ANDERSEN

THE OHIO UNIVERSITY FOUNDATION AND SUBSIDIARIES

Consolidated Financial Statements
As Of June 30, 2001 And 2000

Together With Auditors' Report

STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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Board of Trustees
The Ohio University Foundation and Subsidiaries

We have reviewed the Independent Auditor's Report of The Ohio University Foundation and Subsidiaries, Athens County, prepared by Arthur Andersen LLP for the audit period July 1, 2000 through June 30, 2001. 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.

JIM PETRO
Auditor of State

June 12, 2002

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Report of Independent Public Accountants

To the Board of Trustees of
THE OHIO UNIVERSITY FOUNDATION:

We have audited the accompanying consolidated statements of financial position of THE OHIO UNIVERSITY FOUNDATION (an Ohio not-for-profit corporation) and subsidiaries as of June 30, 2001 and 2000, and the related consolidated statements of activities and consolidated cash flows for the years 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in 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 audits provide 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, 2001 and 2000, and the changes in their net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Arthur Andersen LLP

Columbus, Ohio,
October 25, 2001.

THE OHIO UNIVERSITY FOUNDATION AND SUBSIDIARIES

Consolidated Statements of Financial Position
As of June 30, 2001 and 2000

	2001	2000
ASSETS:		
Cash	$ 1,484,559	$ 1,564,642
Deposit with Trustees- Restricted Cash	16,049,291	-
Accounts receivable	1,352,739	442,827
Pledges receivable	12,188,717	8,725,209
Bequests receivable	579,727	901,826
Interest and dividends receivables	354,733	409,771
Investments in securities	166,335,458	188,701,222
Property and equipment, net	28,836,088	6,316,906
Prepaid expenses	77,715	79,034
Cash surrender value – life insurance policies	2,132,787	1,970,970
Notes receivable	235,000	145,000
Charitable remainder trusts	939,113	1,228,385
Charitable gift annuity trusts	4,119,698	4,515,206
Other	1,341,530	170,334
Total assets	$ 236,027,155	$ 215,171,332
LIABILITIES AND NET ASSETS:		
Liabilities		
Accounts payable:		
- Ohio University	$ 1,108,389	$ 898,039
- Trade and other	8,026,581	1,012,818
Annuities payable	2,165,764	2,834,006
Bonds payable	31,985,000	-
Deposits held in custody for others	314,309	269,951
Long-term debt and short-term debt	1,536,375	1,635,056
Total liabilities	45,136,418	6,649,870
Net assets:		
Unrestricted	13,253,613	18,585,374
Temporarily restricted	33,861,673	26,281,674
Temporarily restricted funds designated as endowments	61,746,924	85,336,050
Permanently restricted	82,028,527	78,318,364
Total net assets	190,890,737	208,521,462
Total liabilities and net assets	$ 236,027,155	$ 215,171,332

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

THE OHIO UNIVERSITY FOUNDATION AND SUBSIDIARIES

Consolidated Statement of Activities
For the Year Ended June 30, 2001

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER SUPPORT:				
Gifts and contributions	$ 409,127	$ 11,717,892	$ 5,445,757	$ 17,572,776
University support	3,509,936	-	-	3,509,936
Income from investments				
Interest and dividends	1,004,796	3,451,996	-	4,456,792
Change in market value of investments:				
Sold during the year	958,330	4,176,890	7,403	5,142,623
Held at year-end	(4,398,204)	(22,868,796)	(2,090,300)	(29,357,300)
Inn-Ohio of Athens, Inc. revenues	4,437,060	-	-	4,437,060
Revenues from sales, services and events	114,813	-	-	114,813
Other	351,136	27,911	351,991	731,038
	6,386,994	(3,494,107)	3,714,851	6,607,738
Net assets released from restrictions-				
Satisfaction of program restrictions:				
- Alumni relations	80,663	(80,663)	-	-
- Institutional support	1,420,214	(1,420,214)	-	-
- Instruction and departmental support	6,235,502	(6,235,502)	-	-
- Academic services support	829,576	(829,576)	-	-
- Intercollegiate athletics support	283,808	(283,808)	-	-
- Student services	239,891	(239,891)	-	-
- Scholarships and fellowships	3,274,821	(3,274,821)	-	-
- Public services	58,070	(58,070)	-	-
- Research	77,317	(77,317)	-	-
- Fundraising and development	15,158	(15,158)	-	-
Total net assets released from restrictions	12,515,020	(12,515,020)	-	-
Total revenues and other support	$ 18,902,014	$ (16,009,127)	$ 3,714,851	$ 6,607,738

