and fellowships	3,303,749	(3,303,749)		
Public services	39,098	(39,098)		
Research	45,336	(45,336)		
Fund raising and development	4,983	(4,983)		
Total	12,423,810	(12,423,810)	-	-
Total revenues and other support	29,124,289	31,907,047	4,357,596	65,388,932

(Continued)

THE OHIO UNIVERSITY FOUNDATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2006

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
EXPENSES:				
Program services:				
Alumni relations	$ 1,911,694	$ -	$ -	$ 1,911,694
Institutional support	2,096,089			2,096,089
Instruction and departmental support	5,216,562			5,216,562
Academic services support	1,676,180			1,676,180
Intercollegiate athletics support	866,768			866,768
Student services	110,047			110,047
Scholarships and fellowships	3,303,750			3,303,750
Public services	39,098			39,098
Research	403,735			403,735
Supporting services:				
Fund raising and development	4,554,698			4,554,698
Fund administration	590,650			590,650
Inn-Ohio of Athens, Inc. operations	4,084,707			4,084,707
Housing for Ohio operations	4,194,051			4,194,051
Total expenses	29,048,029	-	-	29,048,029
CHANGES IN NET ASSETS	76,260	31,907,047	4,357,596	36,340,903
NET ASSETS — Beginning of year	1,858,497	78,965,359	101,633,356	182,457,212
NET ASSETS — End of year	$ 1,934,757	$ 110,872,406	$ 105,990,952	$ 218,798,115

See notes to consolidated financial statements.

(Concluded)

THE OHIO UNIVERSITY FOUNDATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ 20,817,065	$ 36,340,903
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Noncash items:		
Depreciation and amortization	1,435,556	1,567,791
Realized investment gains	(6,391,406)	(9,708,108)
Unrealized investment gains	(22,582,649)	(4,472,395)
Decrease in cash surrender value of life insurance policies	193,014	51,245
Contributions restricted for endowment investment	(4,755,318)	(4,189,518)
Changes in current assets and liabilities:		
Decrease in accounts receivable	55,515	225,980
Decrease (increase) in pledges receivable	9,930,211	(19,258,908)
(Increase) in bequests receivable	(307,154)	(194,419)
(Increase) decrease in interest and dividends receivable	(116,884)	85,543
Decrease (increase) in prepaid expenses	16,077	(46,995)
Decrease (increase) in other assets	29,179	(60,238)
(Decrease) increase in accounts payable	(1,479,075)	369,033
(Decrease) increase in other liabilities	(75,506)	203,946
Increase (decrease) in deposits held in custody for others	33,209	(67,312)
Net cash (used in) provided by operating activities	(3,198,166)	846,548
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property and equipment	(792,675)	(379,488)
Purchases of investments	(93,567,632)	(84,352,163)
Proceeds from sales of investments	90,162,791	82,894,290
Decrease (increase) in restricted cash	736,391	(798,338)
Decrease in notes receivable		49,761
Increase in charitable remainder trusts	(159,169)	(1,058,108)
Decrease in investments subject to annuity agreements	34,860	79,022
Net cash used in investing activities	(3,585,434)	(3,565,024)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions restricted for endowment investment	4,755,318	4,189,518
Payments on notes and bonds payable	(1,729,757)	(645,000)
Issuance of notes and bonds payable		4,000,000
Net change in annuity obligations	19,927	548,900
Net cash provided by financing activities	3,045,488	8,093,418
NET (DECREASE) INCREASE IN CASH	(3,738,112)	5,374,942
CASH — Beginning of year	9,587,895	4,212,953
CASH — End of year	$ 5,849,783	$ 9,587,895
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION — Cash paid during the year for:		
Interest	$ 1,369,486	$ 1,404,658
Income tax	$ 49,370	$ 56,731
SUPPLEMENTAL SCHEDULE OF NONCASH ACTIVITIES — Issuance of promssiory note and other obligations for acquisition		$ 67,926

See notes to consolidated financial statements.

1. ORGANIZATION AND OPERATION

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

The Foundation's wholly owned subsidiary, Inn-Ohio of Athens, Inc. (the "Inn"), owns and operates a 144-room hotel and restaurant facility in Athens, OH known as The Ohio University Inn (see Note 9). The Foundation's other wholly owned subsidiary, Housing for Ohio, Inc. ("Housing"), constructed and operates a 182-unit student-housing complex in Athens, OH (see Note 10). The Foundation also owns a minority interest (44.3% at June 30, 2007 and 2006) in Diagnostic Hybrids, Inc. (DHI), which develops and manufactures tissue cell cultures, antibody kits, and biological reagents for use in medical laboratories. The Foundation consolidates a supporting organization that is deemed to be financially interrelated under the provisions of Financial Accounting Standards Board Statement No. 136, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others.*

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting — The consolidated financial statements of the Foundation have been prepared on the accrual basis of accounting. The accompanying consolidated financial statements present the financial position and results of activities of the Foundation and its wholly owned subsidiaries — the Inn, Housing, and one supporting organization. All intercompany transactions have been eliminated.

