

The Ohio University Foundation and Subsidiaries

**Consolidated Financial Statements as of and
for the Years Ended June 30, 2008 and 2007
with Supplemental Schedules as of and for the
Year Ended June 30, 2008 and Independent
Auditor's Report**



Mary Taylor, CPA
Auditor of State

Board of Trustees
The Ohio University Foundation and Subsidiaries
166 Hdl Center, Suite 204
Athens, Ohio 45701

We have reviewed the *Independent Auditor's Report* of The Ohio University Foundation and Subsidiaries, Athens County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2007 through June 30, 2008. 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 and Subsidiaries is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 17, 2008

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The Ohio University Foundation and Subsidiaries

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Independent Auditor's Report

To the Board of Trustees
The Ohio University Foundation
and Subsidiaries
Athens, Ohio

We have audited the accompanying consolidated statement of financial position of The Ohio University Foundation, an Ohio not-for-profit corporation, and Subsidiaries (the "Foundation") as of June 30, 2008 and the related consolidated statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of The Ohio University Foundation and Subsidiaries as of and for the year ended June 30, 2007 were audited by other auditors, whose report dated October 12, 2007 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Ohio University Foundation and Subsidiaries as of June 30, 2008 and the results of its operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was 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 27-32 is presented for the purpose 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 audit of the basic consolidated financial statements and, in our opinion, based on our audit 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.

To the Board of Trustees
The Ohio University Foundation
and Subsidiaries
Athens, Ohio

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2008 on our consideration of The Ohio University Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. 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 (included on pages 33 and 34 herein) is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

As further explained in Note 6, the consolidated financial statements include investments that are not listed on national exchanges nor for which quoted market prices are available. These investments include limited partnerships, hedge funds, funds-of-funds, and commingled funds that are not mutual funds. Such investments totaled \$72,597,450 (22.3 percent of net assets) and \$51,173,000 (21.4 percent of net assets) at June 30, 2008 and 2007, respectively. Where a publicly listed price is not available, management uses alternative sources of information including the funds' audited financial statements, unaudited interim reports, lists of underlying fund holdings, and similar evidence provided by the fund managers to determine fair values of the investments.

Plante & Moran, PLLC

October 15, 2008

The Ohio University Foundation and Subsidiaries

Consolidated Statements of Financial Position June 30, 2008 and 2007

	2008	2007
Assets		
Cash and cash equivalents	\$ 9,826,952	\$ 5,849,783
Accounts receivable - Net	508,535	871,804
Trust receivable	3,200,000	-
Pledges receivable - Net	21,815,995	17,211,309
Bequests receivable	1,424,120	1,688,039
Interest and dividends receivable	315,998	240,470
Prepaid expenses	1,098,622	915,264
Investments	272,775,367	210,089,100
Cash surrender value - Life insurance policies	2,020,464	2,133,520
Charitable remainder trusts	2,871,788	2,684,684
Charitable gift annuities	2,489,816	2,960,350
Deposits with trustees - Restricted cash	3,405,144	3,072,984
Property and equipment - Net	29,479,324	30,514,914
Other assets	198,254	199,585
	<u>351,430,379</u>	<u>278,431,806</u>
Total assets	\$ 351,430,379	\$ 278,431,806
Liabilities and Net Assets		
Liabilities		
Accounts payable:		
Ohio University	\$ 1,255,908	\$ -
Trade and other	875,799	829,258
Deposits held in custody for others	249,817	296,757
Annuities payable	1,811,025	1,918,974
Charitable remainder trust obligation	1,192,782	1,208,068
Bonds payable	29,500,000	30,075,000
Notes payable	4,075,500	4,323,100
Other liabilities	228,506	165,469
	<u>39,189,337</u>	<u>38,816,626</u>
Total liabilities	39,189,337	38,816,626
Net Assets		
Unrestricted	3,610,289	6,920,856
Temporarily restricted	175,702,694	111,188,428
Permanently restricted	132,928,059	121,505,896
	<u>312,241,042</u>	<u>239,615,180</u>
Total net assets	312,241,042	239,615,180
Total liabilities and net assets	\$ 351,430,379	\$ 278,431,806

The Ohio University Foundation and Subsidiaries

Consolidated Statements of Activities Year Ended June 30, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and other support:				
Gifts and contributions	\$ 491,854	\$ 83,303,361	\$ 10,609,003	\$ 94,404,218
University support	3,394,637	-	-	3,394,637
Income from investments:				
Interest and dividends	636,062	3,403,815	-	4,039,877
Sold during the year (realized gain (loss))	(1,587,887)	7,924,794	(218,143)	6,118,764
Held at year end (unrealized loss)	(2,720,325)	(16,362,938)	(306,311)	(19,389,574)
Revenues from sales, services, and events	314,970	50	-	315,020
Change in value - Split-interest agreements	186,074	(153,036)	219,614	252,652
Administrative fee income	1,227,181	(1,198,218)	(28,963)	-
Other	726,885	126,527	1,146,963	2,000,375
Inn-Ohio of Athens, Inc. revenues	4,154,994	-	-	4,154,994
Housing for Ohio revenues	4,041,992	-	-	4,041,992
Total	<u>10,866,437</u>	<u>77,044,355</u>	<u>11,422,163</u>	<u>99,332,955</u>
Net assets released from restrictions - Satisfaction of program restrictions:				
Alumni relations	423,741	(423,741)	-	-
Institutional support	1,661,813	(1,661,813)	-	-
Instruction and departmental support	4,572,768	(4,572,768)	-	-
Academic services support	1,584,506	(1,584,506)	-	-
Intercollegiate athletics support	127,366	(127,366)	-	-
Student services	370,211	(370,211)	-	-
Scholarships and fellowships	3,382,844	(3,382,844)	-	-
Public services	123,021	(123,021)	-	-
Research	43,118	(43,118)	-	-
Fund-raising and development	60,141	(60,141)	-	-
Supporting organization operations	180,560	(180,560)	-	-
Total	<u>12,530,089</u>	<u>(12,530,089)</u>	<u>-</u>	<u>-</u>
Total revenues, net assets released from restrictions, and other support	<u>23,396,526</u>	<u>64,514,266</u>	<u>11,422,163</u>	<u>99,332,955</u>