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THE OHIO UNIVERSITY FOUNDATION AND SUBSIDIARIES

Consolidated Statement of Activities (Continued)
For the Year Ended June 30, 2001

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
EXPENSES:				
Program services-				
Alumni relations	$ 1,611,861	$ -	$ -	$ 1,611,861
Institutional support	1,885,270	-	-	1,885,270
Instruction and departmental support	6,336,633	-	-	6,336,633
Academic services support	954,464	-	-	954,464
Intercollegiate athletics support	302,022	-	-	302,022
Student services	255,479	-	-	255,479
Scholarships and fellowships	3,274,821	-	-	3,274,821
Public services	60,201	-	-	60,201
Research	340,623	-	-	340,623
Supporting services-				
Fundraising and development	4,922,277	-	-	4,922,277
Fund administration	524,318	-	-	524,318
Inn-Ohio of Athens, Inc. operations	3,757,947	-	-	3,757,947
Carrying costs of real estate	7,054	-	4,688	11,742
Transfers	-	-	-	-
Housing for Ohio operations	805	-	-	805
Total expenses	24,233,775	-	4,688	24,238,463
CHANGES IN NET ASSETS	(5,331,761)	(16,009,127)	3,710,163	(17,630,725)
NET ASSETS, BEGINNING OF YEAR	18,585,374	111,617,724	78,318,364	208,521,462
NET ASSETS, END OF YEAR	$ 13,253,613	$ 95,608,597	$ 82,028,527	$ 190,890,737

The accompanying notes to consolidated financial statements are an integral part of this statement.

THE OHIO UNIVERSITY FOUNDATION AND SUBSIDIARIES

Consolidated Statement of Activities
For the Year Ended June 30, 2000

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER SUPPORT:				
Gifts and contributions	$ 426,984	$ 7,696,869	$ 4,499,051	$ 12,622,904
University support	3,486,267	-	-	3,486,267
Income from investments-				
Interest and dividends	1,000,572	3,770,741	78,988	4,850,301
Change in market value of investments:				
Sold during the year	2,381,353	16,692,852	329,154	19,403,359
Held at year-end	(471,869)	(5,204,404)	(177,413)	(5,853,686)
Inn-Ohio of Athens, Inc. revenues	4,262,993	-	-	4,262,993
Revenues from sales, services and events	85,368	-	-	85,368
Other	469,436	(34,228)	341,787	776,995
	11,641,104	22,921,830	5,071,567	39,634,501
Net assets released from restrictions-				
Satisfaction of program restrictions:				
- Alumni relations	183,409	(183,409)	-	-
- Institutional support	413,304	(413,304)	-	-
- Instruction and departmental support	4,463,199	(4,463,199)	-	-
- Academic services support	1,074,165	(1,074,165)	-	-
- Intercollegiate athletics support	662,844	(662,844)	-	-
- Student services	157,009	(157,009)	-	-
- Scholarships and fellowships	2,566,914	(2,566,914)	-	-
- Public services	114,512	(114,512)	-	-
- Research	95,089	(95,089)	-	-
- Fundraising and development	19,077	(19,077)	-	-
- Transfers	7,999	(7,999)	-	-
Total net assets released from restrictions	9,757,521	(9,757,521)	-	-
Total revenues and other support	$ 21,398,625	$ 13,164,309	$ 5,071,567	$ 39,634,501

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THE OHIO UNIVERSITY FOUNDATION AND SUBSIDIARIES

Consolidated Statement of Activities (Continued)
For the Year Ended June 30, 2000

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
EXPENSES:				
Program services-				
Alumni relations	$ 1,508,268	$ -	$ -	$ 1,508,268
Institutional support	779,754	-	-	779,754
Instruction and departmental support	4,511,367	-	-	4,511,367
Academic services support	1,202,065	-	-	1,202,065
Intercollegiate athletics support	680,632	-	-	680,632
Student services	167,995	-	-	167,995
Scholarships and fellowships	2,566,914	-	-	2,566,914
Public services	138,260	-	-	138,260
Research	314,671	-	-	314,671
Supporting services-				
Fundraising and development	4,148,319	-	-	4,148,319
Fund administration	358,564	-	-	358,564
Inn-Ohio of Athens, Inc. operations	3,762,575	-	-	3,762,575
Carrying costs of real estate	17,564	-	4,688	22,252
Total expenses	20,156,948	-	4,688	20,161,636
CHANGES IN NET ASSETS	1,241,677	13,164,309	5,066,879	19,472,865
NET ASSETS, BEGINNING OF YEAR	17,343,697	98,453,415	73,251,485	189,048,597
NET ASSETS, END OF YEAR	$ 18,585,374	$ 111,617,724	$ 78,318,364	$ 208,521,462

The accompanying notes to consolidated financial statements are an integral part of this statement.