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

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

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

Regarding the Inn, the management company that operates the Inn is responsible for collection of receivables (see Note 9). Additionally, the Inn provides a reserve for any estimated uncollectible balances.

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

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

Contributions of charitable gift annuities are reduced by the actuarially determined liability resulting from acceptance of the gift. Contributions are held in charitable remainder trusts at the present value of their estimated future benefits to be received when the trust assets are distributed upon notification of the donor's death (see Note 8).

Pledges Receivable — Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discount on those amounts is computed using a risk-free interest rate. The discount rate utilized was 4.69% for fiscal year 2007 and 4.87% for fiscal year 2006. Amortization of the discounts is included in contribution revenues. Unconditional promises to give, which are silent as to the due date, are presumed to be time restricted by the donor until received and are reported as temporarily restricted net assets. Conditional promises to give are not included as support until the conditions on which they depend are substantially met.

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

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

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

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

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

Depreciation of buildings is recorded over periods ranging from 10 to 40 years using the straight-line method. Depreciation and amortization of other property, equipment, and improvements is recorded over periods ranging from 5 to 15 years using the straight-line method.

Annually, or more frequently if events or circumstances change, a determination is made by management to ascertain whether property and equipment and intangibles have been impaired based on the sum of expected future undiscounted cash flows from operating activities. If the estimated net cash flows are less than the carrying amount of such assets, the Foundation will recognize an impairment loss in an amount necessary to write down the assets to a fair value as determined from expected future discounted cash flows. Based upon its most recent analysis, the Foundation has determined that no impairment to the carrying value of its long-lived assets existed at June 30, 2007 and 2006.

Restricted Cash — Restricted cash represents cash that, under terms of the bond issue trust indenture agreement ("Trust Indenture") (related to Housing for Ohio, Inc., see Note 10), is restricted for various purposes. In accordance with the terms of the Trust Indenture and related agreements, the proceeds from the bonds not used to construct the student housing facility and certain equipment and improvements were deposited with the trustee. The Foundation is also required to deposit all revenue directly into a designated revenue fund. The trustee is then authorized, without further direction from the Foundation, to transfer funds out of the revenue fund to other funds as outlined in the Trust Indenture.

Additionally, at June 30, 2006, restricted cash represents partial proceeds of a term loan by the Inn that are held in escrow to retire a previous bond issue (see Note 9).

Donor Gift Change in Designation or Beneficiary — The changes in designation or beneficiary are due to specific direction received from donors in the current fiscal year of gifts received by the Foundation in previous fiscal years, one pledge in an undiscounted amount of $6,250,000 was transferred from the Foundation to the University.

Functional Allocation of Expenses — The costs of providing the various programs and supporting services have been summarized on a functional basis in the consolidated statements of activities. Certain costs have been allocated among the programs and supporting services benefited.

Income Taxes — The Internal Revenue Service has determined that the Foundation is an exempt organization under Section 501(c)(3) of the Internal Revenue Code, except for taxes on unrelated income. Income taxes for the Inn totaled $2,009 and $93,241, respectively, for the years ended June 30, 2007 and 2006.

Fair Value of Financial Instruments — The carrying values of the Foundation's financial instruments in the accompanying consolidated statements of financial position approximate their respective estimated fair value at June 30, 2007 and 2006.

The Foundation has estimated the fair values of its financial instruments using available quoted market information and other valuation methodologies in accordance with FASB Statement No. 107, *Disclosures About Fair Value of Financial Instruments*. Accordingly, the estimates presented are not necessarily indicative of the amounts that the Foundation could realize in a current market exchange. Determinations of fair value are based on subjective data and significant judgment relating to timing of payments and collections and the amounts to be realized. Different market assumptions and/or estimation methodologies might have a material effect on the estimated fair value amounts.

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

Recent Accounting Pronouncements — In September 2006, the FASB issued Statement No. 157, *Fair Value Measurements*, which defines fair value, establishes a framework for using fair value to measure assets and liabilities and expands disclosures about fair value measurements. FASB Statement No. 157 applies whenever other statements require or permit assets or liabilities to be measured at fair value. FASB Statement No. 157 is effective for fiscal years beginning after November 15, 2007. The Foundation is currently evaluating the impact this Statement will have on the consolidated financial statements.

In February 2007, the FASB issued Statement No. 159, *The Fair Value Option for Financial Asset and Financial Liability: Including an amendment of FASB Statement No. 115.* FASB Statement No. 159 permits all entities to elect to measure certain financial instruments and other items at fair value with changes in fair value reported in earnings. FASB Statement No. 159 is effective as of the beginning of the first fiscal year that begins after November 15, 2007. The Foundation is evaluating the impact, if any, adopting FASB Statement No. 159 may have on its consolidated financial statements.

In June 2006, the FASB issued Interpretation ("FIN") No. 48, *Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109*, which clarifies the accounting for uncertainty in income taxes recognized in accordance with FASB Statement No. 109, *Accounting for Income Taxes.* This Interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken, or expected to be taken, on the tax return. This Interpretation also provides guidance on de-recognition, classification, interest, penalties, accounting in interim periods, disclosure and transition. The evaluation of a tax position in accordance with this Interpretation is a two-step process. The first step will determine if it is more likely than not that a tax position will be sustained upon examination and should therefore be recognized. The second step will measure a tax position that meets the more likely than not recognition threshold to determine the amount of benefit to recognize in the financial statements. This Interpretation is effective for fiscal years beginning after December 15, 2006. The Foundation is currently evaluating the impact this Statement will have on the consolidated financial statements.