The Ohio University Foundation and Subsidiaries

Consolidated Statements of Activities (Continued)

Year Ended June 30, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Expenses:				
Program services:				
Alumni relations	\$ 814,866	\$ -	\$ -	\$ 814,866
Institutional support	1,777,214	-	-	1,777,214
Instruction and departmental support	4,719,693	-	-	4,719,693
Academic services support	1,584,506	-	-	1,584,506
Intercollegiate athletics support	128,478	-	-	128,478
Student services	369,869	-	-	369,869
Scholarships and fellowships	3,384,370	-	-	3,384,370
Public services	123,021	-	-	123,021
Research	285,703	-	-	285,703
Support services:				
Fund-raising and development	4,957,801	-	-	4,957,801
Fund administration	535,165	-	-	535,165
Other	-	-	-	-
Inn-Ohio of Athens, Inc. operations	4,172,242	-	-	4,172,242
Housing for Ohio operations	3,673,605	-	-	3,673,605
Supporting organization operations	180,560	-	-	180,560
Total expenses	<u>26,707,093</u>	<u>-</u>	<u>-</u>	<u>26,707,093</u>
Changes in Net Assets	(3,310,567)	64,514,266	11,422,163	72,625,862
Net Assets - Beginning of year	<u>6,920,856</u>	<u>111,188,428</u>	<u>121,505,896</u>	<u>239,615,180</u>
Net Assets - End of year	<u>\$ 3,610,289</u>	<u>\$ 175,702,694</u>	<u>\$ 132,928,059</u>	<u>\$ 312,241,042</u>

The Ohio University Foundation and Subsidiaries

Consolidated Statements of Activities Year Ended June 30, 2007

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

The Ohio University Foundation and Subsidiaries

Consolidated Statements of Activities (Continued)

Year Ended June 30, 2007

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

The Ohio University Foundation and Subsidiaries

Statements of Cash Flows

	Years Ended June 30	
	2008	2007
Cash Flows from Operating Activities		
Changes in net assets	\$ 72,625,862	\$ 20,817,065
Adjustments to reconcile changes in net assets to net cash from operating activities		
Realized investment gains - Net	(6,118,764)	(6,391,406)
Noncash items:		
Depreciation and amortization	1,478,859	1,435,556
Unrealized investment losses (gains) - Net	19,389,574	(22,582,649)
Decrease in cash surrender value of life insurance policies	113,056	193,014
Contributions restricted for endowment investments	(10,609,003)	(4,755,318)
Changes in current assets and liabilities:		
Decrease in accounts receivable	363,269	55,515
Increase in trust receivable	(3,200,000)	-
(Increase) decrease in pledges receivable	(4,604,686)	9,930,211
Decrease (increase) in bequests receivable	263,919	(307,154)
Increase in interest and dividends receivable	(75,528)	(116,884)
(Increase) decrease in prepaid expenses	(206,145)	16,077
(Increase) decrease in other assets	(786)	29,179
Increase (decrease) in accounts payable	1,302,449	(1,479,075)
Increase (decrease) in other liabilities	63,037	(75,506)
(Decrease) increase in deposits held in custody for others	(46,940)	33,209
Net cash provided by (used in) operating activities	<u>70,738,173</u>	<u>(3,198,166)</u>
Cash Flows from Investing Activities		
Additions to property and equipment	(418,365)	(792,675)
Purchases of investments	(202,477,953)	(93,567,632)
Proceeds from sales of investments	126,520,876	90,162,791
(Increase) decrease in restricted cash	(332,160)	736,391
(Increase) in charitable remainder trusts	(187,104)	(159,169)
Decrease in investments subject to annuity agreements	<u>470,534</u>	<u>34,860</u>
Net cash used in investing activities	<u>(76,424,172)</u>	<u>(3,585,434)</u>
Cash Flows from Financing Activities		
Contributions restricted for endowment investment	10,609,003	4,755,318
Payments on notes and bonds payable	(822,600)	(1,729,757)
Net change in annuity obligations	<u>(123,235)</u>	<u>19,927</u>
Net cash provided by financing activities	<u>9,663,168</u>	<u>3,045,488</u>
Net Increase (Decrease) in Cash and Cash Equivalents	3,977,169	(3,738,112)
Cash and Cash Equivalents - Beginning of year	<u>5,849,783</u>	<u>9,587,895</u>
Cash and Cash Equivalents - End of year	<u>\$ 9,826,952</u>	<u>\$ 5,849,783</u>
Supplemental Disclosure of Cash Flow Information -		
Cash paid during the year for interest	<u>\$ 1,119,164</u>	<u>\$ 1,369,486</u>

The Ohio University Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2008 and 2007

Note 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 (44.18 percent at June 30, 2008 and 44.3 percent at June 30, 2007) in Diagnostic Hybrids, Inc. (DHI), which develops and manufactures tissue cell cultures, antibody kits, and biological reagents for use in medical laboratories. The Foundation consolidates a supporting organization that is deemed to be financially interrelated under the provisions of Financial Accounting Standards Board Statement No. 136, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*.

The Foundation entered into an agreement with the Sugar Bush Foundation (Sugar Bush), an Ohio not-for-profit corporation, in August 2005. Sugar Bush is a supporting organization as defined in Code Section 509(a)(3) and the Foundation is its primary supporting organization receiving 51 percent of its charitable distributions. This agreement was further amended in August 2007 with Sugar Bush pledging to commit all of its charitable distributions to the Foundation. Upon dissolution of Sugar Bush and payment of all Sugar Bush liabilities, all of its assets shall be transferred to the Foundation, provided the Foundation is then recognized as a non-profit Ohio corporation and as a tax-exempt organization under Section 501(c)(3) of the Code.

Note 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.

