The Ohio University Foundation and Subsidiaries

Consolidated Financial Statements as of and for the Years Ended June 30, 2006 and 2005, Supplemental Schedules as of and for the Year Ended June 30, 2006, and Independent Auditors' Report

Mary Taylor, CPA
Auditor of State

Board of Trustees
Ohio University Foundation
166 HDL Center
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, 2005 through June 30, 2006. 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 25, 2007

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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, 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, 2006 and 2005, 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 11.2% and 13.7%, respectively, of the consolidated total assets at June 30, 2006 and 2005, and the total revenues of 5.2% and 10.5%, 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, 2006 and 2005, and the changes in its net assets and the cash flows for the years 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 on pages 21–25 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 11, 2006, 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 11, 2006

THE OHIO UNIVERSITY FOUNDATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS OF JUNE 30, 2006 AND 2005

	2006	2005
ASSETS		
CURRENT ASSETS:		
Cash	$ 9,587,895	$ 4,212,953
Accounts receivable—net	927,319	1,153,299
Pledges receivable—net	27,141,520	7,882,612
Bequests receivable	1,380,885	1,186,466
Interest and dividends receivable	123,586	209,129
Prepaid expenses	954,129	929,920
Investments	177,710,204	162,070,845
Cash surrender value—life insurance policies	2,326,534	2,377,779
Notes receivable—net		49,761
Charitable remainder trusts	2,525,515	1,467,407
Charitable gift annuities	2,995,210	3,074,232
Deposits with trustees—restricted cash	3,809,375	2,912,861
Property and equipment—net	31,130,520	32,223,107
Other assets	233,251	274,985
TOTAL ASSETS	$ 260,845,943	$ 220,025,356
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable:		
Ohio University	$ 714,807	$ 892,184
Trade and other	1,593,526	979,190
Deposits held in custody for others	263,548	329,877
Annuities payable	1,977,299	1,925,268
Charitable remainder trust obligation	1,129,816	632,947
Bonds payable	30,605,000	31,050,000
Notes payable	5,522,857	1,721,649
Other liabilities	240,975	37,029
Total liabilities	42,047,828	37,568,144
NET ASSETS:		
Unrestricted	1,934,757	1,858,497
Temporarily restricted	110,872,406	78,965,359
Permanently restricted	105,990,952	101,633,356
Total net assets	218,798,115	182,457,212
TOTAL LIABILITIES AND NET ASSETS	$ 260,845,943	$ 220,025,356

See notes to consolidated financial statements.

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 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
Administrative fee income	1,001,468			1,001,468
Other	735,413	12,606	788,965	1,536,984
Inn-Ohio of Athens, Inc. revenues	4,207,012			4,207,012
Housing for Ohio revenues	3,588,108			3,588,108
Total	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	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 STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ 36,340,903	$ 626,865
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Noncash items:		
Depreciation and amortization	1,567,791	1,397,275
Realized investment gains	(9,708,108)	(371,814)
Unrealized investment gains	(4,472,395)	(6,062,451)
Increase in cash surrender value of life insurance policies	51,245	258,288
Contributions restricted for endowment investment	(4,189,518)	(3,370,515)
Changes in current assets and liabilities:		
Decrease (increase) in accounts receivable	225,980	(222,745)
(Increase) decrease in pledges receivable	(19,258,908)	10,042,577
(Increase) decrease in bequests receivable	(194,419)	371,912
Decrease (increase) in interest and dividends receivable	85,543	(82,594)
(Increase) decrease in prepaid expenses	(46,995)	142,195
Increase in other assets	(60,238)	(224,724)
Increase (decrease) in accounts payable	369,033	(591,149)
Increase in other payables	203,946	94,294
(Decrease) increase in deposits held in custody for others	(67,312)	53,973
Net cash provided by operating activities	846,548	2,061,387
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property and equipment	(379,488)	(724,611)
Purchases of investments	(84,352,163)	(44,910,618)
Proceeds from sales of investments	82,894,290	34,676,011
(Increase) decrease in restricted cash	(798,338)	146,517
Decrease in notes receivable	49,761	
Increase in charitable remainder trusts	(1,058,108)	(142,703)
Decrease in investments subject to annuity agreements	79,022	584,871
Net cash used in investing activities	(3,565,024)	(10,370,533)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions restricted for endowment investment	4,189,518	3,370,515
Payments on notes and bonds payable	(645,000)	(660,885)
Issuance of notes and bonds payable	4,000,000	
Net change in annuity obligations	548,900	(196,822)
Net cash provided by financing activities	8,093,418	2,512,808
NET INCREASE (DECREASE) IN CASH	5,374,942	(5,796,338)
CASH—Beginning of year	4,212,953	10,009,291
CASH—End of year	$ 9,587,895	$ 4,212,953
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	$ 1,404,658	$ 736,787
Cash paid during the year for income tax	$ 56,731	$ 1,420,713
SUPPLEMENTAL SCHEDULE OF NONCASH ACTIVITIES—		
Issuance of promissory note and other obligations for acquisition	$ 67,926	$ 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 (44.3% and 44.7% at June 30, 2006 and 2005, respectively) 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 Statement of Financial Accounting Standards 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 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).