3. NET ASSETS

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

Unrestricted net assets as of June 30, 2007 and 2006, are available for the following purposes:

	2007		2006	
Board-designated quasi-endowment		$ 11,180,794		$ 9,817,429
Board-designated other:				
Board-designated 1804 fund	$ 465,483		$ 571,645	
Board-designated carryforward	67,954	533,437	167,985	739,630
Designated underwater accounts		(397,968)		(3,376,957)
Undesignated:				
Undesignated Housing	(2,689,718)		(2,665,221)	
Undesignated other	(1,705,689)	(4,395,407)	(2,580,124)	(5,245,345)
Unrestricted net assets		$ 6,920,856		$ 1,934,757

Temporarily Restricted Net Assets — Temporarily restricted net assets consist of funds that are restricted for a specific use or time determined by the donor.

Temporarily restricted net assets as of June 30, 2007 and 2006, are available for the following purposes:

	2007	2006
Alumni relations	$ 873,876	$ 1,016,755
Institutional support	12,254,763	9,558,184
Instruction and departmental support	35,885,281	42,573,089
Academic services support	10,613,894	9,471,491
Intercollegiate athletics support	1,094,548	652,964
Student services	1,934,092	1,440,314
Scholarships and fellowships	45,063,407	35,448,690
Public services	457,570	348,793
Research	1,331,756	1,226,042
Fund raising and development	1,654,241	9,117,499
Other	25,000	18,585
	$111,188,428	$110,872,406

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

Permanently restricted net assets as of June 30, 2007 and 2006, are available for the following purposes:

	2007	2006
Alumni relations	$ 1,398,107	$ 1,370,728
Institutional support	3,931,688	1,587,638
Instruction and departmental support	52,066,229	46,971,965
Academic services support	4,671,199	4,445,588
Intercollegiate athletics support	137,389	126,007
Student services	2,046,852	2,007,604
Scholarships and fellowships	56,223,647	46,871,570
Public services	317,004	309,308
Research	497,938	2,038,600
Fund raising and development	187,482	215,491
Other	28,361	46,453
	$ 121,505,896	$ 105,990,952

4. PLEDGES RECEIVABLE

Amounts included in pledges receivable for unconditional promises to give at June 30, 2007 and 2006, are as follows:

	2007	2006
Unconditional promises to give before unamortized discount and allowance for uncollectibles	$22,329,882	$35,546,013
Less allowance for uncollectibles	(4,153,358)	(6,777,974)
Subtotal	18,176,524	28,768,039
Less unamortized discount	(965,215)	(1,626,519)
Unconditional promises to give — net	$17,211,309	$27,141,520

	2007		2006	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
Amounts due in:				
Less than one year	$ 2,875,439	$ 3,348,638	$ 7,130,435	$1,755,593
One to five years	1,635,499	6,079,229	12,620,406	1,196,173
More than five years	27,229	3,245,275	4,423,410	15,503
Total	$ 4,538,167	$ 12,673,142	$24,174,251	$2,967,269

5. INVESTMENTS IN SECURITIES

The cost and market value of the investments in securities at June 30, 2007 and 2006, are as follows:

	2007		2006	
	Cost	Market	Cost	Market
Common and preferred stock	$ 106,351,182	$ 125,373,901	$ 110,069,564	$ 115,650,971
Short-term cash investments	10,979	10,979	2,396,620	2,328,239
Bonds and debentures	34,013,478	33,530,913	6,843,308	6,789,970
Alternative investments	36,785,018	51,173,307	48,055,921	52,941,024
Total investments	$ 177,160,657	$ 210,089,100	$ 167,365,413	$ 177,710,204

At June 30, 2007 and 2006, the Foundation's investment in DHI was recorded at fair market value of $6,942,150 and $6,744,380, respectively (cost of $3,467,829 at June 30, 2007 and 2006) and is included within alternative investments. The Foundation's supporting organization held an investment in a closely held stock at fair market value of $6,021,541 and $2,298,800 at June 30, 2007 and 2006, respectively, which is included within common and preferred stock. Other alternative investments include absolute return funds, venture capital, buyout, mezzanine/distressed debt, and real estate.

Market prices are not available for certain investments, primarily private equity and hedge funds. These investments are carried at estimated fair value provided by the funds' managements. Some fund valuations are determined as of June 30, while the remaining valuations are determined as of March 31 and adjusted by cash receipts, cash disbursements, and securities distributions through June 30. The Foundation believes that the carrying amounts are reasonable estimates of fair value as of year-end. Because these investments are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for the investments existed. Such differences could be material. The amount of gain or loss associated with these investments is reflected in the financial statements using the equity method of accounting.