The Ohio University Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2008 and 2007

Note 2 - Summary of Significant Accounting Policies (Continued)

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 pledges receivable, investments for the Foundation, and receivables related to operations of the Inn. Exposure to losses on pledges receivable is principally dependent on each donor's financial condition. The Foundation monitors the exposure for credit losses and maintains allowances for anticipated losses on receivables.

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.

The Ohio University Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2008 and 2007

Note 2 - Summary of Significant Accounting Policies (Continued)

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 1.74 percent for fiscal year 2008 and 4.69 percent for fiscal year 2007. Amortization of the discounts is included in contribution revenues. Unconditional promises to give, which are silent as to the due date, are presumed to be time restricted by the donor until received and are reported as temporarily restricted net assets. Conditional promises to give are not included as support until the conditions on which they depend are substantially met.

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

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

Investments - Investments in securities are recorded at fair value based on quoted market values, with changes in market value during the year reflected in the consolidated statements of activities. Purchases and sales of investments are accounted for as of the trade date. See Note 6 for valuation policy for alternative investments.

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.

The Ohio University Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2008 and 2007

Note 2 - Summary of Significant Accounting Policies (Continued)

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, 2008 and 2007.

Restricted Cash - Restricted cash represents cash that, under terms of the bond issue trust indenture agreement (the "Trust Indenture") (related to Housing for Ohio, Inc., 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.

Donor Gift Change in Designation or Beneficiary - The changes in designation or beneficiary are due to specific direction received from donors in fiscal year 2007 of gifts received by the Foundation in previous fiscal years. One pledge in an undiscounted amount of \$6,250,000 was transferred from the Foundation to the University.

The Ohio University Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2008 and 2007

Note 2 - Summary of Significant Accounting Policies (Continued)

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

Income Taxes - The Internal Revenue Service has determined that the Foundation is an exempt organization under Section 501(c)(3) of the Internal Revenue Code, except for taxes on unrelated income. Income taxes for the Inn totaled \$11,000 and \$2,009, respectively, for the years ended June 30, 2008 and 2007.

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, 2008 and 2007.

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

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

The Ohio University Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2008 and 2007

Note 2 - Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements - In July 2006, the FASB issued Interpretation (FIN) No. 48, *Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109*, which clarifies the accounting for uncertainty in income taxes recognized in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. This interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken, or expected to be taken, on the tax return. This interpretation also provides guidance on de-recognition, classification, interest, penalties, accounting in interim periods, disclosure, and transition. The evaluation of a tax position in accordance with this interpretation is a two-step process. The first step will determine if it is more likely than not that a tax position will be sustained upon examination and should therefore be recognized. The second step will measure a tax position that meets the more likely than not recognition threshold to determine the amount of benefit to recognize in the financial statements. This interpretation is effective for fiscal year ending June 30, 2009. The Foundation is currently evaluating the impact this statement will have on the consolidated financial statements.

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

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

In March 2008, the FASB issued statement No. 161, *Disclosures about Derivative Instruments and Hedging Activities*. FASB Statement No. 161 changes the disclosure requirements for derivative instruments and hedging activities. FASB Statement No. 161 is effective as of the beginning of the first fiscal year that begins after November 15, 2008. The Foundation is currently evaluating the impact this statement will have on the consolidated financial statements.

The Ohio University Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2008 and 2007

Note 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, 2008 and 2007 are available for the following purposes:

	2008		2007	
Board-designated quasi-endowment		\$ 12,794,776		\$ 11,180,794
Board-designated other:				
Board-designated 1804 fund	\$ 543,634		\$ 465,483	
Board-designated carryforward	-	543,634	67,954	533,437
Designated underwater accounts		(1,417,699)		(397,968)
Undesignated:				
Undesignated housing	(2,621,331)		(2,689,718)	
Undesignated operations	(5,689,091)	(8,310,422)	(1,705,689)	(4,395,407)
Unrestricted net assets		<u>\$ 3,610,289</u>		<u>\$ 6,920,856</u>

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, 2008 and 2007 are available for the following purposes:

	2008		2007	
Alumni relations	\$ 367,985		\$ 873,876	
Institutional support	9,387,204		12,254,763	
Instruction and departmental support	110,006,798		35,885,281	
Academic services support	9,190,998		10,613,894	
Intercollegiate athletics support	1,450,300		1,094,548	
Student services	1,624,432		1,934,092	
Scholarships and fellowships	39,757,269		45,063,407	
Public services	378,940		457,570	
Research	1,254,372		1,331,756	
Fund-raising and development	2,259,954		1,654,241	
Other	24,442		25,000	
Total		<u>\$ 175,702,694</u>		<u>\$ 111,188,428</u>

The Ohio University Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2008 and 2007

Note 3 - Net Assets (Continued)

Included in these statements for the year ended June 30, 2008 is a large portion of a gift from the Dolores H. Russ Trust either received or designated for the Foundation, specifically the College of Engineering. This portion of the gift was received on June 4, 2008 in the form of cash and publically traded securities. The majority of the securities were liquidated prior to June 30, 2008. This portion of the gift is reported in the function of "instruction and departmental support."

In addition, the Foundation was notified of further gifts of real property and privately held investments from the Dolores H. Russ Trust during the fiscal year ended June 30, 2008. Donations of these types require Foundation board approval in order for the gifts to be accepted by the Foundation. Since such approval occurred after June 30, 2008, those gifts are not reflected in the accompanying consolidated financial statements. Their approximate value is 18 million. They will be recorded on the books of the Foundation for the fiscal year ending June 30, 2009 at their fair market value.

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, 2008 and 2007 are available for the following purposes:

	2008	2007
Alumni relations	\$ 606,004	\$ 1,398,107
Institutional support	4,658,554	3,931,688
Instruction and departmental support	62,559,763	52,066,229
Academic services support	6,060,266	4,671,199
Intercollegiate athletics support	909,820	137,389
Student services	2,539,978	2,046,852
Scholarships and fellowships	55,426,463	56,223,647
Public services	328,389	317,004
Research	(196,179)	497,938
Fund-raising and development	22,384	187,482
Other	12,617	28,361
Total	<u>\$ 132,928,059</u>	<u>\$ 121,505,896</u>

The Ohio University Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2008 and 2007

Note 4 - Trust Receivable

The Foundation was informed of an additional amount of cash (\$3.2 million) to come from the Dolores H. Russ Trust (see Note 3 under temporarily restricted net assets) beyond that which was received by the Foundation prior to June 30, 2008. The amount is recorded as trust receivable on the books of the Foundation as of June 30, 2008.

