The Ohio University Foundation and Subsidiaries

Consolidated Financial Statements for the Years Ended June 30, 2005 and 2004, Supplemental Schedules for the Year Ended June 30, 2005, and Independent Auditors' Report

Auditor of State
Betty Montgomery

Board of Trustees
Ohio University Foundation
PO Drawer 869
Athens, Ohio 45701

We have reviewed the Independent Auditor's Report of the Ohio University Foundation, Athens County, prepared by Deloitte & Touche LLP, for the audit period July 1, 2004 to June 30, 2005. 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.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

December 12, 2005

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THE OHIO UNIVERSITY FOUNDATION AND SUBSIDIARIES

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Deloitte.

Deloitte & Touche LLP
155 East Broad Street
18th Floor
Columbus, OH 43215-3611
USA

Tel: 614-221-1000
Fax: 614-229-4647
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

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

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, 2005 and 2004, 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 13.7% and 19%, respectively, of the consolidated total assets at June 30, 2005 and 2004 and the total revenues of 10.5% and 32%, respectively, of 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 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, as of June 30, 2005 and 2004, and the changes in its net assets, and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 in schedules 1 and 2 is presented for purposes of additional analysis rather than to present the financial position or change in net assets 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 November 15, 2005, 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

November 15, 2005
Columbus, Ohio

THE OHIO UNIVERSITY FOUNDATION
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2005 AND 2004

	2005	2004
ASSETS		
CURRENT ASSETS:		
Cash	$ 4,212,953	$ 10,009,291
Accounts receivable—net	1,153,299	3,295,250
Pledges receivable—net	7,882,612	17,925,189
Bequests receivable	1,186,466	1,558,378
Interest and dividends receivable	209,129	126,535
Prepaid expenses	929,920	1,362,544
Investments	162,070,845	142,710,788
Cash surrender value—life insurance policies	2,377,779	2,636,067
Notes receivable—net	49,761	49,761
Charitable remainder trusts	1,467,407	1,324,704
Charitable gift annuities	3,074,232	3,659,103
Deposit with trustees—restricted cash	2,912,861	3,059,378
Property and equipment—net	32,223,107	34,435,826
Due from Ohio University		359,611
Other	274,985	5,052,995
TOTAL	$ 220,025,356	$ 227,565,420
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable:		
Ohio University	$ 892,184	$ 1,185,372
Trade and other	979,190	2,160,658
Deposits held in custody for others	329,877	337,728
Annuities payable	1,925,268	2,209,123
Charitable remainder trust obligation	632,947	545,914
Bonds payable	31,050,000	31,390,000
Notes payable	1,721,649	2,948,140
Other liabilities	37,029	1,000,097
Total liabilities	37,568,144	41,777,032
DHI MINORITY INTEREST		3,958,041
NET ASSETS:		
Unrestricted	1,858,497	208,652
Temporarily restricted	78,965,359	84,651,271
Permanently restricted	101,633,356	96,970,424
Total net assets	182,457,212	181,830,347
TOTAL	$ 220,025,356	$ 227,565,420

See notes to consolidated financial statements.

THE OHIO UNIVERSITY FOUNDATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER SUPPORT:				
Gifts and contributions	$ 343,491	$ 2,092,310	$ 3,370,515	$ 5,806,316
University support	3,220,832			3,220,832
Income from investments:				
Interest and dividends	1,378,667	2,648,687	244,378	4,271,732
Change in market value of investments:				
Sold during the year (realized gain)	61,965	302,407	7,442	371,814
Held at year-end (unrealized gain)	2,052,463	3,940,991	213,939	6,207,393
Revenues from sales, services, and events	136,084			136,084
Change in value—split-interest agreements	4,416	(10,664)	37,693	31,445
Other	735,413	12,606	788,965	1,536,984
Administrative fee income	1,001,468			1,001,468
Inn-Ohio of Athens, Inc. revenues	4,207,012			4,207,012
Housing for Ohio revenues	3,588,108			3,588,108
Total revenues and other support	16,729,919	8,986,337	4,662,932	30,379,188
NET ASSETS RELEASED FROM RESTRICTIONS—				
Satisfaction of program restrictions:				
Alumni relations	104,785	(104,785)		
Institutional support	1,629,185	(1,629,185)		
Instruction and departmental support	5,987,677	(5,987,677)		
Academic services support	1,845,587	(1,845,587)		
Intercollegiate athletics support	657,728	(657,728)		
Student services	212,987	(212,987)		
Scholarships and fellowships	3,879,113	(3,879,113)		
Public services	212,744	(212,744)		
Research	(2,749)	2,749		
Fund-raising and development	145,192	(145,192)		
Total net assets released from restrictions	14,672,249	(14,672,249)	-	-
Total revenues and other support	31,402,168	(5,685,912)	4,662,932	30,379,188

(Continued)

