The Ohio University Foundation and Subsidiaries

Consolidated Financial Statements for the Years Ended June 30, 2004 and 2003, Supplemental Schedules for the Year Ended June 30, 2004 and Independent Auditors' Report

Auditor of State
Betty Montgomery

Board of Trustees
Ohio University Foundation
Athens, Ohio

We have reviewed the Independent Auditor's Report of the Ohio University Foundation, Athens County, prepared by Deloitte & Touche LLP, for the audit period July 1, 2003 through June 30, 2004. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Ohio University Foundation is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

December 22, 2004

88 E. Broad St. / P.O. Box 1140 / Columbus, OH 43216-1140
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us

This Page is Intentionally Left Blank.

THE OHIO UNIVERSITY FOUNDATION AND SUBSIDIARIES

TABLE OF CONTENTS

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

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

INDEPENDENT AUDITORS' REPORT

Board of Trustees
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 (the "Foundation"), and subsidiaries as of June 30, 2004 and 2003, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of the consolidated subsidiaries, which represent total assets constituting 19% and 22%, respectively, of consolidated total assets at June 30, 2004 and total revenues of 32% and 45%, respectively, of consolidated total revenues for the years then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those consolidated subsidiaries, is based solely on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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, based on our audits and the reports of other auditors, such consolidated financial statements present fairly, in all material respects, the financial position of The Ohio University Foundation and subsidiaries as of June 30, 2004 and 2003, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The consolidating information in schedules 1 and 2 is presented for purposes of additional analysis rather than to present the financial position or change in net assets of the individual entities and is not a required part of the basic consolidated financial statements. These schedules are the responsibility of the Foundation's management. Such schedules have been subjected to the auditing procedures applied in our audits of the basic consolidated financial statements and, in our opinion, based on our audits and the reports of other auditors, are fairly stated in all material respects in relation to the basic consolidated financial statements taken as whole, subject to the previous paragraph.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 8, 2004 on our consideration of the Foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Deloitte & Touche LLP

October 8, 2004

THE OHIO UNIVERSITY FOUNDATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION JUNE 30, 2004 AND 2003

ASSETS	2004	2003
CURRENT ASSETS:		
Cash	$ 10,009,291	$ 8,271,692
Accounts receivable—net	3,295,250	2,654,275
Pledges receivable—net	17,925,189	12,495,060
Bequests receivable	1,558,378	390,000
Interest and dividends receivable	126,535	291,076
Prepaid expenses	1,362,544	1,178,714
Investments	142,710,788	129,075,824
Cash surrender value—life insurance policies	2,636,067	2,422,464
Notes receivable—net	49,761	94,761
Charitable remainder trusts	1,324,704	1,087,527
Charitable gift annuities	3,659,103	3,193,969
Deposit with trustees—restricted cash	3,059,378	4,330,998
Property and equipment—net	34,435,826	35,942,618
Due from Ohio University	359,611	
Other	5,052,995	4,243,614
TOTAL ASSETS	$ 227,565,420	$ 205,672,592

LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable:		
Ohio University	$ 1,185,372	$ 1,015,465
Trade and other	2,160,658	2,217,058
Construction costs		2,840,386
Deposits held in custody for others	337,728	417,618
Annuities payable	2,209,123	1,990,521
Charitable remainder trust obligation	545,914	590,819
Bonds payable	31,390,000	31,645,000
Notes payable	2,948,140	2,713,547
Other liabilities	1,000,097	1,057,512
Total liabilities	41,777,032	44,487,926
DHI MINORITY INTEREST	3,958,041	2,530,253
NET ASSETS:		
Unrestricted	208,652	(2,390,545)
Temporarily restricted	84,651,271	78,073,910
Permanently restricted	96,970,424	82,971,048
Total net assets	181,830,347	158,654,413
TOTAL LIABILITIES AND NET ASSETS	$ 227,565,420	$ 205,672,592

See notes to consolidated financial statements.

THE OHIO UNIVERSITY FOUNDATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004

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

(Continued)

THE OHIO UNIVERSITY FOUNDATION
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2004

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

See notes to consolidated financial statements.

(Concluded)

THE OHIO UNIVERSITY FOUNDATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2003

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER SUPPORT:				
Gifts and contributions	$ 425,965	$ 6,819,952	$ 5,394,895	$12,640,812
University support	3,523,995			3,523,995
Income from investments:				
Interest and dividends	488,801	1,894,317	14	2,383,132
Change in market value of investments:				
Sold during the year (realized gain (loss))	(3,354,277)	(20,573,493)	29,013	(23,898,757)
Held at year-end (unrealized gain (loss))	1,950,118	19,102,767	(445,738)	20,607,147
Revenues from sales, services and events	118,004			118,004
Change in value—split-interest agreements	14,372	(298,461)	(538,764)	(822,853)
Other	353,297	576,944	139,073	1,069,314
Inn-Ohio of Athens, Inc. revenues	4,424,294			4,424,294
Housing for Ohio revenues	2,913,716			2,913,716
Diagnostic Hybrids, Inc. revenues	14,259,100	150,681	421,517	14,831,298
	25,117,385	7,672,707	5,000,010	37,790,102
NET ASSETS RELEASED FROM RESTRICTIONS—				
Satisfaction of program restrictions:				
Alumni relations	22,900	(22,900)		
Institutional support	1,581,083	(1,581,083)		
Instruction and departmental support	5,293,438	(5,293,438)		
Academic services support	1,040,140	(1,040,140)		
Intercollegiate athletics support	292,224	(292,224)		
Student services	199,689	(199,689)		
Scholarships and fellowships	3,701,191	(3,701,191)		
Public services	96,787	(96,787)		
Research	140,620	(140,620)		
Fund-raising and development	7,700	(7,700)		
Carrying costs of real estate	7,172	(7,172)		
Total net assets released from restrictions	12,382,944	(12,382,944)	-	-
Total revenues and other support	37,500,329	(4,710,237)	5,000,010	37,790,102