6. PROPERTY AND EQUIPMENT

As of June 30, 2007 and 2006, property and equipment (primarily relating to Housing and the Inn) are as follows:

	2007	2006
Land	$ 805,198	$ 805,198
Land improvements	419,726	419,726
Building and building improvements	35,460,015	35,345,954
Furnishings, fixtures, and equipment	4,300,189	3,646,099
Construction in progress	14,766	34,210
	40,999,894	40,251,187
Less accumulated depreciation and amortization	(10,484,980)	(9,120,667)
Property and equipment — net	$30,514,914	$31,130,520

Total depreciation expense of $1,409,835 and $1,505,035 was recorded in fiscal years 2007 and 2006, respectively.

7. SUPPORT FROM OHIO UNIVERSITY

During 2007 and 2006, the University paid certain payroll costs amounting to $3,346,008 and $3,339,852 and additional costs of $51,549 and $25,000, respectively, for the Foundation's Development Office, Office of Alumni Relations, and Accounting Office. The support costs paid by the University are reflected in the consolidated statements of activities as University support, with a like amount included in expenses.

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

Included in accounts receivable at June 30, 2007 is $63,667 owed to the Foundation by the University.

8. SPLIT-INTEREST AGREEMENTS

Charitable Gift Annuities — Under charitable gift annuity agreements, all assets are held by the Foundation. Therefore, the Foundation has recorded the donated assets at fair value and the liabilities to the donor or his/her beneficiaries discounted to the present value of the estimated future payments to be distributed by the Foundation to such individuals at a rate established at the beginning of the agreement. The amount of the contribution is the difference between the asset and liability and is recorded as contribution revenue. The discount rate applied to gift annuities held at June 30, 2007 and 2006, ranged from 3.8% to 9.4%.

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

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

In instances where the donor has not specifically reserved the right to change the remainderman, and the Foundation serves as the trustee, the Foundation will recognize the fair market value of the assets of the trust, as well as a liability for the net present value of future payments to be distributed by the Foundation to the donor or his/her designated beneficiaries. The amount of the contribution is the difference between the asset and liability at the inception of the trust. The present value of the future payments to the donor-designated beneficiary is determined using a discount rate established at the beginning of the trust. At June 30, 2007 and 2006, the discount rate applied to the charitable remainder trusts was 4.82% and 4.87%, respectively.

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

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

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

9. INN-OHIO OF ATHENS, INC.

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

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

Operations — The Inn's operations for the years ended June 30, 2007 and 2006, are summarized below:

	2007	2006
Revenue	$ 4,331,178	$ 4,313,636
Operating and general expenses	3,494,976	3,439,046
Depreciation and amortization	520,795	529,117
Interest expense — net	243,308	23,303
Provision for income taxes	2,009	93,241
Total expenses	4,261,088	4,084,707
Net income	70,090	228,929
Dividends paid to the Foundation		(3,000,000)
Unrealized (losses) gains	15,735	(52,881)
Change in net assets	$ 85,825	$ (2,823,952)

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

In fiscal years 2007 and 2006 base management fees incurred by the Inn with respect to the Manager were $100,000 per year and incentive fees were $97,715 and $96,139, respectively.

The Inn has Alternative Minimum Tax credit carryforwards of approximately $54,000 at June 30, 2007 and June 30, 2006, which have indefinite lives.

Debt Obligations — Long-term debt of the Inn as of June 30, 2007 and 2006, consists of the following:

	2007	2006
Term Loan — principal due through June 2021, interest at 6.2% through June 2011 and adjusted thereafter	$3,833,100	$4,000,000
1996 Serial Project Bonds:		140,000
1996 Term Project Bonds		830,000
	3,833,100	4,970,000
Less unamortized discount on Series 1996 Bonds		(7,143)
Total	$3,833,100	$4,962,857

The 1996 Serial and Term Project Bonds (the "Bonds") were secured by a mortgage on the Inn and a security agreement granted by the Inn. The Bonds were also guaranteed by the Foundation from unrestricted money and investments. All bonds were redeemed in fiscal 2007.

In June 2006, the Inn obtained a $4,000,000 term loan, the proceeds of which were used to pay a dividend of $3,000,000 in June 2006, and $1,000,000 of which was placed in the bond fund to retire the 1996 Bonds in November 2006. The term loan is guaranteed by the Foundation. The balance in the bond fund at June 30, 2006 was $1,016,773.

Substantially all of the property and equipment is pledged as collateral for the term loan. The interest rate on the new term loan is fixed at 6.2% through June 2011. The interest rate will be adjusted to the index rate as defined in the agreement plus 1.40% in June 2011 and every five years thereafter.

Maturities of long-term debt at June 30, 2007 are set forth in the following schedule:

Years Ending November 1	Amount
2008	$ 177,600
2009	188,900
2010	201,000
2011	213,800
2012	227,400
Due thereafter	2,824,400
Total	$ 3,833,100

The fair value of the debt obligations at June 30, 2007 and 2006, approximated their carrying value.