THE OHIO UNIVERSITY FOUNDATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2005

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
EXPENSES:				
Program services:				
Alumni relations	$ 1,809,390	$ -	$ -	$ 1,809,390
Institutional support	1,824,458			1,824,458
Instruction and departmental support	6,299,543			6,299,543
Academic services support	1,845,587			1,845,587
Intercollegiate athletics support	659,974			659,974
Student services	215,424			215,424
Scholarships and fellowships	3,879,113			3,879,113
Public services	212,744			212,744
Research	401,475			401,475
Supporting services:				
Fund-raising and development	4,783,700			4,783,700
Fund administration	595,856			595,856
Inn-Ohio of Athens, Inc. operations	3,900,164			3,900,164
Housing for Ohio operations	3,324,895			3,324,895
Total expenses	29,752,323	-	-	29,752,323
CHANGES IN NET ASSETS	1,649,845	(5,685,912)	4,662,932	626,865
NET ASSETS—Beginning of year	208,652	84,651,271	96,970,424	181,830,347
NET ASSETS—End of year	$ 1,858,497	$ 78,965,359	$ 101,633,356	$ 182,457,212

See notes to consolidated financial statements.

(Concluded)

THE OHIO UNIVERSITY FOUNDATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2004

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER SUPPORT:				
Gifts and contributions	$ 454,339	$ 7,694,388	$ 12,850,005	$ 20,998,732
University support	3,471,369			3,471,369
Income from investments:				
Interest and dividends	493,978	1,794,549	260	2,288,787
Change in market value of investments:				
Sold during the year (realized gain)	498,822	3,078,717	2,175	3,579,714
Held at year-end (unrealized gain (loss))	3,029,973	6,337,242	(337,552)	9,029,663
Revenues from sales, services, and events	193,679			193,679
Change in value—split-interest agreements	(4,530)	111,886	198,988	306,344
Other	284,819	100,452	791,525	1,176,796
Inn-Ohio of Athens, Inc. revenues	4,346,975			4,346,975
Housing for Ohio revenues	3,264,563			3,264,563
Diagnostic Hybrids, Inc. revenues	18,896,929	171,529	493,975	19,562,433
Total revenues and other support	34,930,916	19,288,763	13,999,376	68,219,055
NET ASSETS RELEASED FROM RESTRICTIONS—				
Satisfaction of program restrictions:				
Alumni relations	6,259	(6,259)		
Institutional support	2,018,457	(2,018,457)		
Instruction and departmental support	4,648,269	(4,648,269)		
Academic services support	1,630,842	(1,630,842)		
Intercollegiate athletics support	286,875	(286,875)		
Student services	141,225	(141,225)		
Scholarships and fellowships	3,781,519	(3,781,519)		
Public services	131,239	(131,239)		
Research	58,389	(58,389)		
Fund-raising and development	(100)	100		
Carrying costs of real estate	8,428	(8,428)		
Total net assets released from restrictions	12,711,402	(12,711,402)	-	-
Total revenues and other support	47,642,318	6,577,361	13,999,376	68,219,055

(Continued)

THE OHIO UNIVERSITY FOUNDATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2004

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
EXPENSES:				
Program services:				
Alumni relations	$ 1,516,924	$ -	$ -	$ 1,516,924
Institutional support	2,098,036			2,098,036
Instruction and departmental support	4,862,511			4,862,511
Academic services support	1,635,454			1,635,454
Intercollegiate athletics support	303,495			303,495
Student services	148,874			148,874
Scholarships and fellowships	3,781,519			3,781,519
Public services	131,273			131,273
Research	574,321			574,321
Supporting services:				
Fund-raising and development	4,485,335			4,485,335
Fund administration	529,356			529,356
Other	23,894			23,894
Inn-Ohio of Athens, Inc. operations	3,963,547			3,963,547
Housing for Ohio operations	2,936,901			2,936,901
Diagnostic Hybrids, Inc. operations	17,419,639			17,419,639
Minority interest in Diagnostic Hybrids, Inc.	627,839			627,839
Carrying costs of real estate	4,203			4,203
Total expenses	45,043,121	-	-	45,043,121
CHANGES IN NET ASSETS	2,599,197	6,577,361	13,999,376	23,175,934
NET ASSETS—Beginning of year	(2,390,545)	78,073,910	82,971,048	158,654,413
NET ASSETS—End of year	$ 208,652	$ 84,651,271	$ 96,970,424	$ 181,830,347

See notes to consolidated financial statements.