THE OHIO UNIVERSITY FOUNDATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows
For the Years Ended June 30, 2001 and 2000

	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ (17,630,725)	$ 19,472,865
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	437,807	438,703
Accretion on investments	-	3,876
Realized investment gains	(5,142,623)	(19,530,620)
Unrealized investment losses	29,357,300	6,112,234
Increase in cash surrender value of life insurance policies	(161,817)	(188,064)
Changes in current assets and liabilities:		
Increase in accounts receivable	(909,912)	(106,253)
Increase in pledges receivable	(3,463,508)	(2,170,318)
Decrease in bequests receivable	322,099	387,374
Decrease (increase) in interest and dividends receivables	55,038	(95,234)
Decrease (increase) in prepaid expenses	1,319	(26,537)
Decrease (increase) in charitable remainder trusts	289,272	(51,614)
(Increase) decrease in other assets	(47,421)	197
Increase (decrease) in accounts payable	442,726	(181,634)
Increase (decrease) in deposits held in custody for others	44,358	(20,146)
Total adjustments	21,224,638	(15,428,036)
Net cash provided by operating activities	3,593,913	4,044,829
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(16,175,602)	(375,768)
Purchases of investment securities	(109,128,660)	(143,473,642)
Proceeds from sales of investment securities	107,189,747	140,455,907
Increase in restricted cash	(16,049,291)	-
Net cash used in investing activities	(34,163,806)	(3,393,503)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of bonds payable, net of expenses	30,861,225	-
Payments of long-term and short-term debt	(98,681)	(93,681)
Net (decrease) increase in annuity obligations	(668,242)	424,913
Increase in investments subject to annuity agreements	395,508	(545,149)
Net cash provided by (used in) financing activities	30,489,810	(213,917)

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THE OHIO UNIVERSITY FOUNDATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows
For the Years Ended June 30, 2001 and 2000 (continued)

	2001	2000
NET (DECREASE) INCREASE IN CASH	(80,083)	437,409
CASH, BEGINNING OF YEAR	1,564,642	1,127,233
CASH, END OF YEAR	$ 1,484,559	$ 1,564,642
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	$ 940,738	$ 101,317
Acquisition costs of property and equipment in accounts payable at year end	$ 6,781,387	$ -
Debt issuance costs paid through bond proceeds	$ 1,123,775	$ -

The accompanying notes to consolidated financial statements are an integral part of these 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 8). The Foundation's other wholly-owned subsidiary, Housing for Ohio, Inc. (Housing), constructed and operates a 580 unit student housing complex in Athens, Ohio (see Note 9).

(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 operations of the Foundation and its wholly owned subsidiaries, the Inn and Housing. 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 requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations of Credit Risk

Financial instruments, which potentially subject the Foundation to a concentration of credit risk, consist principally of contributions receivable, and investments for the Foundation, and receivables related to operation 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 market 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 statements of financial position and activities.

Regarding the Inn, the management company that operates the Inn is responsible for collection of receivables (Note 8). However, the management company has recourse with respect to these receivables, and accordingly, the Inn provides a reserve for any estimated uncollectible balances.

Gifts and Contributions

Contributions are recorded at their fair market 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 to unrestricted net assets and reported in the 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 annuity trusts are reduced by the actuarially determined liability resulting from acceptance of the gift. Contributions held in charitable remainder trusts are recorded upon notification of each donor's death at the present value of their estimated future benefits to be received when the trust assets are distributed (see Note 7).

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 discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Discount rates ranged from 5.00% to 6.88% for fiscal year 2001 and 6.09% to 6.48% for fiscal year 2000. 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 are substantially met.