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 4.87% for fiscal 2006 and 3.04% for fiscal year 2005. 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 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, 2006 and 2005.

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 Foundation, to transfer funds out of the revenue fund to other funds as outlined in the Trust Indenture.

Additionally, 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 10).

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 the Inn totaled $93,241 and $40,948, respectively, for the years ended June 30, 2006 and 2005.

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, 2006 and 2005, 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—Certain 2005 balances have been reclassified to conform to the 2006 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, 2006 and 2005, are available for the following purposes:

	2006		2005	
Board designated quasi-endowment		$ 9,817,429		$ 9,361,421
Board designated other:				
Board designated 1804 fund	$ 571,645		$ 405,870	
Board designated carryforward	167,985	739,630	764,774	1,170,644
Designated underwater accounts		(3,376,957)		(4,241,091)
Undesignated:				
Undesignated Housing	(2,665,221)		(1,849,205)	
Undesignated other	(2,580,124)	(5,245,345)	(2,583,272)	(4,432,477)
Unrestricted net assets		$ 1,934,757		$ 1,858,497

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, 2006 and 2005, are available for the following purposes:

	2006	2005
Alumni relations	$ 1,016,755	$ 865,486
Institutional support	9,558,184	5,145,611
Instruction and departmental support	42,573,089	28,910,051
Academic services support	9,471,491	9,263,354
Intercollegiate athletics support	652,964	785,626
Student services	1,440,314	1,121,640
Scholarships and fellowships	35,448,690	30,975,935
Public services	348,793	401,226
Research	1,226,042	390,892
Fund raising and development	9,117,499	989,970
Other	18,585	115,568
	$ 110,872,406	$ 78,965,359

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, 2006 and 2005, are available for the following purposes:

	2006	2005
Alumni relations	$ 1,370,728	$ 1,396,058
Institutional support	1,587,638	2,014,893
Instruction and departmental support	46,971,965	45,727,838
Academic services support	4,445,588	3,873,576
Intercollegiate athletics support	126,007	101,528
Student services	2,007,604	2,060,465
Scholarships and fellowships	46,871,570	44,315,114
Public services	309,308	312,004
Research	2,038,600	1,636,608
Fund raising and development	215,491	147,522
Other	46,453	47,750
	$ 105,990,952	$ 101,633,356

4. PLEDGES RECEIVABLE

Amounts included in pledges receivable for unconditional promises to give at June 30, 2006 and 2005, are as follows:

	2006	2005
Unconditional promises to give before unamortized discount and allowance for uncollectibles	$ 35,546,013	$ 9,806,073
Less allowance for uncollectibles	(6,777,974)	(1,783,246)
Subtotal	28,768,039	8,022,827
Less unamortized discount	(1,626,519)	(140,215)
Unconditional promises to give—net	$ 27,141,520	$ 7,882,612

	2006		2005	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
Amounts due in:				
Less than one year	$ 7,130,435	$ 1,755,593	$ 2,205,437	$ 1,595,857
One to five years	12,620,406	1,196,173	2,171,083	1,818,885
More than five years	4,423,410	15,503	68,960	22,390
Total	$ 24,174,251	$ 2,967,269	$ 4,445,480	$ 3,437,132

5. INVESTMENTS IN SECURITIES

The cost and market value of the investments in securities at June 30, 2006 and 2005, are as follows:

	2006		2005	
	Cost	Market	Cost	Market
Common and preferred stock	$ 110,069,564	$ 113,352,171	$ 89,311,372	$ 91,538,811
Short-term cash investments	2,396,620	2,328,239	4,306,758	4,240,527
Bonds and debentures	6,843,308	6,789,970	21,153,356	20,991,282
Alternative investments	48,055,921	55,239,824	41,845,942	45,300,225
Total investments	$ 167,365,413	$ 177,710,204	$ 156,617,428	$ 162,070,845

At June 30, 2006 and 2005, the Foundation's investment in DHI was recorded at fair market value of $6,744,380 and $6,556,712, respectively (cost of $3,467,829 at June 30, 2006 and 2005). At June 30, 2006, the Foundation's supporting organization held an investment in a closely held stock at fair market value of $2,298,800. Both the investment in DHI and the closely held stock are included within alternative investments. Other types of alternative investments include absolute return funds, venture capital, buyout, mezzanine/distressed debt, and real estate.

6. PROPERTY AND EQUIPMENT

As of June 30, 2006 and 2005, property and equipment (primarily relating to Housing and the Inn) are as follows:

	2006	2005
Land	$ 805,198	$ 805,198
Land improvements	419,726	366,972
Building and building improvements	35,345,954	35,270,146
Furnishings, fixtures, and equipment	3,646,099	3,999,237
Construction in progress	34,210	
	40,251,187	40,441,553
Less accumulated depreciation and amortization	(9,120,667)	(8,218,446)
Property and equipment—net	$ 31,130,520	$ 32,223,107

Total depreciation expense of $1,505,035 and $1,279,389 was recorded in fiscal years 2006 and 2005, 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 were $49,761 at June 30, 2005 (none outstanding at June 30, 2006).

8. SUPPORT FROM OHIO UNIVERSITY

During 2006 and 2005, the University paid certain payroll costs amounting to $3,339,852 and $2,469,006 and additional costs of $25,000 and $751,826, 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, 2006 and 2005, 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, 2006 and 2005, the discount rate applied to the charitable remainder trusts was 4.87% and 3.04%, 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.

10. 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, 2006 and 2005, are summarized below:

	2006	2005
Revenue	$ 4,313,636	$4,207,012
Operating and general expenses	3,439,046	3,397,226
Depreciation and amortization	529,117	433,830
Interest expense—net	23,303	28,160
Provision for income taxes	93,241	40,948
Total expenses	4,084,707	3,900,164
Net income	228,929	306,848
Dividends paid to the Foundation	(3,000,000)	(200,000)
Unrealized (losses) gains	(52,881)	31,570
Change in net assets	$ (2,823,952)	$ 138,418

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 2006 and 2005, base management fees incurred by the Inn with respect to the Manager were $100,000 per year and incentive fees were $96,139 and $87,161, respectively.

As of June 30, 2006 and 2005, the Inn has net operating loss carryforwards of $0 and $65,000, respectively, for federal income tax purposes. In addition, the Inn has Alternative Minimum Tax credit carryforwards of approximately $54,000 at June 30, 2006, and $60,000 at July 1, 2005, which have indefinite lives. 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, the Inn had recorded a valuation allowance of approximately $54,373, 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, which was reversed in 2006.

Debt Obligations—Long-term debt of the Inn as of June 30, 2006 and 2005, consists of the following:

	2006	2005
Term Loan, principal due through June 2021, interest at 6.2% through June 2011 and adjusted thereafter	$4,000,000	$
1996 Serial Project Bonds:		
5.95% due November 1, 2005		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, but anticipated to be redeemed in November 2006	830,000	830,000
	4,970,000	1,100,000
Less: Unamortized discount on Series 1996 Bonds	(7,143)	(8,351)
Total	$4,962,857	$1,091,649

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. The 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 redemptions.

In June 2006, the Company 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 Bonds. A prepayment option is available to the Inn after November 1, 2006. The balance in the bond fund at June 30, 2006 and 2005, was $1,016,773 and $98,176, respectively.

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 1.4% in June 2011 and every five years thereafter.