(Concluded)

THE OHIO UNIVERSITY FOUNDATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2005 AND 2004

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ 626,865	$ 23,175,934
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Noncash items:		
Depreciation and amortization	1,397,275	1,897,895
Stock compensation		799,947
Realized investment gains	(371,814)	(3,579,714)
Unrealized investment gains	(6,062,451)	(9,005,094)
Minority interest expense		627,839
Decrease (increase) in cash surrender value of life insurance policies	258,288	(213,603)
Changes in current assets and liabilities:		
Increase in accounts receivable	(222,745)	(1,000,586)
Decrease (increase) in pledges receivable	10,042,577	(5,430,129)
Decrease (increase) in bequests receivable	371,912	(1,168,378)
(Increase) decrease in interest and dividends receivable	(82,594)	164,541
Decrease (increase) in prepaid expenses	142,195	(206,617)
Increase in other assets	(224,724)	(1,145,329)
Decrease in accounts payable	(591,149)	(2,749,282)
Increase (decrease) in other payable	94,294	(35,012)
Increase (decrease) in deposits held in custody for others	53,973	(53,869)
Net cash provided by operating activities	5,431,902	2,078,543
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property and equipment	(724,611)	(31,049)
Purchases of investments	(44,910,618)	(62,974,650)
Proceeds from sales of investments	34,676,011	61,898,475
Decrease in restricted cash	146,517	1,271,620
Decrease in notes receivable		45,000
Increase in charitable remainder trusts	(142,703)	(237,177)
Decrease (increase) in investments subject to annuity agreements	584,871	(465,134)
Net cash used in investing activities	(10,370,533)	(492,915)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on notes and bonds payable	(660,885)	(21,726)
Net change in annuity obligations	(196,822)	173,697
Net cash (used in) provided by financing activities	(857,707)	151,971
NET (DECREASE) INCREASE IN CASH	(5,796,338)	1,737,599
CASH—Beginning of year	10,009,291	8,271,692
CASH—End of year	$ 4,212,953	$ 10,009,291
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	$ 736,787	$ 510,405
Cash paid during the year for income tax	$ 1,420,713	$ 1,426,342
SUPPLEMENTAL SCHEDULE OF NONCASH ACTIVITIES—		
Issuance of promissory note and other obligations for acquisition	$ 205,000	$ 205,000

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, Ohio known as The Ohio University Inn (see Note 10). The Foundation's other wholly owned subsidiary, Housing for Ohio, Inc. ("Housing"), constructed and operates a 182-unit student-housing complex in Athens, Ohio (see Note 11). The Foundation also owns a minority interest in Diagnostic Hybrids, Inc. ("DHI"), which develops and manufactures tissue cell cultures, antibody kits, and biological reagents for use in medical laboratories (see Note 12).

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 its minority owned subsidiary, DHI. 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 10). 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 9).

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

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 3.04% for fiscal year 2005 and 1.3% for fiscal year 2004. 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.

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 31.5 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, 2005 and 2004.

Restricted Cash—Restricted cash represents cash that, under terms of the bond issue trust indenture agreement ("Trust Indenture") (see Note 11), 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 Organization, to transfer funds out of the revenue fund to other funds as outlined in the Trust Indenture.

Functional Allocation of Expenses—The costs of providing the various programs and 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. Unrelated income taxes for Ohio University Inn totaled $40,948 and $40,600, respectively, for the years ended June 30, 2005 and 2004, while unrelated taxes for DHI totaled $1,314,953 and $1,101,760, respectively.

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, 2005 and 2004, except for notes receivable. The fair value of the notes receivable is not necessarily determinable given the terms of the notes (see Note 7).

The Foundation has estimated the fair values of its financial instruments using available quoted market information and other valuation methodologies in accordance with Statement of Financial Accounting Standards ("SFAS") 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.

Reclassifications—To facilitate comparisons, certain amounts in the 2004 financial statements have been reclassified to conform to the 2005 presentation.

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, 2005 and 2004, are available for the following purposes:

	2005		2004	
Board designated quasi endowment		$ 9,361,421		$ 9,266,072
Board designated—other:				
Board designated 1804 fund	$ 405,870		$ 504,680	
Board designated carry forward	764,774		447,129	
Board designated DHI	2,288,386	3,459,030	2,119,960	3,071,769
Designated change in value		(2,365,405)		(2,587,062)
Designated underwater accounts		(4,241,091)		(5,355,042)
Designated trusts		4,457		8,471
Designated Housing		(1,849,205)		(1,601,683)
Undesignated		(2,510,710)		(2,593,873)
Unrestricted net assets		$ 1,858,497		$ 208,652

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, 2005 and 2004, are available for the following purposes:

	2005	2004
Alumni relations	$ 865,486	$ 950,657
Institutional support	5,145,611	5,975,053
Instruction and departmental support	28,910,051	30,901,314
Academic services support	9,263,354	10,127,735
Intercollegiate athletics support	785,626	742,156
Student services	1,121,640	1,367,227
Scholarships and fellowships	30,975,935	31,714,556
Public services	401,226	313,279
Research	390,892	1,034,220
Fund-raising and development	989,970	1,375,919
Other	115,568	149,155
	$ 78,965,359	$ 84,651,271