Included in the "Pledges Receivable" are the following unconditional promises to give at June 30, 2001 and 2000:

	2001	**2000**
Unconditional promises to give before unamortized discount and allowance for uncollectibles	$16,377,767	$12,085,589
Less: Unamortized discount	(1,680,515)	(1,121,281)
Subtotal	14,697,252	10,964,308
Less: Allowance for uncollectibles	(2,508,535)	(2,239,099)
Net unconditional promises to give	$12,188,717	$ 8,725,209

	2001		2000	
	Temporarily Restricted	**Permanently Restricted**	**Temporarily Restricted**	**Permanently Restricted**
Amounts due in:				
Less than one year	$2,351,351	$1,570,889	$1,341,686	$1,529,385
One to five years	6,083,781	1,760,091	2,730,772	2,242,572
More than five years	403,392	19,213	403,494	477,300
Total	$8,838,524	$3,350,193	$4,475,952	$4,249,257

Intended Gifts

The Foundation receives communications from donors indicating that the Foundation has been included in the donor's will or life insurance policy as a 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. Under this policy, at June 30, 2001 and 2000, the Foundation has bequests receivable of $579,727 and $901,826, respectively.

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, which totals $2,132,787 and $1,970,970 as of June 30, 2001 and 2000, respectively.

Investments

Investments in securities are recorded at market value 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 designated by the donor.

Property and Equipment

Property and equipment is recorded at the estimated fair market value (if received as a gift) or at the purchase cost (if purchased by the Foundation, Inn, or Housing), plus any expenditures for improvements. As needed, the carrying value of property is adjusted to estimated net realizable value based on the Board of Trustees' intended use of the property.

Depreciation of buildings is recorded over periods ranging from ten to thirty-one and one-half years using the straight-line method. Depreciation and amortization of other property and equipment and improvements is recorded over periods ranging from five to fifteen years using the straight-line method.

As of June 30, 2001 and 2000, property and equipment (primarily related to Housing and the Inn) is as follows:

	2001	2000
Land	$ 2,832,890	$ 773,263
Land improvements	193,387	188,010
Buildings	6,758,788	6,599,194
Furnishings, fixtures and equipment	2,399,631	2,313,492
Construction in Progress	20,684,605	-
Less - accumulated depreciation and amortization	(4,033,213)	(3,557,053)
Property and equipment, net	$28,836,088	$ 6,316,906

Total depreciation and amortization expense of $37,807 and $438,703 was recorded in fiscal years 2001 and 2000, respectively.

Construction in Progress represents costs incurred to date by Housing to construct a student housing complex.

SFAS No. 121, “Accounting for Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed Of” requires that long-lived assets and certain identifiable intangibles to be held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Foundation has determined that no impairment to the carrying value of its long-lived assets exists at June 30, 2001.

Restricted Cash

Restricted cash of $16,049,291 at June 30, 2001, relates to cash proceeds from the issuance of bonds to fund the Housing construction. Such cash is held in trust and is available only to fund qualifying costs of construction (see Note 9).

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement 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. Accordingly, no provision for income or excise tax has been made in the accompanying consolidated financial statements.

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 values at June 30, 2001 and 2000, except for notes receivable. The fair value of the notes receivable is not reasonably determinable given the terms of the notes (see Note 5).

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. These costs were immaterial for the years ended June 30, 2001 and 2000.

Reclassification

Certain reclassifications have been made to prior year amounts in order to conform to current year 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. Net assets related to the Inn and Housing are included in unrestricted net assets as there are no donor imposed restrictions on the use of these net assets.

Restricted Net Assets

Temporarily restricted net assets consist of funds which are restricted for a specific use or time determined by the donor.

Temporarily restricted net assets, as of June 30, 2001 and 2000, are available for the following purposes:

	2001	2000
Alumni relations	$ 409,425	$ 458,146
Institutional support	6,433,898	3,408,067
Instruction and departmental support	37,568,651	47,166,421
Academic services support	10,170,797	12,011,524
Intercollegiate athletics support	328,982	916,872
Student services	1,529,770	1,923,864
Scholarships and fellowships	34,335,322	42,854,127
Public services	145,547	291,150
Research	1,145,573	1,189,335
Fundraising and development	3,540,632	1,398,218
	$ 95,608,597	$111,617,724

Included in temporarily restricted net assets are temporarily restricted funds designated as endowments. This is primarily due to the Foundation having a spending policy, which was approved by the Board of Trustees, to protect the Foundation's endowments from the effect of inflation. Based upon the spending policy, management has reinvested a portion of the earnings of the Foundation's donor designated endowments into the related endowment accounts. As this reinvestment of earnings into the endowment accounts was not explicitly designated by the donors, the reinvested earnings are not classified as permanently restricted.