Maturities of long-term debt at June 30, 2006, reflecting the anticipated early redemption of the 1996 Term Project Bonds, are set forth in the following schedule:

Years Ending November 1	Amount
2007, includes $7,143 of unamortized discount on the Series 1996 Bonds	$ 1,129,757
2008	177,600
2009	188,900
2010	201,000
2011	213,800
Due thereafter	3,051,800
Total	$ 4,962,857

The fair value of the debt obligations at June 30, 2006 and 2005, approximated their carrying value.

11. HOUSING FOR OHIO, INC.

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

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, 2006 and 2005, was 3.02% and 1.89%, respectively, and the actual interest rate at June 30, 2006 and 2005, was 4.02% and 2.62%, 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, 2006, are summarized as follows:

Year Ending June 30	Principal
2007	$ 530,000
2008	575,000
2009	635,000
2010	670,000
2011	705,000
Thereafter	27,490,000
Total	$ 30,605,000

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, 2006 and 2005, 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 ten 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 financial statements. Maturities of the note payable at June 30, 2006, are set forth in the following schedule:

Year Ending June 30	Principal
2007	$ 70,000
2008	70,000
2009	70,000
2010	70,000
2011	70,000
Thereafter	210,000
Total	$ 560,000

* * * * * *

SUPPLEMENTAL SCHEDULES

THE OHIO UNIVERSITY FOUNDATION AND SUBSIDIARIES

SCHEDULE 1

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION AS OF JUNE 30, 2006

ASSETS	The Foundation	The Inn	Housing	Supporting Organization	Eliminations	Total
Cash	$ 7,903,866	$ 724,033	$ 957,187	$ 2,809	$ -	$ 9,587,895
Accounts receivable—net	723,903	187,414	16,002			927,319
Pledges receivable—net	27,141,520					27,141,520
Bequests receivable	1,380,885					1,380,885
Interest and dividends receivable	123,586					123,586
Prepaid expenses	74,253	13,370	866,506			954,129
Investments	175,411,404	977,455		2,298,800	(977,455)	177,710,204
Investment in Inn-Ohio of Athens, Inc.	2,708,130				(2,708,130)	
Cash surrender value—life insurance policies	2,326,534					2,326,534
Charitable remainder trusts	2,525,515					2,525,515
Charitable gift annuities	2,995,210					2,995,210
Deposit with trustees—restricted cash		1,016,773	2,792,602			3,809,375
Property and equipment—net	1,106,715	5,325,088	24,698,717			31,130,520
Other assets		118,712	114,539			233,251
TOTAL ASSETS	$ 224,421,521	$ 8,362,845	$ 29,445,553	$ 2,301,609	$ (3,685,585)	$ 260,845,943

LIABILITIES	The Foundation	The Inn	Housing	Supporting Organization	Eliminations	Total
Accounts payable:						
Ohio University	$ 714,807	$ -	$ -	$ -	$ -	$ 714,807
Trade and other	279,269	606,915	707,342			1,593,526
Deposits held in custody for others	1,158,603		82,400		(977,455)	263,548
Annuities payable	1,977,299					1,977,299
Charitable remainder trust obligations	1,129,816					1,129,816
Bonds payable			30,605,000			30,605,000
Notes payable		4,962,857	560,000			5,522,857
Other liabilities		84,943	156,032			240,975
TOTAL LIABILITIES	$ 5,259,794	$ 5,654,715	$ 32,110,774	$ -	$ (977,455)	$ 42,047,828

(Continued)

THE OHIO UNIVERSITY FOUNDATION AND SUBSIDIARIES

SCHEDULE 1

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
AS OF JUNE 30, 2006

	The Foundation	The Inn	Housing	Supporting Organization	Eliminations	Total
NET ASSETS:						
Unrestricted:						
Board of trustees designated quasi endowments	$ 9,817,429	$ -	$ -	$ -	$ -	$ 9,817,429
Board of trustees designated other	739,630					739,630
Designated underwater accounts	(3,376,957)					(3,376,957)
Undesignated	(2,580,124)		(2,665,221)			(5,245,345)
Total unrestricted net assets	4,599,978	-	(2,665,221)		-	1,934,757
Temporarily restricted net assets	108,570,797			2,301,609		110,872,406
Permanently restricted net assets	105,990,952					105,990,952
Total net assets	219,161,727	-	(2,665,221)	2,301,609	-	218,798,115
STOCKHOLDERS' EQUITY:						
Common stock		3,429,182			(3,429,182)	
Additional paid-in capital		4,140,455			(4,140,455)	
Retained earnings		(4,861,507)			4,861,507	
Total stockholders' equity	-	2,708,130	-	-	(2,708,130)	-
TOTAL	$ 224,421,521	$ 8,362,845	$ 29,445,553	$ 2,301,609	$ (3,685,585)	$ 260,845,943