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, 2005 and 2004, are available for the following purposes:

	2005	2004
Alumni relations	$ 1,396,058	$ 1,159,005
Institutional support	2,014,893	2,163,136
Instruction and departmental support	45,727,838	45,185,308
Academic services support	3,873,576	3,491,537
Intercollegiate athletics support	101,528	85,955
Student services	2,060,465	1,964,259
Scholarships and fellowships	44,315,114	41,006,518
Public services	312,004	297,523
Research	1,636,608	874,718
Fund-raising and development	147,522	124,204
Other	47,750	618,261
	$ 101,633,356	$ 96,970,424

4. PLEDGES RECEIVABLE

Included in pledges receivable for unconditional promises to give at June 30, 2005 and 2004, are as follows:

	2005	2004
Unconditional promises to give before unamortized discount and allowance for uncollectibles	$ 9,806,073	$ 18,921,209
Less allowance for uncollectibles	1,783,246	482,080
Subtotal	8,022,827	18,439,129
Less unamortized discount	140,215	513,940
Unconditional promises to give—net	$ 7,882,612	$ 17,925,189

	2005		2004	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
Amounts due in:				
Less than one year	$ 2,205,437	$ 1,595,857	$ 5,345,349	$ 3,354,542
One to five years	2,171,083	1,818,885	5,320,684	3,796,531
More than five years	68,960	22,390	94,462	13,621
Total	$ 4,445,480	$ 3,437,132	$ 10,760,495	$ 7,164,694

5. INVESTMENTS IN SECURITIES

The cost and market value of the investments in securities at June 30, 2005 and 2004, are as follows:

	2005		2004	
	Cost	**Market**	**Cost**	**Market**
Common and preferred stock	$ 92,779,201	$ 98,095,523	$ 84,182,536	$ 81,417,112
Short-term cash investments	4,306,758	4,240,527	2,533,332	2,533,332
Bonds and debentures	21,153,356	20,991,282	22,126,609	21,865,913
Other	38,378,113	38,743,513	37,147,472	36,894,431
Total investments	$ 156,617,428	$ 162,070,845	$ 145,989,949	$ 142,710,788

6. PROPERTY AND EQUIPMENT

As of June 30, 2005 and 2004, property and equipment (primarily relating to Housing and the Inn) are as follows:

	2005	2004
Land	$ 805,198	$ 829,948
Land improvements	366,972	234,408
Building and building improvements	35,270,146	35,017,525
Furnishings, fixtures, and equipment	3,999,237	5,891,034
Construction in progress		210,125
	40,441,553	42,183,040
Less accumulated depreciation and amortization	(8,218,446)	(7,747,214)
Property and equipment—net	$ 32,223,107	$ 34,435,826

Total depreciation expense of $1,279,389 and $1,840,144 was recorded in fiscal years 2005 and 2004, respectively.

7. NOTES RECEIVABLE AND RELATED PARTIES

In November 1997, the Foundation approved a loan totaling $75,000 to Electronic Vision, Inc. ("EVI"), which was used for marketing and distribution of an interactive CD that contains credit hours of instruction on filming and a library of reference. The project is used to continue to promote Ohio University as a filmmaking school, and can be used as a distance-learning tool. Total outstanding notes related to EVI are $49,761 at June 30, 2005 and 2004.

8. SUPPORT FROM OHIO UNIVERSITY

During 2005 and 2004, the University paid certain payroll costs amounting to $2,469,006 and $2,605,399 and additional costs of $751,826 and $865,969, 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.

9. 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, 2005 and 2004, ranged from 3.6% to 9.8%.

Charitable Remainder Trust—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 trusts 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 trusts 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, 2005 and 2004, the discount rate applied to the charitable remainder trusts was 3.04% and 1.3%, 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 trusts 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 trusts 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.

10. INN-OHIO OF ATHENS, INC.

The Ohio University Inn (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, 2005 and 2004, are summarized below:

	2005	2004
Revenue	$4,207,012	$4,346,975
Operating and general expenses	3,397,226	3,503,028
Depreciation and amortization	433,830	410,785
Interest expense—net	28,160	9,134
Provision for income taxes	40,948	40,600
Total expenses	3,900,164	3,963,547
Net income	306,848	383,428
Dividends paid to Foundation	(200,000)	(500,000)
Unrealized gains (losses)	31,570	(24,569)
Change in net assets	$ 138,418	$ (141,141)

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 2005 and 2004, base management fees incurred by the Inn with respect to the Manager were $100,000 and $100,000 and incentive fees were $87,161 and $100,060, respectively.