10. HOUSING FOR OHIO, INC.

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

Debt — In September 2000, Housing offered $31,985,000 of variable-rate, tax-exempt bonds (the "2000 Bonds"). The proceeds of the 2000 Bonds financed the construction, installation, and equipping of the Project. The 2000 Bonds will be fully matured at June 2032 and bear interest at an adjustable rate as determined weekly by the remarketing agent, based on their knowledge of prevailing market conditions, except that in no event will the interest rate exceed 12%. The average interest rate for the years ended June 30, 2007 and 2006, was 3.68% and 3.02%, respectively, and the actual interest rate at June 30, 2007 and 2006, was 3.79% and 4.02%, respectively.

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

Principal payments for the bonded debt for the years subsequent to June 30, 2007, are summarized as follows:

Years Ending June 30	Principal
2008	$ 575,000
2009	635,000
2010	670,000
2011	705,000
2012	740,000
Thereafter	26,750,000
Total	$ 30,075,000

Debt issuance costs are included in property on the consolidated statements of financial position and are amortized over the term of the Bonds. Amortization during the years ended June 30, 2007 and 2006, was $34,965 and $34,965, respectively.

Additionally, Housing has an outstanding promissory note to the Project's developer in the original amount of $700,000. The note is payable in 10 annual installments of $70,000 through June 2014. The payment terms are predicated on the Project's current management company remaining the manager of the Project. In the event that the current management company's services are terminated prior to the final payment, the remaining balance shall become immediately due and payable. There is no interest accruing on the note, and management of Housing believes that the present value discount of future payments and the calculation of imputed interest on this note are not material to the consolidated financial statements. Maturities of the note payable at June 30, 2007, are set forth in the following schedule:

Years Ending June 30	Principal
2008	$ 70,000
2009	70,000
2010	70,000
2011	70,000
2012	70,000
Thereafter	140,000
Total	$ 490,000

* * * * * *

SUPPLEMENTAL SCHEDULES

THE OHIO UNIVERSITY FOUNDATION AND SUBSIDIARIES

SCHEDULE 1

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION AS OF JUNE 30, 2007

ASSETS	The Foundation	The Inn	Housing	Supporting Organization	Eliminations	Total
CURRENT ASSETS:						
Cash	$ 4,817,036	$ 646,922	$ 372,960	$ 12,865	$ -	$ 5,849,783
Accounts receivable — net	805,306	53,911	12,587			871,804
Pledges receivable — net	17,211,309					17,211,309
Bequests receivable	1,688,039					1,688,039
Interest and dividends receivable	240,470					240,470
Prepaid expenses	25,318	46,538	843,408			915,264
Investments	204,067,559	859,265		6,021,541	(859,265)	210,089,100
Investment in Inn-Ohio of Athens, Inc.	2,793,955				(2,793,955)	
Cash surrender value — life insurance policies	2,133,520					2,133,520
Charitable remainder trusts	2,684,684					2,684,684
Charitable gift annuities	2,960,350					2,960,350
Deposit with trustees — restricted cash			3,072,984			3,072,984
Property and equipment — net	1,103,431	5,520,288	23,891,195			30,514,914
Other assets		88,885	110,700			199,585
TOTAL	$240,530,977	$ 7,215,809	$ 28,303,834	$ 6,034,406	$(3,653,220)	$278,431,806
LIABILITIES AND NET ASSETS						
LIABILITIES:						
Accounts payable, trade	$ 97,754	$ 516,444	$ 215,060	$ -	$ -	$ 829,258
Deposits held in custody for others	1,035,689		120,333		(859,265)	296,757
Annuities payable	1,918,974					1,918,974
Charitable remainder trust obligations	1,208,068					1,208,068
Bonds payable			30,075,000			30,075,000
Notes payable		3,833,100	490,000			4,323,100
Other liabilities		72,310	93,159			165,469
Total liabilities	4,260,485	4,421,854	30,993,552	-	(859,265)	38,816,626
NET ASSETS:						
Unrestricted:						
Board of trustees designated quasi endowments	11,180,794					11,180,794
Board of trustees designated other	533,437					533,437
Designated underwater accounts	(397,968)					(397,968)
Undesignated	(1,705,689)		(2,689,718)			(4,395,407)
Total unrestricted net assets	9,610,574	-	(2,689,718)	-	-	6,920,856
Temporarily restricted net assets	105,154,022			6,034,406		111,188,428
Permanently restricted net assets	121,505,896					121,505,896
Total net assets	236,270,492	-	(2,689,718)	6,034,406	-	239,615,180
STOCKHOLDERS' EQUITY:						
Common stock		3,429,182			(3,429,182)	
Additional paid-in capital		4,140,455			(4,140,455)	
Retained earnings		(4,775,682)			4,775,682	
Total stockholders' equity	-	2,793,955	-	-	(2,793,955)	-
TOTAL	$240,530,977	$ 7,215,809	$ 28,303,834	$ 6,034,406	$(3,653,220)	$278,431,806