(Concluded)

THE OHIO UNIVERSITY FOUNDATION AND SUBSIDIARIES

SCHEDULE 2

CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

	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	$ 551,390	$ -	$ -	$ 551,390	$ 28,630,670	$ 2,334,800	$ 30,965,470	$ 4,189,518	$ -	$ 35,706,378
University support	3,364,852			3,364,852						3,364,852
Income from investments:										
Interest and dividends	3,425,829	(3,000,000)	(300,000)	125,829	1,838,781	2,809	1,841,590			1,967,419
Change in market value of investments:										
Sold during the year (realized gain)	1,235,061			1,235,061	8,279,942		8,279,942	193,105		9,708,108
Held at year-end (unrealized gain)	1,434,161	(52,881)		1,381,280	3,029,750	(36,000)	2,993,750	97,365		4,472,395
Revenues from sales, services, and events	209,778			209,778						209,778
Change in value—split-interest agreements	(3,099)			(3,099)	72,800		72,800	(62,230)		7,471
Administrative fee income	996,005			996,005						996,005
Other	847,712			847,712	177,305		177,305	(60,162)		964,855
Inn-Ohio of Athens, Inc. revenues		4,313,636		4,313,636						4,313,636
Housing for Ohio revenues			3,678,035	3,678,035						3,678,035
Subsidiary revenues	(2,823,952)			(2,823,952)					2,823,952	
Total	9,237,737	1,260,755	3,378,035	13,876,527	42,029,248	2,301,609	44,330,857	4,357,596	2,823,952	65,388,932
NET ASSETS RELEASED FROM RESTRICTIONS—										
Satisfaction of program restrictions:										
Alumni relations	(75,964)			(75,964)	75,964		75,964			
Institutional support	1,444,203			1,444,203	(1,444,203)		(1,444,203)			
Instruction and departmental support	5,023,457			5,023,457	(5,023,457)		(5,023,457)			
Academic services support	1,662,673			1,662,673	(1,662,673)		(1,662,673)			
Intercollegiate athletics support	866,228			866,228	(866,228)		(866,228)			
Student services	110,047			110,047	(110,047)		(110,047)			
Scholarships and fellowships	3,303,749			3,303,749	(3,303,749)		(3,303,749)			
Public services	39,098			39,098	(39,098)		(39,098)			
Research	45,336			45,336	(45,336)		(45,336)			
Fund raising and development	4,983			4,983	(4,983)		(4,983)			
Total	12,423,810	-	-	12,423,810	(12,423,810)	-	(12,423,810)	-	-	-
Total revenues and other support	21,661,547	1,260,755	3,378,035	26,300,337	29,605,438	2,301,609	31,907,047	4,357,596	2,823,952	65,388,932

(Continued)

THE OHIO UNIVERSITY FOUNDATION AND SUBSIDIARIES

SCHEDULE 2

CONSOLIDATING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

	Unrestricted	The Inn	Housing	Total Unrestricted	Temporarily Restricted	Supporting Organization	Total Temporarily Restricted	Total Permanently Restricted	Eliminations	Total
EXPENSES:										
Program services:										
Alumni relations	$ 1,911,694	$ -	$ -	$ 1,911,694	$ -	$ -	$ -	$ -	$ -	$ 1,911,694
Institutional support	2,096,089			2,096,089						2,096,089
Instruction and departmental support	5,216,562			5,216,562						5,216,562
Academic services support	1,676,180			1,676,180						1,676,180
Intercollegiate athletics support	866,768			866,768						866,768
Student services	110,047			110,047						110,047
Scholarships and fellowships	3,303,750			3,303,750						3,303,750
Public services	39,098			39,098						39,098
Research	403,735			403,735						403,735
Supporting services:										
Fund raising and development	4,554,698			4,554,698						4,554,698
Fund administration	590,650			590,650						590,650
Inn-Ohio of Athens Inc. operations		4,084,707		4,084,707						4,084,707
Housing for Ohio operations			4,194,051	4,194,051						4,194,051
Total expenses	20,769,271	4,084,707	4,194,051	29,048,029	-	-	-	-	-	29,048,029
CHANGES IN NET ASSETS	892,276	(2,823,952)	(816,016)	(2,747,692)	29,605,438	2,301,609	31,907,047	4,357,596	2,823,952	36,340,903
NET ASSETS—Beginning of year	3,707,702	5,532,082	(1,849,205)	7,390,579	78,965,359		78,965,359	101,633,356	(5,532,082)	182,457,212
NET ASSETS—End 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