As of June 30, 2005 and 2004, the Inn has net operating loss carryforwards of $65,000 and $153,000, respectively, for Federal income tax purposes. The net operating loss carryforwards will begin to expire in 2010. The Inn has reflected deferred income taxes at a 40% tax rate, which represents a blended statutory federal and state income tax rate. As of June 30, 2005 and 2004, the Inn has recorded a valuation allowance of approximately $54,373 and $163,500, respectively, due to the uncertainty of the future realizability of its remaining net deferred tax asset carryforwards, in accordance with the provisions of SFAS No. 109.

Debt Obligations—Long-term debt of the Inn as of June 30, 2005 and 2004, consists of the following:

	2005	2004
1996 Serial Project Bonds:		
5.85% due November 1, 2004	$ -	$ 120,000
5.95% due November 1, 2005	130,000	130,000
6.05% due November 1, 2006	140,000	140,000
1996 Term Project Bonds—6.25%, at 97.61%, due November 1, 2011	830,000	830,000
	1,100,000	1,220,000
Less: Unamortized discount on Series 1996 Bonds	8,351	9,670
Total	$ 1,091,649	$ 1,210,330

The 1996 Serial and Term Project Bonds (the "Bonds") are secured by a mortgage on the Inn and a security agreement granted by the Inn. These Bonds are also guaranteed by the Foundation from unrestricted money and investments.

The 1996 Term Project Bonds require the Inn to make monthly payments to a trustee. These payments accumulate in the bond fund to pay principal and interest on the Bonds. Principal payments are due annually on November 1; interest payments are due semiannually each May 1 and November 1 and are payable from the bond fund. The 1996 Serial Project Bonds are subject to redemption prior to maturity, including mandatory sinking fund redemption. After November 1, 2006, the Inn has the option to prepay the 1996 Bonds. The balance in the bond fund at June 30, 2005 and 2004, was $98,176 and $92,662, respectively.

The 1996 Bonds maturing in November 2011 are subject to a mandatory sinking fund requirement to be deposited as set forth in the following schedule:

	Amount
November 1:	
2007	$ 145,000
2008	155,000
2009	165,000
2010	175,000
2011	190,000
Total	$ 830,000

The fair value of the debt obligations at June 30, 2005 and 2004, approximated their carrying value.

11. HOUSING FOR OHIO, INC.

In November 1999, the Foundation established Housing for Ohio, Inc. ("Housing"), a limited liability company and 501(c)(3) corporation, with the purpose of acquiring, developing, constructing, and operating a 182-unit student-housing rental project which contains 580 beds. The property, known as University Courtyard Apartments (the "Project"), is located in Athens, Ohio on property owned by Ohio 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, 2005 and 2004, was 1.89% and 1.03%, respectively, and the actual interest rate at June 30, 2005 and 2004, was 2.62% and 1.13%, 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, 2005, are summarized as follows:

Year Ending June 30	Principal
2006	$ 445,000
2007	530,000
2008	575,000
2009	635,000
2010	670,000
Thereafter	28,195,000
Total	$ 31,050,000

Debt issuance costs are included in property on the statement of financial position and are amortized over the term of the Bonds. Amortization during the years ended June 30, 2005 and 2004, was $34,965 and $34,965, respectively.

Litigation—On November 26, 2003, the project's developer filed a complaint against Housing and another party to recover $631,027 related to development fees associated with the development of the Project. A liability of $481,027 related to the development fee claim was recorded in Housing's consolidated financial statements at June 30, 2003. On January 26, 2004, Housing filed an answer to the complaint and filed a counterclaim in the amount of $1,000,000 representing its claim to recover excess expenditures incurred in development costs over an amount contractually designated as maximum development cost.

On January 29, 2004, the Project's contractor filed a demand for arbitration against Housing to recover unpaid construction costs of $2,670,936 under a construction contract. The full amount of the contractor's claim was recorded in the consolidated financial statements at June 30, 2003.

With regard to these legal contingencies, the parties came to a settlement agreement on May 19, 2004, in which Housing would pay the contractor a total sum of $2,000,000. Housing reduced the basis of the Project by the amounts previously accrued in excess of the $2,000,000, which approximated $1,024,000. The settlement agreement required an initial payment of $1,300,000 to the contractor in cash no later than thirty days after the issuance of orders of the court, and a promissory note for $700,000 payable in ten annual installments of $70,000 commencing on June 1, 2005. The entire note balance becomes due and payable if the Project's current management agreement is terminated or if certain other events occur.

12. DIAGNOSTIC HYBRIDS, INC. ("DHI")

DHI, an Ohio corporation located in Athens, Ohio, develops and manufactures genetically engineered and non-engineered tissue cell cultures, monoclonal antibody kits, and biological reagents for use by laboratory technicians in medical laboratories. These products are used to diagnose viral diseases and endocrine disorders.

The Foundation owned 802,720 shares of Class A Common Stock and 384,622 shares of Convertible Preferred Stock, which represented an approximate 71% ownership of DHI during fiscal year 2004. With the amendment of DHI's Articles of Incorporation on August 2, 2004, 1,030,342 newly created Class A Participating Convertible Preferred Shares (the "Class A Preferred Share") were issued to Summit Partners for $10,000,000 cash for a 25% interest in DHI, thus reducing the Foundation's ownership percentage to 44.7%.