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 are restricted to:

	2001	2000
Alumni relations	$ 1,034,398	$ 622,206
Institutional support	3,565,962	1,466,908
Instruction and departmental support	33,283,322	34,640,196
Academic services support	3,189,903	3,065,027
Intercollegiate athletics support	194,097	57,798
Student services	1,484,342	1,394,355
Scholarships and fellowships	38,213,686	35,512,280
Public services	435,465	599,632
Research	169,563	422,478
Fundraising and development	216,993	173,643
Other	240,796	363,841
	$ 82,028,527	$78,318,364

(4) Investment in Securities

The cost and market value of the investment in securities at June 30, 2001 and 2000, are as follows:

	2001		2000	
	Cost	Market	Cost	Market
Common and preferred stocks	$134,020,362	$ 122,434,749	$120,773,240	$ 133,835,440
Commercial paper and other short-term cash investments	9,437,995	9,486,789	7,849,302	7,884,882
Bonds and debentures	31,614,819	29,596,559	40,734,879	41,229,936
Other	3,671,569	4,817,361	2,808,562	5,750,964
Total investments	$ 178,744,745	$ 166,335,458	$172,165,983	$ 188,701,222

(5) Notes Receivable

Prior to 1998, the Foundation made available interest bearing working capital loans totaling $495,000 to an Ohio entity, SEED, which was formed to support, enhance and supplement the scientific and technological research, educational activities and economic development of the University. All members of the Ohio entity are currently members of the Foundation's Board of Trustees. During fiscal 2001, a $90,000 advance made in a prior year was reclassified as a note receivable. Total outstanding notes receivable related to the Ohio entity are $235,000 and $145,000 at June 30, 2001 and 2000, respectively, and are recorded in unrestricted net assets.

(6) Support from the Ohio University

During 2001 and 2000 the Foundation paid all operating costs of the University Development Office, the Office of Alumni Relations and the Foundation Accounting Office, except certain payroll costs amounting to $2,651,377 and $2,586,190, respectively, and additional costs of $858,559 and $900,077, respectively, which were paid by the University. The support costs paid by the University are reflected in the consolidated statement 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 cannot readily be quantified nor are they considered to be material to the results of operations of the Foundation.

(7) Split-Interest Agreements

Charitable Gift Annuity Trusts

Under charitable gift annuity trust agreements, the Foundation has recorded the donated assets at fair value and the liabilities to the donor or his/her beneficiaries at the present value of the estimated future payments to be distributed by the Foundation to such individuals. The amount of the contribution is the difference between the asset and liability and is recorded as contribution revenue.

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. All assets of charitable remainder trusts are maintained by a third party trustee, in an irrevocable trust, for the benefit of the Foundation. The trustee disburses income earned on the assets of the charitable remainder trusts to the donor or donor designated beneficiaries.

In instances in which the donor has not specifically reserved the right to change the remainderman, 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.

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

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

Revocable Trusts

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

(8) Inn-Ohio of Athens, Inc.

The Ohio University 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. A significant portion of the Inn's revenues are derived from these customers. For this reason 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 renovations, refurbishment and improvements.

Operations

The Inn's operations are summarized below for the years ended June 30, 2001 and 2000:

	2001	2000
Revenues	$ 4,437,060	$ 4,262,993
Operating and general expenses	3,287,104	3,281,476
Depreciation and amortization	437,807	430,801
Interest expense, net	33,036	50,298
Total expenses	3,757,947	3,762,575
Net income	$ 679,113	$ 500,418

Effective November 30, 1996, a management agreement (the Management Agreement) was entered into with Winegardner & Hammonds, Inc. (the Manager). The Management Agreement was amended during fiscal 2001 to automatically renew annually unless notified in writing of non-renewal sixty 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.

Base management fees incurred by the Inn with respect to the Manager were $100,000 in fiscal years 2001 and 2000, and incentive fees were $149,502 and $114,820 in fiscal years 2001 and 2000, respectively.

As of June 30, 2001 and 2000, the Inn has NOL carryforwards of $1,094,257 and $1,766,214, respectively, for Federal income tax purposes. The NOL carryforwards expire in years 2002 through 2012. 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, 2001 and 2000, the Inn has recorded a valuation allowance of $649,707 and $920,925, respectively, due to the uncertainty of the future realizability of its remaining net deferred tax assets carryforwards in accordance with the provisions of SFAS No. 109.