THE OHIO UNIVERSITY FOUNDATION AND SUBSIDIARIES

SCHEDULE 2

CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

	Unrestricted	The Inn	Housing	Total Unrestricted	Temporarily Restricted	Supporting Organization	Total Temporarily Restricted	Total Permanently Restricted	Eliminations	Total
REVENUES AND OTHER SUPPORT:										
Gifts and contributions	$ 318,731	$ -	$ -	$ 318,731	$ 2,265,508	$ 857,560	$ 3,123,068	$ 4,755,318	$ -	$ 8,197,117
Donor gift change in designation or beneficiary	229,125			229,125	(15,317,456)		(15,317,456)	10,201,220		(4,887,111)
University support	3,397,557			3,397,557						3,397,557
Income from investments:										
Interest and dividends	585,056			585,056	2,726,394	25,182	2,751,576			3,336,632
Change in market value of investments:										
Sold during the year (realized gain)	826,413			826,413	5,447,035	545	5,447,580	117,413		6,391,406
Held at year-end (unrealized gain)	5,708,697	15,735		5,724,432	13,629,422	2,867,424	16,496,846	361,371		22,582,649
Revenues from sales, services, and events	272,066			272,066						272,066
Change in value — split-interest agreements	8,571			8,571	105,268		105,268	21,413		135,252
Administrative fee income	1,064,681			1,064,681						1,064,681
Other	742,933			742,933	346,944		346,944	58,209		1,148,086
Inn-Ohio of Athens, Inc. revenues		4,331,178		4,331,178						4,331,178
Housing for Ohio revenues			3,823,323	3,823,323						3,823,323
Subsidiary revenues	85,825			85,825					(85,825)	
Total	13,239,655	4,346,913	3,823,323	21,409,891	9,203,115	3,750,711	12,953,826	15,514,944	(85,825)	49,792,836
Net assets released from restrictions — satisfaction of program restrictions:										
Alumni relations	230,678			230,678	(230,678)		(230,678)			
Institutional support	989,125			989,125	(989,125)		(989,125)			
Instruction and departmental support	5,524,277			5,524,277	(5,524,277)		(5,524,277)			
Academic services support	1,733,161			1,733,161	(1,733,161)		(1,733,161)			
Intercollegiate athletics support	627,172			627,172	(627,172)		(627,172)			
Student services	147,699			147,699	(147,699)		(147,699)			
Scholarships and fellowships	2,896,732			2,896,732	(2,896,732)		(2,896,732)			
Public services	35,718			35,718	(35,718)		(35,718)			
Research	58,224			58,224	(58,224)		(58,224)			
Other	377,104			377,104	(377,104)		(377,104)			
Supporting Organization Operations	17,914			17,914		(17,914)	(17,914)			
Total	12,637,804	-	-	12,637,804	(12,619,890)	(17,914)	(12,637,804)	-	-	-
Total revenues and other support	25,877,459	4,346,913	3,823,323	34,047,695	(3,416,775)	3,732,797	316,022	15,514,944	(85,825)	49,792,836

(Continued)

THE OHIO UNIVERSITY FOUNDATION AND SUBSIDIARIES

SCHEDULE 2

CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

	Unrestricted	The Inn	Housing	Total Unrestricted	Temporarily Restricted	Supporting Organization	Total Temporarily Restricted	Total Permanently Restricted	Eliminations	Total
EXPENSES:										
Program services:										
Alumni relations	$ 2,200,068	$ -	$ -	$ 2,200,068	$ -	$ -	$ -	$ -	$ -	$ 2,200,068
Institutional support	1,142,788			1,142,788						1,142,788
Instruction and departmental support	5,849,044			5,849,044						5,849,044
Academic services support	1,733,161			1,733,161						1,733,161
Intercollegiate athletics support	633,033			633,033						633,033
Student services	147,699			147,699						147,699
Scholarships and fellowships	2,972,107			2,972,107						2,972,107
Public services	35,718			35,718						35,718
Research	338,367			338,367						338,367
Supporting services:										
Fund raising and development	4,812,940			4,812,940						4,812,940
Fund administration	573,282			573,282						573,282
Other	410,742			410,742						410,742
Inn-Ohio of Athens Inc. operations		4,261,088		4,261,088						4,261,088
Housing for Ohio operations			3,847,820	3,847,820						3,847,820
Supporting organization operaions	17,914			17,914						17,914
Total expenses	20,866,863	4,261,088	3,847,820	28,975,771	-	-	-	-	-	28,975,771
CHANGES IN NET ASSETS	5,010,596	85,825	(24,497)	5,071,924	(3,416,775)	3,732,797	316,022	15,514,944	(85,825)	20,817,065
NET ASSETS — Beginning of year	4,599,978	2,708,130	(2,665,221)	4,642,887	108,570,797	2,301,609	110,872,406	105,990,952	(2,708,130)	218,798,115
NET ASSETS — End of year	$ 9,610,574	$ 2,793,955	$(2,689,718)	$ 9,714,811	$105,154,022	$ 6,034,406	$111,188,428	$121,505,896	$(2,793,955)	$ 239,615,180

(Concluded)