In connection with and as a condition to consummating the issuance of the Class A Preferred Shares, the Foundation converted its outstanding preferred shares into common stock immediately prior to the issuance of the new shares. The Foundation received an additional 59,022 common shares upon conversion in accordance with the articles of incorporation in effect at that time. DHI used $3,500,000 of the proceeds to immediately pay a special dividend to current outstanding shareholders of record, as of August 4, 2004, on a pro rata basis. The Foundation's share of the dividend was $2,482,288, which was received on August 4, 2004. These funds have been allocated to unrestricted and endowment accounts based on the sources of the funds used to purchase the shares.

As a result of the transaction above and resulting decrease in ownership percentage, DHI is now accounted for as an investment under the equity method of accounting.

DHI's operations for the years ended June 30, 2005 and 2004, are summarized below:

	2005	2004
Revenue	$23,503,750	$19,562,433
Operating and general expenses	19,839,999	16,171,422
Interest expense	57,942	146,457
Provision for income taxes	1,314,953	1,101,760
Total expenses	21,212,894	17,419,639
Net income	$ 2,290,856	$ 2,142,794

DHI accounts for its employee and director stock-based compensation plans in accordance with Accounting Principles Board Opinion No. 25. DHI has elected not to adopt the cost recognition provisions of SFAS No. 123, *Accounting for Stock-Based Compensation*. DHI follows only the disclosure provisions of SFAS No. 123, as permitted by the statement. In accordance with SFAS No. 123, the fair value of each option grant is estimated on the date of each grant using the Black-Scholes option pricing model. If compensation expense had been determined using the estimated fair value of options under SFAS No. 123, the pro forma effects on net income would have been an increase of approximately $11,000 and $94,000 for the 12-month period ended June 30, 2005 and 2004, respectively. DHI recorded deferred compensation expense of $225,274 and $799,947 for the 12-month periods ended June 30, 2005 and 2004, respectively.

DHI accounts for income taxes under the liability method in accordance with SFAS No. 109, *Accounting for Income Taxes*. Deferred income taxes are provided for the expected tax consequences of differences between the financial reporting and tax basis of assets and liabilities, which is primarily comprised of accounting for stock options and accounts receivable.

* * * * * *

SUPPLEMENTAL SCHEDULES

THE OHIO UNIVERSITY FOUNDATION AND SUBSIDIARIES

SCHEDULE 1

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION AS OF JUNE 30, 2005

ASSETS	OUF	OU Inn	Housing for Ohio	Eliminations	Total
CURRENT ASSETS:					
Cash	$ 3,058,047	$ 415,029	$ 739,877	$ -	$ 4,212,953
Accounts receivable—net	1,024,087	115,760	13,452		1,153,299
Pledges receivable—net	7,882,612				7,882,612
Bequests receivable	1,186,466				1,186,466
Interest and dividends receivable	209,129				209,129
Prepaid expenses	17,600	20,259	892,061		929,920
Investments	162,070,845	978,438		(978,438)	162,070,845
Investment in Inn-Ohio of Athens, Inc.	5,532,082			(5,532,082)	
Cash surrender value—life insurance policies	2,377,779				2,377,779
Notes receivable—net	49,761				49,761
Charitable remainder trusts	1,467,407				1,467,407
Charitable gift annuities	3,074,232				3,074,232
Deposit with trustees—restricted cash			2,912,861		2,912,861
Property and equipment—net	1,244,429	5,422,217	25,556,461		32,223,107
Other		154,354	120,631		274,985
TOTAL	$ 189,194,476	$ 7,106,057	$ 30,235,343	$ (6,510,520)	$ 220,025,356
LIABILITIES					
LIABILITIES:					
Accounts payable:					
Ohio University	$ 892,184	$ -	$ -	$ -	$ 892,184
Trade and other	260,521	482,326	236,343		979,190
Deposits held in custody for others	1,187,685		120,631	(978,438)	329,878
Annuities payable	1,925,268				1,925,268
Charitable remainder trust obligation	632,946				632,946
Bonds payable			31,050,000		31,050,000
Notes payable		1,091,649	630,000		1,721,649
Other liabilities	(10,545)		47,574		37,029
TOTAL LIABILITIES	4,888,059	1,573,975	32,084,548	(978,438)	37,568,144

(Continued)