Note 5 - Pledges Receivable

Amounts included in pledges receivable for unconditional promises to give at June 30, 2008 and 2007 are as follows:

	<u>2008</u>	<u>2007</u>
Unconditional promises to give before unamortized discount and allowance for uncollectibles	\$ 29,365,517	\$ 22,329,882
Less allowance for uncollectibles	<u>(5,491,475)</u>	<u>(4,153,358)</u>
Subtotal	23,874,042	18,176,524
Less unamortized discount	<u>(2,058,047)</u>	<u>(965,215)</u>
Unconditional promises to give - Net	<u>\$ 21,815,995</u>	<u>\$ 17,211,309</u>

	<u>2008</u>		<u>2007</u>	
	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Amounts due in:				
Less than one year	\$ 5,290,897	\$ 3,349,136	\$ 2,875,439	\$ 3,348,638
One to five years	4,667,267	6,780,986	1,635,499	6,079,229
More than five years	<u>3,539</u>	<u>1,724,170</u>	<u>27,229</u>	<u>3,245,275</u>
Total	<u>\$ 9,961,703</u>	<u>\$ 11,854,292</u>	<u>\$ 4,538,167</u>	<u>\$ 12,673,142</u>

As of June 30, 2008, the Foundation has approximately \$89,683,000 in numerous outstanding pledges which are considered to be intentions to give and are contingent upon future events. These pledges are not accrued as pledges receivable or recognized as revenue because they do not represent unconditional promises to give. It is not practicable to estimate the ultimate realizable value of these commitments or the period over which they might be collected.

The Ohio University Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2008 and 2007

Note 6 - Investment in Securities

The cost and market value of the investments in securities at June 30, 2008 and 2007 are as follows:

	2008		2007	
	Cost	Market	Cost	Market
Common and preferred stock	\$ 98,977,123	\$ 98,623,689	\$ 106,351,182	\$ 125,373,901
Short-term cash investments	64,745,827	64,745,823	10,979	10,979
Bonds and debentures	35,910,848	36,808,405	34,013,478	33,530,913
Alternative investments	59,498,960	72,597,450	36,785,018	51,173,307
Total investments	<u>\$ 259,132,758</u>	<u>\$ 272,775,367</u>	<u>\$ 177,160,657</u>	<u>\$ 210,089,100</u>

At June 30, 2008 and 2007, the Foundation's investment in DHI was recorded at fair market value of \$7,970,109 and \$6,942,150, respectively (cost of \$3,467,829 at June 30, 2008 and 2007) and is included within alternative investments. Other alternative investments include absolute return funds, venture capital, buyout, mezzanine/distressed debt, and real estate.

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

Subsequent to year end, the Foundation's investment portfolio has incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined.

The Ohio University Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2008 and 2007

Note 7 - Property and Equipment

As of June 30, 2008 and 2007, property and equipment (primarily relating to Housing and the Inn) are as follows:

	<u>2008</u>	<u>2007</u>
Land	\$ 805,198	\$ 805,198
Land improvements	660,654	419,726
Building and building improvements	35,226,877	35,460,015
Furnishings, fixtures, and equipment	4,478,480	4,300,189
Construction in progress	<u>-</u>	<u>14,766</u>
Subtotal	41,171,209	40,999,894
Less accumulated depreciation and amortization	<u>(11,691,885)</u>	<u>(10,484,980)</u>
Property and equipment - Net	<u>\$ 29,479,324</u>	<u>\$ 30,514,914</u>

Total depreciation expense of \$1,418,989 and \$1,409,835 was recorded in fiscal years 2008 and 2007, respectively.

Note 8 - Support from Ohio University

During 2008 and 2007, the University paid certain payroll costs amounting to \$3,187,641 and \$3,346,008 and additional costs of \$206,996 and \$51,549, respectively, for the Foundation's Development Office, Office of Alumni Relations, and Accounting Office. The support costs paid by the University are reflected in the consolidated statements of activities as University support, with a like amount included in expenses.

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

Included in accounts receivable at June 30, 2008 and 2007 is \$0 and \$63,667, respectively, owed to the Foundation by the University.

The Ohio University Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2008 and 2007

Note 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, 2008 and 2007 ranged from 3.2 percent to 9.4 percent.

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, 2008 and 2007, the discount rate applied to the charitable remainder trusts was 1.74 percent and 4.82 percent, 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.

The Ohio University Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2008 and 2007

Note 9 - Split-interest Agreements (Continued)

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.

Note 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.

The Ohio University Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2008 and 2007

Note 10 - Inn-Ohio of Athens, Inc. (Continued)

Operations - The Inn's operations for the years ended June 30, 2008 and 2007 are summarized below:

	<u>2008</u>	<u>2007</u>
Revenue	\$ 4,154,994	\$ 4,331,178
Operating and general expenses	3,460,129	3,494,976
Depreciation and amortization	522,675	520,795
Interest expense - Net	178,438	243,308
Provision for income taxes	<u>11,000</u>	<u>2,009</u>
Total expenses	<u>4,172,242</u>	<u>4,261,088</u>
Net income	(17,248)	70,090
Unrealized gains	<u>13,167</u>	<u>15,735</u>
Change in net assets	<u>\$ (4,081)</u>	<u>\$ 85,825</u>

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 percent of the hotel's net available operating profit as defined in the Management Agreement.

In fiscal years 2008 and 2007, base management fees incurred by the Inn with respect to the Manager were \$100,000 per year and incentive fees were \$66,413 and \$97,715, respectively.