THE OHIO UNIVERSITY FOUNDATION AND SUBSIDIARIES

SCHEDULE 2-A

CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

	Unrestricted Operations	Unrestricted 1804 Quasi	Unrestricted Other Quasi	Total Unrestricted	Temporarily Restricted	Temporarily Restricted Endowment Spending	Temporarily Restricted Endowment Appreciation	Supporting Organization	Total Temporarily Restricted
REVENUES AND OTHER SUPPORT:									
Gifts and contributions	$ 156,352	$ 31,914	$ 130,465	$ 318,731	$ 806,397	$ 1,332,697	$ 126,414	$ 857,560	$ 3,123,068
Donor gift change in designation or beneficiary	229,125			229,125	(15,317,456)				(15,317,456)
University support	3,397,557			3,397,557					
Income from investments:									
Interest and dividends	449,845	135,211		585,056	55,039	2,671,355		25,182	2,751,576
Change in market value of investments:									
Sold during the year (realized gain)	462,910	282,300	81,203	826,413			5,447,035	545	5,447,580
Held at year-end (unrealized gain)	4,596,233	862,270	250,194	5,708,697	14,072		13,615,350	2,867,424	16,496,846
Revenues from sales, services, and events	272,066			272,066					
Change in value — split-interest agreements	8,571			8,571	105,268				105,268
Administrative fee income	1,064,681			1,064,681					
Other	742,933			742,933	(84,576)	1,119	430,401		346,944
Subsidiary revenues	85,825			85,825					
Total	11,466,098	1,311,695	461,862	13,239,655	(14,421,256)	4,005,171	19,619,200	3,750,711	12,953,826
Net assets released from restrictions — satisfaction of program restrictions:									
Alumni relations	230,678			230,678	(632)	(218,189)	(11,857)		(230,678)
Institutional support	989,125			989,125	(393,779)	(87,860)	(507,486)		(989,125)
Instruction and departmental support	5,524,277			5,524,277	(2,280,630)	(2,069,547)	(1,174,100)		(5,524,277)
Academic services support	1,733,161			1,733,161	(999,639)	(99,376)	(634,146)		(1,733,161)
Intercollegiate athletics support	627,172			627,172	(622,635)	(1,556)	(2,981)		(627,172)
Student services	147,699			147,699	(60,338)	(18,237)	(69,124)		(147,699)
Scholarships and fellowships	2,896,732			2,896,732	(563,069)	(1,501,098)	(832,565)		(2,896,732)
Public services	35,718			35,718	(32,461)	(2,797)	(460)		(35,718)
Research	58,224			58,224	(21,479)	(12,750)	(23,995)		(58,224)
Other	377,104			377,104	151,471	(528,575)			(377,104)
Supporting Organization Operations	17,914			17,914				(17,914)	(17,914)
Total	12,637,804	-	-	12,637,804	(4,823,191)	(4,539,985)	(3,256,714)	(17,914)	(12,637,804)
Total revenues and other support	24,103,902	1,311,695	461,862	25,877,459	(19,244,447)	(534,814)	16,362,486	3,732,797	316,022

(Continued)

THE OHIO UNIVERSITY FOUNDATION AND SUBSIDIARIES

SCHEDULE 2-A

CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

	Unrestricted Operations	Unrestricted 1804 Quasi	Unrestricted Other Quasi	Total Unrestricted	Temporarily Restricted	Temporarily Restricted Endowment Spending	Temporarily Restricted Endowment Appreciation	Supporting Organization	Total Temporarily Restricted
EXPENSES:									
Program services:									
Alumni relations	$ 2,170,700	$ -	$ 29,368	$ 2,200,068	$ -	$ -	$ -	$ -	$ -
Institutional support	1,142,788			1,142,788					
Instruction and departmental support	5,652,417	167,004	29,623	5,849,044					
Academic services support	1,733,161			1,733,161					
Intercollegiate athletics support	633,033			633,033					
Student services	147,699			147,699					
Scholarships and fellowships	2,896,733		75,374	2,972,107					
Public services	35,718			35,718					
Research	96,894	241,473		338,367					
Supporting services:									
Fund raising and development	4,779,480		33,460	4,812,940					
Fund administration	573,282			573,282					
Other	410,742			410,742					
Inn-Ohio of Athens Inc. operations									
Housing for Ohio operations									
Supporting organization operaions	17,914			17,914					
Total expenses	20,290,561	408,477	167,825	20,866,863	-	-	-	-	-
CHANGES IN NET ASSETS	3,813,341	903,218	294,037	5,010,596	(19,244,447)	(534,814)	16,362,486	3,732,797	316,022
NET ASSETS — Beginning of year	(5,789,125)	9,442,107	946,996	4,599,978	40,865,959	11,894,607	55,810,231	2,301,609	110,872,406
NET ASSETS — End of year	$ (1,975,784)	$ 10,345,325	$ 1,241,033	$ 9,610,574	$ 21,621,512	$ 11,359,793	$ 72,172,717	$ 6,034,406	$ 111,188,428

(Concluded)

THE OHIO UNIVERSITY FOUNDATION AND SUBSIDIARIES

SCHEDULE 3

CONSOLIDATING SCHEDULE OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2007