THE OHIO UNIVERSITY FOUNDATION AND SUBSIDIARIES

SCHEDULE 1

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION AS OF JUNE 30, 2005

	OUF	OU Inn	Housing for Ohio	Eliminations	Total
NET ASSETS:					
Unrestricted:					
Board of trustees-designated quasi-endowments	$ 9,361,421	$ -	$ -	$ -	$ 9,361,421
Board of trustees-designated other	3,463,487				3,463,487
Designated change in value	(2,365,405)				(2,365,405)
Designated underwater accounts	(4,241,091)				(4,241,091)
Undesignated	(2,510,710)		(1,849,205)		(4,359,915)
Total unrestricted	3,707,702	-	(1,849,205)	-	1,858,497
Temporarily restricted	78,965,359				78,965,359
Permanently restricted	101,633,356				101,633,356
Total net assets	184,306,417	-	(1,849,205)	-	182,457,212
STOCKHOLDERS' EQUITY:					
Common stock		3,429,182		(3,429,182)	
Preferred stock					
Additional paid-in capital		4,140,455		(4,140,455)	
Deferred stock compensation					
Retained earnings		(2,037,555)		2,037,555	
Total stockholders' equity	-	5,532,082	-	(5,532,082)	-
TOTAL	$ 189,194,476	$ 7,106,057	$ 30,235,343	$ (6,510,520)	$ 220,025,356

(Concluded)

THE OHIO UNIVERSITY FOUNDATION AND SUBSIDIARIES

SCHEDULE 2

CONSOLIDATING SCHEDULE OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2005

	Unrestricted	OU Inn	Housing for Ohio	DHI	Total Unrestricted	Total Temporarily Restricted	Total Permanently Restricted	Eliminations	Total
REVENUES AND OTHER SUPPORT:									
Gifts and contributions	$ 343,491	$ -	$ -	$ -	$ 343,491	$ 2,092,310	$ 3,370,515	$ -	$ 5,806,316
University support	3,220,832				3,220,832				3,220,832
Income from investments:									
Interest and dividends	2,089,402	(200,000)	(510,735)		1,378,667	2,648,687	244,378		4,271,732
Change in market value of investments:									
Sold during the year (realized gain)	61,965				61,965	302,407	7,442		371,814
Held at year-end (unrealized gain)	2,020,893	31,570			2,052,463	3,940,991	213,939		6,207,393
Revenues from sales, services, and events	136,084				136,084				136,084
Change in value—split-interest agreements	4,416				4,416	(10,664)	37,693		31,445
Other	735,413				735,413	12,606	788,965		1,536,984
Administrative fee income	1,001,468				1,001,468				1,001,468
Inn-Ohio of Athens, Inc. revenues		4,207,012			4,207,012				4,207,012
Housing for Ohio revenues			3,588,108		3,588,108				3,588,108
Subsidiary revenues	138,418				138,418			(138,418)	
	9,752,382	4,038,582	3,077,373	-	16,868,337	8,986,337	4,662,932	(138,418)	30,379,188
NET ASSETS RELEASED FROM RESTRICTIONS—									
Satisfaction of program restrictions:									
Alumni relations	104,785				104,785	(104,785)			
Institutional support	1,629,185				1,629,185	(1,629,185)			
Instruction and departmental support	5,987,677				5,987,677	(5,987,677)			
Academic services support	1,845,587				1,845,587	(1,845,587)			
Intercollegiate athletics support	657,728				657,728	(657,728)			
Student services	212,987				212,987	(212,987)			
Scholarships and fellowships	3,879,113				3,879,113	(3,879,113)			
Public services	212,744				212,744	(212,744)			
Research	(2,749)				(2,749)	2,749			
Fund-raising and developments	145,192				145,192	(145,192)			
Total net assets released from restrictions	14,672,249	-	-	-	14,672,249	(14,672,249)	-	-	-
Total revenues and other support	24,424,631	4,038,582	3,077,373	-	31,540,586	(5,685,912)	4,662,932	(138,418)	30,379,188

(Continued)

THE OHIO UNIVERSITY FOUNDATION AND SUBSIDIARIES

SCHEDULE 2

CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

	Unrestricted	OU Inn	Housing for Ohio	DHI	Total Unrestricted	Total Temporarily Restricted	Total Permanently Restricted	Eliminations	Total
EXPENSES:									
Program services:									
Alumni relations	$ 1,809,390	$ -	$ -	$ -	$ 1,809,390	$ -	$ -	$ -	$ 1,809,390
Institutional support	1,824,458				1,824,458				1,824,458
Instruction and departmental support	6,299,543				6,299,543				6,299,543
Academic services support	1,845,587				1,845,587				1,845,587
Intercollegiate athletics support	659,974				659,974				659,974
Student services	215,424				215,424				215,424
Scholarships and fellowships	3,879,113				3,879,113				3,879,113
Public services	212,744				212,744				212,744
Research	401,475				401,475				401,475
Supporting services:									
Fund-raising and development	4,783,700				4,783,700				4,783,700
Fund administration	595,856				595,856				595,856
Inn-Ohio of Athens Inc. operations		3,900,164			3,900,164				3,900,164
Housing for Ohio operations			3,324,895		3,324,895				3,324,895
Total expenses	22,527,264	3,900,164	3,324,895	-	29,752,323	-	-	-	29,752,323
CHANGES IN NET ASSETS	1,897,367	138,418	(247,522)	-	1,788,263	(5,685,912)	4,662,932	(138,418)	626,865
NET ASSETS—Beginning of year	1,810,335	5,393,664	(1,601,683)	9,704,525	15,306,841	84,822,800	97,464,399	(15,763,693)	181,830,347
Elimination of DHI—Change in Ownership %				(9,704,525)	(9,704,525)	(171,529)	(493,975)	10,370,029	
NET ASSETS—End of year	$ 3,707,702	$ 5,532,082	$ (1,849,205)	$ -	$ 7,390,579	$ 78,965,359	$ 101,633,356	$(5,532,082)	$ 182,457,212