The Inn has alternative minimum tax credit carryforwards of approximately \$54,000 at June 30, 2008 and 2007, which have indefinite lives.

The Ohio University Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2008 and 2007

Note 10 - Inn-Ohio of Athens, Inc. (Continued)

Debt Obligations - Long-term debt of the Inn as of June 30, 2008 and 2007 consists of the following:

	<u>2008</u>	<u>2007</u>
Term loan - Principal due through June 2021, interest at 6.2 percent through June 2011 and adjusted thereafter	\$ 3,655,500	\$ 3,833,100
Less current portion of long-term debt	<u>(188,900)</u>	<u>(177,600)</u>
Total	<u>\$ 3,466,600</u>	<u>\$ 3,655,500</u>

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

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 percent through June 2011. The interest rate will be adjusted to the index rate as defined in the agreement plus 1.4 percent in June 2011 and every five years thereafter.

Maturities of long-term debt at June 30, 2008 are set forth in the following schedule:

<u>Year Ending</u>	<u>Amount</u>
2009	\$ 188,900
2010	201,000
2011	213,800
2012	227,400
2013	242,000
Due thereafter	<u>2,582,400</u>
Total	<u>\$ 3,655,500</u>

The fair value of the debt obligations approximates the carrying value at June 30, 2008 and 2007.

The Ohio University Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2008 and 2007

Note 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 its knowledge of prevailing market conditions, except that in no event will the interest rate exceed 12 percent.

The average interest rate for the years ended June 30, 2008 and 2007 was 2.97 percent and 3.68 percent, respectively, and the actual interest rates at June 30, 2008 and 2007 were 1.65 percent and 3.79 percent, 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 Apartments 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, 2008, are summarized as follows:

Years Ending	
June 30	Principal
2009	\$ 635,000
2010	670,000
2011	705,000
2012	740,000
2013	780,000
Thereafter	<u>25,970,000</u>
Total	<u>\$ 29,500,000</u>

Debt issuance costs are included in property on the consolidated statements of financial position and are amortized over the term of the 2000 Bonds. Amortization during each of the years ended June 30, 2008 and 2007 was \$34,965.

The Ohio University Foundation and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2008 and 2007

Note 11 - Housing for Ohio, Inc. (Continued)

Additionally, Housing has an outstanding promissory note to the Project's developer in the original amount of \$700,000. The note is payable in 10 annual installments of \$70,000 through June 2014. The payment terms are predicated on the Project's current management company remaining the manager of the Project. In the event that the current management company's services are terminated prior to the final payment, the remaining balance shall become immediately due and payable. There is no interest accruing on the note, and management of Housing believes that the present value discount of future payments and the calculation of imputed interest on this note are not material to the consolidated financial statements. Maturities of the note payable at June 30, 2008 are set forth in the following schedule:

Years Ending June 30	Principal
2009	\$ 70,000
2010	70,000
2011	70,000
2012	70,000
2013	70,000
2014	<u>70,000</u>
Total	<u>\$ 420,000</u>

Subsequent to year end, a significant portion of the outstanding Series 2000 variable rate general receipts bonds were tendered to Housing due primarily to the credit crisis in the capital markets exacerbated by a lack of liquidity. To support the tendered bonds, Housing has drawn on a letter of credit provided by Wachovia at a rate of prime plus 1.0 percent. Housing has access to the LOC for a period of 90 days during which George K. Baum & Company will continue to remarket the bonds pursuant to a remarketing agreement. Thereafter, in the event that buyers are not identified for the bonds, Housing has access to a take-out facility at a rate of prime plus 2.0 percent which can be utilized for a period of up to five years. Housing is currently investigating alternative financing options in the event that market variable rates do not return to more normalized levels.

Supplemental Information

The Ohio University Foundation and Subsidiaries

Consolidating Schedule of Financial Position June 30, 2008

	The Foundation	The Inn	Housing	Supporting Organization	Eliminations	Total
Assets						
Assets:						
Cash and cash equivalents	\$ 9,011,460	\$ 531,087	\$ 284,405	\$ -	\$ -	\$ 9,826,952
Accounts receivable - Net	409,884	86,770	11,881	-	-	508,535
Trust receivable	3,200,000	-	-	-	-	3,200,000
Pledges receivable - Net	21,815,995	-	-	-	-	21,815,995
Bequests receivable	1,424,120	-	-	-	-	1,424,120
Interest and dividends receivable	315,998	-	-	-	-	315,998
Prepaid expenses	241,003	41,148	816,471	-	-	1,098,622
Investments	267,199,090	922,032	-	5,576,277	(922,032)	272,775,367
Investment in Inn-Ohio of Athens, Inc.	2,789,874	-	-	-	(2,789,874)	-
Cash surrender value - Life insurance policies	2,020,464	-	-	-	-	2,020,464
Charitable remainder trusts	2,871,788	-	-	-	-	2,871,788
Charitable gift annuities	2,489,816	-	-	-	-	2,489,816
Deposit with trustees - Restricted cash	-	-	3,405,144	-	-	3,405,144
Property and equipment - Net	1,068,116	5,363,087	23,048,121	-	-	29,479,324
Other assets	-	94,608	103,646	-	-	198,254
Total assets	\$ 314,857,608	\$ 7,038,732	\$ 27,669,668	\$ 5,576,277	\$ (3,711,906)	\$ 351,430,379
Liabilities and Net Assets (Deficit)						
Liabilities:						
Accounts payable, Ohio University	\$ 1,255,908	\$ -	\$ -	\$ -	\$ -	\$ 1,255,908
Accounts payable, trade	218,044	512,563	145,192	-	-	875,799
Deposits held in custody for others	1,093,753	-	78,096	-	(922,032)	249,817
Annuities payable	1,811,025	-	-	-	-	1,811,025
Charitable remainder trust obligations	1,192,782	-	-	-	-	1,192,782
Bonds payable	-	-	29,500,000	-	-	29,500,000
Notes payable	-	3,655,500	420,000	-	-	4,075,500
Other liabilities	-	80,795	147,711	-	-	228,506
Total liabilities	5,571,512	4,248,858	30,290,999	-	(922,032)	39,189,337
Net assets (deficit):						
Unrestricted:						
Board of trustees designated quasi endowments	12,794,776	-	-	-	-	12,794,776
Board of trustees designated other	543,634	-	-	-	-	543,634
Designated underwater accounts	(1,417,699)	-	-	-	-	(1,417,699)
Undesignated	(5,689,091)	-	(2,621,331)	-	-	(8,310,422)
Total unrestricted net assets	6,231,620	-	(2,621,331)	-	-	3,610,289
Temporarily restricted	170,126,417	-	-	5,576,277	-	175,702,694
Permanently restricted	132,928,059	-	-	-	-	132,928,059
Total net assets	309,286,096	-	(2,621,331)	5,576,277	-	312,241,042
Stockholder's equity:						
Common stock	-	3,429,182	-	-	(3,429,182)	-
Additional paid-in capital	-	4,140,455	-	-	(4,140,455)	-
Retained earnings	-	(4,779,763)	-	-	4,779,763	-
Total stockholders' equity	-	2,789,874	-	-	(2,789,874)	-
Total liabilities and net assets	\$ 314,857,608	\$ 7,038,732	\$ 27,669,668	\$ 5,576,277	\$ (3,711,906)	\$ 351,430,379