Debt Obligations

Long-term debt of the Inn consists of the following, as of June 30, 2001 and 2000:

	2001	2000
1996 Serial Project Bonds		
- 5.30%, due November 1, 2000	$ -	$ 100,000
- 5.45%, due November 1, 2001	105,000	105,000
- 5.60%, due November 1, 2002	110,000	110,000
- 5.75%, due November 1, 2003	115,000	115,000
- 5.85%, due November 1, 2004	120,000	120,000
- 5.95%, due November 1, 2005	130,000	130,000
- 6.05%, due November 1, 2006	140,000	140,000
1996 Term Project Bonds		
- 6.25%, at 97.617%, due November 1, 2011	830,000	830,000
	1,550,000	1,650,000
Less: Current portion of long-term debt	(105,000)	(100,000)
Less: Unamortized discount on series 1996 bonds	(13,625)	(14,944)
	(118,625)	(114,944)
Total long-term debt	$ 1,431,375	$ 1,535,056

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

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 semi-annually each May 1 and November 1 and are payable from the bond fund. The 1996 Serial Project Bonds are subject to redemption prior to maturity, including mandatory sinking fund redemption. After November 1, 2006, the Inn has the option to pre-pay the 1996 Bonds. The balance in the bond fund at June 30, 2001 and 2000 was $86,819 and $85,014, respectively.

The 1996 Bonds maturing on November 1, 2011 are subject to a mandatory sinking fund requirement to be deposited as set forth in the following schedule:

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

The fair value of the debt obligations at June 30, 2001 approximated their carrying value.

(9) Housing for Ohio, Inc.

In November 1999, the Foundation established Housing for Ohio, Inc. (Housing), a Limited Liability Company (LLC), and 501(c)(3) not-for-profit corporation. In September 2000, Housing offered $31,985,000 of variable rate, tax-exempt bonds (the 2000 Bonds). The proceeds of the 2000 Bonds are being used to finance the construction, installation and equipping of a student housing complex (University Courtyard) which will house approximately 580 students, staff and faculty of the Ohio University. University Courtyard will be located on property owned by Ohio University and leased to Housing. The facility will be managed and operated by a private entity (the Developer). The 2000 Bonds will be fully matured 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 on the 2000 Bonds exceed 12%. The average interest rate for the year ended June 30, 2001 was 3.72% and the interest rate at June 30, 2001 was 2.95%.

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 non-recourse to the Foundation.

Principal payments for the bonded debt for the years subsequent to June 30, 2001 are summarized as follows:

Year Ending June 30,	Principal
2002	$ 170,000
2003	170,000
2004	255,000
2005	340,000
2006	445,000
Thereafter	30,605,000
Total	$ 31,985,000

The proceeds from the 2000 Bonds have been deposited with a designated trustee. The trustee is holding the proceeds and only allowing them to be disbursed to pay for qualifying costs of construction. Additionally, the manager, who is also the project developer, is required to deposit all revenues from the project with the trustee. On a monthly basis, the trustee will permit disbursement of operating expenses of the project to the manager subject to an annual budget approved by the Board of Trustees of Housing. On a monthly basis the trustee will deposit into the debt service account funds necessary to make principal and/or interest payments. No disbursements of net income may be made to Housing for Ohio, Inc. until all operating costs, debt service, and reserves are annually provided, including any deficiencies from previous years. Construction in progress at June 30, 2001 was $20,684,605.

Debt issuance costs of $1,123,775 were incurred related to the bond issuance and are included in other assets on the balance sheet. Debt issuance costs are amortized over the term of the bonds.

(10) Litigation

Housing, Ambling Companies, Inc. and subsidiaries (“Ambling”), and various of its subcontractors are defendants along with Ohio University in a legal action initiated by the United Brotherhood of Carpenters and Joiners of America and joined in by the State of Ohio, Department of Commerce for the payment of back wages and penalties. On August 12, 2001, the plaintiffs and defendants entered into an agreement regarding preliminary injunctive relief in which the defendants deposited $2,350,000 in an escrow account with the trustee to secure their obligation to pay back wages and penalties in the event the alleged noncompliance with the prevailing wage statute is confirmed. In the opinion of management, the litigation will have no material adverse impact to the Foundation.

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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
JUNE 27, 2002