	The Foundation	The Inn	Housing	Supporting Organization	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Changes in net assets	$ 17,022,940	$ 85,825	$ (24,497)	$ 3,732,797	$ 20,817,065
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:					
Noncash items:					
Depreciation and amortization	3,284	520,795	911,477		1,435,556
Realized investment gains	(6,390,861)			(545)	(6,391,406)
Unrealized investment (gains) losses	(19,699,490)	(15,735)		(2,867,424)	(22,582,649)
Decrease in cash surrender value of life insurance policies	193,014				193,014
Contributions restricted for endowment investment	(4,755,318)				(4,755,318)
Changes in current assets and liabilities:					
(Increase) decrease in accounts receivable	(81,403)	133,503	3,415		55,515
Decrease in pledges receivable	9,930,211				9,930,211
Increase in bequests receivable	(307,154)				(307,154)
Increase in interest and dividends receivable	(116,884)				(116,884)
Decrease (increase) in prepaid expenses	48,935	(33,168)	310		16,077
Decrease in other assets		25,340	3,839		29,179
Increase in accounts payable	(896,322)	(90,471)	(492,282)		(1,479,075)
Decrease in other liabilities		(12,633)	(62,873)		(75,506)
(Decrease) increase in deposits held in custody for other	(4,724)		37,933		33,209
Net cash (used in) provided by operating activities	(5,053,772)	613,456	377,322	864,828	(3,198,166)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Additions to property and equipment		(711,508)	(81,167)		(792,675)
Purchases of investments	(92,670,063)	(42,797)		(854,772)	(93,567,632)
Proceeds from sales of investments	89,986,069	176,722			90,162,791
(Decrease) increase in restricted cash		1,016,773	(280,382)		736,391
Increase in charitable remainder trusts	(159,169)				(159,169)
Decrease in investments subject to annuity agreements	34,860				34,860
Net cash (used in) provided by investing activities	(2,808,303)	439,190	(361,549)	(854,772)	(3,585,434)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Contributions restricted for endowment investment	4,755,318				4,755,318
Payments on notes and bonds payable		(1,129,757)	(600,000)		(1,729,757)
Net change in annuity obligations	19,927				19,927
Net cash provided by (used in) financing activities	4,775,245	(1,129,757)	(600,000)	-	3,045,488
NET INCREASE IN CASH	(3,086,830)	(77,111)	(584,227)	10,056	(3,738,112)
CASH — Beginning of year	7,903,866	724,033	957,187	2,809	9,587,895
CASH — End of year	$ 4,817,036	$ 646,922	$ 372,960	$ 12,865	$ 5,849,783
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION — Cash paid during the year for:					
Interest	$ -	$ 243,876	$1,125,610	$ -	$ 1,369,486
Income tax	$ -	$ 49,370	$ -	$ -	$ 49,370

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED UPON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees of
The Ohio University Foundation
Athens, OH

We have audited the consolidated financial statements of The Ohio University Foundation and subsidiaries (the "Foundation"), as of and for the year ended June 30, 2007, and have issued our report thereon dated October 12, 2007 (which report expresses an unqualified opinion and includes an emphasis of matter paragraph regarding the valuation of alternative investments), which is also based on the report of another auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 a 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. We consider the following deficiencies related to the Foundation's pledges to be significant deficiencies in internal control over financial reporting:

Pledges – Collectibility: We noted two gross pledges totaling $1,430,000 that were deemed to be uncollectible by management, but were not specifically reserved. The Foundation's policy is to reserve an amount on gross pledges based on a historical percentage of uncollectible pledges, with no consideration of significant pledges that should be specifically reserved. At June 30, 2007, the percentage was based upon uncollectible pledge history from fiscal 1998 through 2003, totaling 18.6%, and applied to the gross pledges. Management determined the two pledges to be uncollectible and wrote such amounts off.

Pledges – Recording: We noted one gross pledge totaling $6,250,000 was no longer a valid receivable to the Foundation but to Ohio University. In December 2006, the donor had changed the beneficiary from the Foundation to the University; however, the Foundation had not recorded the reduction in pledges and net assets.

We recommend that the Foundation implement policies and procedures regarding its outstanding pledges to review significant pledges over an established threshold. This review should encompass both collectibility and proper recording. Management should determine that pledges exceeding this threshold do not require any specific reserves, in addition to the general reserve, are recorded in the proper designation and are properly classified as assets of the Foundation. This review should be performed by members of both the accounting and development departments to ensure that proper accounting is applied to the pledges based upon current and relevant status information.

Management's Response: The Development Office and the Foundation accounting office will jointly address the management comments regarding the collectibility and recording of pledges by implementing the following procedure: An annual review will be conducted by members of the Development Staff, Advancement Services and the Foundation accounting office to identify all pledges with outstanding balances greater than $100,000. This review will include the Vice President for University Advancement; Director of Donor Relations & Gift Administration; Assistant Vice President for Development; Assistant Vice President for Advancement Services or Manager, Advancement Services; and the Controller, Ohio University. Any pledges considered to have a low probability of collection will be marked on the Advance system for exclusion from the pledges receivable listing or removed from the system, if appropriate.

A material weakness is a significant deficiency, or a 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 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 internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

COMPLIANCE AND OTHER MATTERS

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

This report is intended solely for the information and use of the Board of Trustees and management of the Foundation, and the Auditor of the State of Ohio, and is not intended to be, and should not be, used by anyone other than these specified parties.

Deloitte & Touche LLP

October 12, 2007

OHIO UNIVERSITY FOUNDATION

ATHENS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 29, 2008