(Concluded)

THE OHIO UNIVERSITY FOUNDATION AND SUBSIDIARIES

SCHEDULE 3

CONSOLIDATING SCHEDULE OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2006

	The Foundation	The Inn	Housing	Supporting Organization	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Changes in net assets	$ 37,679,262	$(2,823,952)	$ (816,016)	$ 2,301,609	$ 36,340,903
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:					
Noncash items:					
Depreciation and amortization	137,714	529,117	900,960		1,567,791
Realized investment gains	(9,708,108)				(9,708,108)
Unrealized investment (gains) losses	(4,561,276)	52,881		36,000	(4,472,395)
Decrease in cash surrender value of life insurance policies	51,245				51,245
Contributions restricted for endowment investment	(4,189,518)				(4,189,518)
Changes in current assets and liabilities:					
Decrease (increase) in accounts receivable	300,184	(71,654)	(2,550)		225,980
Increase in pledges receivable	(19,258,908)				(19,258,908)
Increase in bequests receivable	(194,419)				(194,419)
Decrease in interest and dividends receivable	85,543				85,543
(Increase) decrease in prepaid expenses	(56,653)	6,889	2,769		(46,995)
(Increase) decrease in other assets		(66,329)	6,091		(60,238)
Decrease (increase) in accounts payable	(158,629)	56,663	470,999		369,033
Increase in other payables	10,545	84,943	108,458		203,946
Decrease in deposits held in custody for others	(29,081)		(38,231)		(67,312)
Net cash provided by (used in) operating activities	107,901	(2,231,442)	632,480	2,337,609	846,548
CASH FLOWS FROM INVESTING ACTIVITIES:					
Additions to property and equipment		(359,059)	(20,429)		(379,488)
Purchases of investments	(81,965,465)	(51,898)		(2,334,800)	(84,352,163)
Proceeds from sales of investments	82,894,290				82,894,290
(Increase) decrease in restricted cash		(918,597)	120,259		(798,338)
Decrease in notes receivable	49,761				49,761
Increase in charitable remainder trusts	(1,058,108)				(1,058,108)
Decrease in investments subject to annuity agreements	79,022				79,022
Net cash (used in) provided by investing activities	(500)	(1,329,554)	99,830	(2,334,800)	(3,565,024)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Contributions restricted for endowment investment	4,189,518				4,189,518
Payments on notes and bonds payable		(130,000)	(515,000)		(645,000)
Issuance of notes and bonds payable		4,000,000			4,000,000
Net change in annuity obligations	548,900				548,900
Net cash provided by (used in) financing activities	4,738,418	3,870,000	(515,000)	-	8,093,418
NET INCREASE IN CASH	4,845,819	309,004	217,310	2,809	5,374,942
CASH—Beginning of year	3,058,047	415,029	739,877		4,212,953
CASH—End of year	$ 7,903,866	$ 724,033	$ 957,187	$ 2,809	$ 9,587,895
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:					
Cash paid during the year for interest	$ -	$ 61,412	$ 1,343,246	$ -	$ 1,404,658
Cash paid during the year for income tax	$ -	$ 56,731	$ -	$ -	$ 56,731
SUPPLEMENTAL SCHEDULE OF NONCASH ACTIVITIES—Issuance of promissory note and other obligations for acquisition	$ -	$ 67,926	$ -	$ -	$ 67,926

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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, Ohio

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, 2006, and have issued our report thereon dated October 11, 2006, 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 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*.

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

October 11, 2006

Mary Taylor, CPA
Auditor of State

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
FEBRUARY 6, 2007

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