The Ohio University Foundation and Subsidiaries

Consolidating Schedule of Activities Year Ended June 30, 2008

	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	\$ 491,854	\$ -	\$ -	\$ 491,854	\$ 83,104,455	\$ 198,906	\$ 83,303,361	\$ 10,609,003	\$ -	\$ 94,404,218
University support	3,394,637	-	-	3,394,637	-	-	-	-	-	3,394,637
Income from investments:										
Interest and dividends	636,062	-	-	636,062	3,257,685	146,130	3,403,815	-	-	4,039,877
Sold during the year (realized gain (loss))	(1,587,887)	-	-	(1,587,887)	5,093,370	2,831,424	7,924,794	(218,143)	-	6,118,764
Held at year end (unrealized gain (loss))	(2,733,492)	13,167	-	(2,720,325)	(12,908,909)	(3,454,029)	(16,362,938)	(306,311)	-	(19,389,574)
Revenues from sales, services, and events	314,970	-	-	314,970	50	-	50	-	-	315,020
Change in value - Split-interest agreements	186,074	-	-	186,074	(153,036)	-	(153,036)	219,614	-	252,652
Administrative fee income	1,227,181	-	-	1,227,181	(1,198,218)	-	(1,198,218)	(28,963)	-	-
Other	1,026,885	-	-	1,026,885	126,527	-	126,527	1,146,963	(300,000)	2,000,375
Inn-Ohio of Athens, Inc. revenues	-	4,154,994	-	4,154,994	-	-	-	-	-	4,154,994
Housing for Ohio revenues	-	-	4,041,992	4,041,992	-	-	-	-	-	4,041,992
Subsidiary revenues	(4,081)	-	-	(4,081)	-	-	-	-	4,081	-
Total	2,952,203	4,168,161	4,041,992	11,162,356	77,321,924	(277,569)	77,044,355	11,422,163	(295,919)	99,332,955
Net assets released from restrictions -										
Satisfaction of program restrictions:										
Alumni relations	423,741	-	-	423,741	(423,741)	-	(423,741)	-	-	-
Institutional support	1,661,813	-	-	1,661,813	(1,661,813)	-	(1,661,813)	-	-	-
Instruction and departmental support	4,572,768	-	-	4,572,768	(4,572,768)	-	(4,572,768)	-	-	-
Academic services support	1,584,506	-	-	1,584,506	(1,584,506)	-	(1,584,506)	-	-	-
Intercollegiate athletics support	127,366	-	-	127,366	(127,366)	-	(127,366)	-	-	-
Student services	370,211	-	-	370,211	(370,211)	-	(370,211)	-	-	-
Scholarships and fellowships	3,382,844	-	-	3,382,844	(3,382,844)	-	(3,382,844)	-	-	-
Public services	123,021	-	-	123,021	(123,021)	-	(123,021)	-	-	-
Research	43,118	-	-	43,118	(43,118)	-	(43,118)	-	-	-
Fund-raising and development	60,141	-	-	60,141	(60,141)	-	(60,141)	-	-	-
Supporting organization operations	180,560	-	-	180,560	-	(180,560)	(180,560)	-	-	-
Total	12,530,089	-	-	12,530,089	(12,349,529)	(180,560)	(12,530,089)	-	-	-
Total revenues, other support, and net assets released from restrictions	15,482,292	4,168,161	4,041,992	23,692,445	64,972,395	(458,129)	64,514,266	11,422,163	(295,919)	99,332,955