(Concluded)

THE OHIO UNIVERSITY FOUNDATION AND SUBSIDIARIES

SCHEDULE 3

CONSOLIDATING SCHEDULE OF CASH FLOWS BY ENTITY
FOR THE YEAR ENDED JUNE 30, 2005

	OUF	OU Inn	HFO	DHI	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Changes in net assets	$ 504,471	$ 138,418	$ (247,522)	$ 231,498	$ 626,865
Adjustments to reconcile changes in net assets to net cash provided by operating activities:					
Noncash items:					
Depreciation and amortization	10,604	433,830	892,707	60,134	1,397,275
Stock compensation					
Realized investment gains	(371,814)				(371,814)
Unrealized investment gains	(6,030,881)	(31,570)			(6,062,451)
Decrease in cash surrender value of life insurance policies	258,288				258,288
Changes in current assets and liabilities:					
Decrease in accounts receivable	(590,850)	34,877	350,593	(17,365)	(222,745)
Decrease in pledges receivable	10,042,577				10,042,577
Decrease in bequests receivable	371,912				371,912
(Increase) in interest and dividends receivable	(82,594)				(82,594)
Decrease in prepaid expenses	137,705	(633)	6,414	(1,291)	142,195
Increase in other assets		(1,085)	(35,945)	(187,694)	(224,724)
(Decrease) in accounts payable	(362,344)	(148,726)	89,691	(169,770)	(591,149)
Inecrease in other payables	36,861		(75,561)	132,994	94,294
Increase in deposits held in custody for others	52,993		980		53,973
Net cash provided by operating activities	3,976,928	425,111	981,357	48,506	5,431,902
CASH FLOWS FROM INVESTING ACTIVITIES:					
Additions to property and equipment	75,000	(705,916)	(15,189)	(78,506)	(724,611)
Purchases of investments	(40,989,888)	(30,254)		(3,890,476)	(44,910,618)
Proceeds from sales of investments	34,676,011				34,676,011
Decrease in restricted cash			146,517		146,517
Decrease in notes receivable					
Increase in charitable remainder trusts	(142,703)				(142,703)
Increase in investments subject to annuity agreements	584,871				584,871
Net cash used in investing activities	(5,796,709)	(736,170)	131,328	(3,968,982)	(10,370,533)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Payments on notes and bonds payable		(120,000)	(410,000)	(130,885)	(660,885)
Net change in annuity obligations	(196,822)				(196,822)
Net cash used in financing activities	(196,822)	(120,000)	(410,000)	(130,885)	(857,707)
NET DECREASE IN CASH	(2,016,603)	(431,059)	702,685	(4,051,361)	(5,796,338)
CASH—Beginning of year	5,074,650	846,088	37,192	4,051,361	10,009,291
CASH—End of year	$ 3,058,047	$ 415,029	$ 739,877	$ -	$ 4,212,953
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:					
Cash paid during the year for interest	$ -	$ 71,587	$ 558,287	$ 106,913	$ 736,787
Cash paid during the year for income tax	$ -	$ 40,380	$ -	$ 1,380,333	$ 1,420,713
SUPPLEMENTAL SCHEDULE OF NONCASH ACTIVITIES—Issuance of promissory note and other obligations for acquisition	$ -	$ -	$ -	$ 205,000	$ 205,000

Deloitte.

Deloitte & Touche LLP
155 East Broad Street
18th Floor
Columbus, OH 43215-3611
USA

Tel: 614-221-1000
Fax: 614-229-4647
www.deloitte.com

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, Ohio

We have audited the consolidated financial statements of The Ohio University Foundation and subsidiaries (the "Foundation"), as of and for the years ended June 30, 2005 and 2004, and have issued our report thereon dated October 25, 2005. 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Foundation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low-level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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 audits 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*.

We noted certain matters that we reported to management of the Foundation in a separate letter dated November 15, 2005.

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

Deloitte & Touche LLP

November 15, 2005

Auditor of State
Betty Montgomery

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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
DECEMBER 27, 2005