The Ohio University Foundation and Subsidiaries

Consolidating Schedule of Activities (Continued) Year Ended June 30, 2008

	Unrestricted	The Inn	Housing	Total Unrestricted	Temporarily Restricted	Supporting Organization	Total Temporarily Restricted	Total Permanently Restricted	Eliminations	Total
Expenses										
Program services:										
Alumni relations	\$ 814,866	\$ -	\$ -	\$ 814,866	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 814,866
Institutional support	1,777,214	-	-	1,777,214	-	-	-	-	-	1,777,214
Instruction and departmental support	4,719,693	-	-	4,719,693	-	-	-	-	-	4,719,693
Academic services support	1,584,506	-	-	1,584,506	-	-	-	-	-	1,584,506
Intercollegiate athletics support	128,478	-	-	128,478	-	-	-	-	-	128,478
Student services	369,869	-	-	369,869	-	-	-	-	-	369,869
Scholarships and fellowships	3,384,370	-	-	3,384,370	-	-	-	-	-	3,384,370
Public services	123,021	-	-	123,021	-	-	-	-	-	123,021
Research	285,703	-	-	285,703	-	-	-	-	-	285,703
Support services:										
Fund-raising and development	4,957,801	-	-	4,957,801	-	-	-	-	-	4,957,801
Fund administration	535,165	-	-	535,165	-	-	-	-	-	535,165
Other	-	-	-	-	-	-	-	-	-	-
Inn-Ohio of Athens Inc. operations	-	4,172,242	-	4,172,242	-	-	-	-	-	4,172,242
Housing for Ohio operations	-	-	3,973,605	3,973,605	-	-	-	-	(300,000)	3,673,605
Supporting organization operations	180,560	-	-	180,560	-	-	-	-	-	180,560
Total expenses	18,861,246	4,172,242	3,973,605	27,007,093	-	-	-	-	(300,000)	26,707,093
Changes in Net Assets	(3,378,954)	(4,081)	68,387	(3,314,648)	64,972,395	(458,129)	64,514,266	11,422,163	4,081	72,625,862
Net Assets (Deficit) - Beginning of year	9,610,574	2,793,955	(2,689,718)	9,714,811	105,154,022	6,034,406	111,188,428	121,505,896	(2,793,955)	239,615,180
Net Assets (Deficit) - End of year	<u>\$ 6,231,620</u>	<u>\$ 2,789,874</u>	<u>\$ (2,621,331)</u>	<u>\$ 6,400,163</u>	<u>\$ 170,126,417</u>	<u>\$ 5,576,277</u>	<u>\$ 175,702,694</u>	<u>\$ 132,928,059</u>	<u>\$ (2,789,874)</u>	<u>\$ 312,241,042</u>

The Ohio University Foundation and Subsidiaries

Supplemental Schedule of Unrestricted and Temporarily Restricted Activities Year Ended June 30, 2008

	Unrestricted Operations	Unrestricted 1804 Quasi	Unrestricted Other Quasi	Total Unrestricted	Temporarily Restricted	Temporarily Restricted Endowment Spending	Temporarily Restricted Endowment Appreciation	Supporting Organization	Total Temporarily Restricted
Revenues and Other Support									
Gifts and contributions	\$ 491,354	\$ -	\$ 500	\$ 491,854	\$ 82,845,066	\$ 259,389	\$ -	\$ 198,906	\$ 83,303,361
University support	3,394,637	-	-	3,394,637	-	-	-	-	-
Income from investments:									
Interest and dividends	478,235	157,827	-	636,062	18,776	3,238,909	-	146,130	3,403,815
Sold during the year (realized gain (loss))	(1,922,929)	260,049	74,993	(1,587,887)	(45,245)	134	5,138,481	2,831,424	7,924,794
Held at year end (unrealized gain (loss))	(1,812,485)	(706,939)	(214,068)	(2,733,492)	39,569	(143)	(12,948,335)	(3,454,029)	(16,362,938)
Revenues from sales, services, and events	314,970	-	-	314,970	-	50	-	-	50
Change in value - Split-interest agreements	186,074	-	-	186,074	(153,036)	-	-	-	(153,036)
Administrative fee income	1,299,742	-	(72,561)	1,227,181	-	-	(1,198,218)	-	(1,198,218)
Other	841,417	-	185,468	1,026,885	133,554	239	(7,266)	-	126,527
Subsidiary revenues	(4,081)	-	-	(4,081)	-	-	-	-	-
Total	3,266,934	(289,063)	(25,668)	2,952,203	82,838,684	3,498,578	(9,015,338)	(277,569)	77,044,355
Net assets released from restrictions -									
Satisfaction of program restrictions:									
Alumni relations	423,741	-	-	423,741	(10,794)	23,440	(436,387)	-	(423,741)
Institutional support	1,661,813	-	-	1,661,813	(1,587,725)	(26,151)	(47,937)	-	(1,661,813)
Instruction and departmental support	4,572,768	-	-	4,572,768	(1,966,049)	(1,431,352)	(1,175,367)	-	(4,572,768)
Academic services support	1,584,506	-	-	1,584,506	(1,059,806)	(232,489)	(292,211)	-	(1,584,506)
Intercollegiate athletics support	127,366	-	-	127,366	(222,611)	2,178	93,067	-	(127,366)
Student services	370,211	-	-	370,211	(266,647)	(58,356)	(45,208)	-	(370,211)
Scholarships and fellowships	3,382,844	-	-	3,382,844	(768,863)	(1,219,298)	(1,394,683)	-	(3,382,844)
Public services	123,021	-	-	123,021	(136,256)	3,826	9,409	-	(123,021)
Research	43,118	-	-	43,118	(23,398)	(1,820)	(17,900)	-	(43,118)
Other	60,141	-	-	60,141	(56,695)	5,483	(8,929)	-	(60,141)
Supporting organization operations	180,560	-	-	180,560	-	-	-	(180,560)	(180,560)
Total	12,530,089	-	-	12,530,089	(6,098,844)	(2,934,539)	(3,316,146)	(180,560)	(12,530,089)
Total revenues, other support, and net assets released from restrictions	15,797,023	(289,063)	(25,668)	15,482,292	76,739,840	564,039	(12,331,484)	(458,129)	64,514,266

The Ohio University Foundation and Subsidiaries

Supplemental Schedule of Unrestricted and Temporarily Restricted Activities (Continued) Year Ended June 30, 2008

	Unrestricted Operations	Unrestricted 1804 Quasi	Unrestricted Other Quasi	Total Unrestricted	Temporarily Restricted	Restricted Endowment Spending	Restricted Endowment Appreciation	Supporting Organization	Total Temporarily Restricted
Expenses									
Program services:									
Alumni relations	\$ 2,024,679	\$ -	\$ (1,209,813)	\$ 814,866	\$ -	\$ -	\$ -	\$ -	\$ -
Institutional support	1,924,645	(147,431)	-	1,777,214	-	-	-	-	-
Instruction and departmental support	4,573,145	146,548	-	4,719,693	-	-	-	-	-
Academic services support	1,584,506	-	-	1,584,506	-	-	-	-	-
Intercollegiate athletics support	128,478	-	-	128,478	-	-	-	-	-
Student services	370,211	-	(342)	369,869	-	-	-	-	-
Scholarships and fellowships	3,384,257	-	113	3,384,370	-	-	-	-	-
Public services	123,021	-	-	123,021	-	-	-	-	-
Research	61,416	224,287	-	285,703	-	-	-	-	-
Support services:									
Fund-raising and development	4,936,097	-	21,704	4,957,801	-	-	-	-	-
Fund administration	535,165	-	-	535,165	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Inn-Ohio of Athens Inc. operations	-	-	-	-	-	-	-	-	-
Housing for Ohio operations	-	-	-	-	-	-	-	-	-
Supporting organization operations	180,560	-	-	180,560	-	-	-	-	-
Total expenses	19,826,180	223,404	(1,188,338)	18,861,246	-	-	-	-	-
Changes in Net Assets	(4,029,157)	(512,467)	1,162,670	(3,378,954)	76,739,840	564,039	(12,331,484)	(458,129)	64,514,266
Net Assets (Deficit) - Beginning of year	(1,975,784)	10,345,325	1,241,033	9,610,574	37,227,679	11,359,793	56,566,550	6,034,406	111,188,428
Net Assets (Deficit) - End of year	<u>\$ (6,004,941)</u>	<u>\$ 9,832,858</u>	<u>\$ 2,403,703</u>	<u>\$ 6,231,620</u>	<u>\$ 113,967,519</u>	<u>\$ 11,923,832</u>	<u>\$ 44,235,066</u>	<u>\$ 5,576,277</u>	<u>\$ 175,702,694</u>

The Ohio University Foundation and Subsidiaries

Consolidating Schedule of Cash Flows June 30, 2008

	The Foundation	The Inn	Housing	Supporting Organization	Total
Cash Flows From Operating Activities					
Changes in net assets	\$ 73,019,685	\$ (4,081)	\$ 68,387	\$ (458,129)	\$ 72,625,862
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:					
Realized investment gains	(3,287,340)	-	-	(2,831,424)	(6,118,764)
Noncash items:					
Depreciation and amortization	35,315	522,675	920,869	-	1,478,859
Unrealized investment (gains) losses - Net	15,948,712	(13,167)	-	3,454,029	19,389,574
Decrease in cash surrender value of life insurance policies	113,056	-	-	-	113,056
Contributions restricted for endowment investment	(10,609,003)	-	-	-	(10,609,003)
Changes in current assets and liabilities:					
Decrease (increase) in accounts receivable	395,422	(32,859)	706	-	363,269
(Increase) in trust receivable	(3,200,000)	-	-	-	(3,200,000)
Increase in pledges receivable	(4,604,686)	-	-	-	(4,604,686)
Decrease in bequests receivable	263,919	-	-	-	263,919
(Increase) in interest and dividends receivable	(75,528)	-	-	-	(75,528)
(Increase) decrease in prepaid expenses	(215,685)	5,390	4,150	-	(206,145)
(Increase) decrease in other assets	-	(7,840)	7,054	-	(786)
Increase (decrease) in accounts payable	1,376,198	(3,881)	(69,868)	-	1,302,449
Increase in other liabilities	-	8,485	54,552	-	63,037
(Decrease) in deposits held in custody for others	(4,703)	-	(42,237)	-	(46,940)
Net cash provided by operating activities	<u>69,155,362</u>	<u>474,722</u>	<u>943,613</u>	<u>164,476</u>	<u>70,738,173</u>
Cash Flows From Investing Activities					
Additions to property and equipment	-	(363,357)	(55,008)	-	(418,365)
Purchases of investments	(202,250,429)	(50,183)	-	(177,341)	(202,477,953)
Proceeds from sales of investments	126,520,293	583	-	-	126,520,876
(Increase) in restricted cash	-	-	(332,160)	-	(332,160)
(Increase) in charitable remainder trusts	(187,104)	-	-	-	(187,104)
Decrease in investments subject to annuity agreements	470,534	-	-	-	470,534
Net cash used in investing activities	<u>(75,446,706)</u>	<u>(412,957)</u>	<u>(387,168)</u>	<u>(177,341)</u>	<u>(76,424,172)</u>
Cash Flows from Financing Activities					
Contributions restricted for endowment investment	10,609,003	-	-	-	10,609,003
Payments on notes and bonds payable	-	(177,600)	(645,000)	-	(822,600)
Net change in annuity obligations	(123,235)	-	-	-	(123,235)
Net cash provided by (used in) financing activities	<u>10,485,768</u>	<u>(177,600)</u>	<u>(645,000)</u>	<u>-</u>	<u>9,663,168</u>
Net Increase (Decrease) in Cash	<u>4,194,424</u>	<u>(115,835)</u>	<u>(88,555)</u>	<u>(12,865)</u>	<u>3,977,169</u>
Cash and Cash Equivalents- Beginning of year	<u>4,817,036</u>	<u>646,922</u>	<u>372,960</u>	<u>12,865</u>	<u>5,849,783</u>
Cash and Cash Equivalents - End of year	<u>\$ 9,011,460</u>	<u>\$ 531,087</u>	<u>\$ 284,405</u>	<u>\$ -</u>	<u>\$ 9,826,952</u>
Supplemental Disclosure of Cash Flow Information -					
Cash paid during the year for					

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
The Ohio University Foundation
and Subsidiaries
Athens, OH

We have audited the accompanying consolidated statement of financial position of The Ohio University Foundation, an Ohio not-for-profit corporation and Subsidiaries (the "Foundation") as of June 30, 2008 and the related consolidated statement of activities and cash flows for the year then ended and have issued our report thereon dated October 15, 2008 (which report expresses an unqualified opinion and includes an emphasis of matter paragraph regarding the valuation of alternative investments), which is also based on the report of another auditor. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

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

Compliance and Other Matters

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

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

Plante & Moran, PLLC

October 15, 2008



Mary Taylor, CPA
Auditor of State

THE OHIO UNIVERSITY FOUNDATION AND SUBSIDIARIES

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 2, 2008**