(Continued)

THE OHIO UNIVERSITY FOUNDATION AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2003

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
EXPENSES:				
Program services:				
Alumni relations	$ 1,401,392	$ -	$ -	$ 1,401,392
Institutional support	1,577,474			1,577,474
Instruction and departmental support	5,779,265			5,779,265
Academic services support	1,160,733			1,160,733
Intercollegiate athletics support	294,317			294,317
Student services	208,377			208,377
Scholarships and fellowships	3,701,191			3,701,191
Public services	96,787			96,787
Research	477,822			477,822
Supporting services:				
Fund-raising and development	4,351,841			4,351,841
Fund administration	432,587			432,587
Other	46,573			46,573
Inn-Ohio of Athens, Inc. operations	3,951,917			3,951,917
Housing for Ohio operations	3,165,308			3,165,308
Diagnostic Hybrids, Inc. operations	12,987,465			12,987,465
Minority interest in Diagnostic Hybrids, Inc.	540,243			540,243
Carrying costs of real estate	7,172			7,172
Total expenses	40,180,464	-	-	40,180,464
CHANGES IN NET ASSETS	(2,680,135)	(4,710,237)	5,000,010	(2,390,362)
NET ASSETS—Beginning of year	289,590	82,784,147	77,971,038	161,044,775
NET ASSETS—End of year	$ (2,390,545)	$78,073,910	$82,971,048	$158,654,413

See notes to consolidated financial statements. (Concluded)

THE OHIO UNIVERSITY FOUNDATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2004 AND 2003

	2004	2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	$ 23,175,934	$ (2,390,362)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Noncash items:		
Depreciation and amortization	1,897,895	1,439,230
Stock compensation	799,947	731,953
Realized investment (gains) losses	(3,579,714)	23,898,757
Unrealized investment (gains) losses	(9,005,094)	(20,607,147)
Minority interest expense	627,839	540,243
Increase in cash surrender value of life insurance policies	(213,603)	(144,725)
Changes in current assets and liabilities:		
(Increase) decrease in accounts receivable	(1,000,586)	(29,153)
(Increase) decrease in pledges receivable	(5,430,129)	(1,269,835)
(Increase) decrease in bequests receivable	(1,168,378)	(190,000)
(Increase) decrease in interest and dividends receivable	164,541	(54,660)
(Increase) decrease in prepaid expenses	(206,617)	65,526
(Increase) decrease in other assets	(1,145,329)	(1,532,378)
Increase (decrease) in accounts payable	(2,749,282)	(3,161,789)
Increase (decrease) in other payable	(35,012)	948,583
Increase (decrease) in deposits held in custody for others	(53,869)	(7,428)
Net cash provided by (used in) operating activities	2,078,543	(1,763,185)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property and equipment	(31,049)	(784,411)
Purchases of investments	(62,974,650)	(85,269,334)
Proceeds from sales of investments	61,898,475	81,706,204
Decrease in restricted cash	1,271,620	1,101,687
Decrease in notes receivable	45,000	45,000
Increase in charitable remainder trusts	(237,177)	603,726
Increase in investments subject to annuity agreements	(465,134)	158,404
Net cash provided by (used in) investing activities	(492,915)	(2,438,724)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on notes and bonds payable	(21,726)	(889,659)
Net change in annuity obligations	173,697	(24,705)
Net cash provided by (used in) financing activities	151,971	(914,364)
NET INCREASE (DECREASE) IN CASH	1,737,599	(5,116,273)
CASH—Beginning of year	8,271,692	13,387,965
CASH—End of year	$ 10,009,291	$ 8,271,692
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	$ 510,405	$ 517,767
Cash paid during the year for income tax	$ 1,426,342	$ 734,500
SUPPLEMENTAL SCHEDULE OF NONCASH ACTIVITIES—		
Issuance of promissory note and other obligations for acquisition	$ 205,000	$ 928,406

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 majority interest in Diagnostic Hybrids, Inc., ("DHI"), which develops and manufactures tissue cell cultures, antibody kits, and biological reagents for use in medical laboratories (see Note 12).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

Regarding the Inn, the management company that operates the Inn is responsible for collection of receivables (see Note 10). Additionally, the Inn provides a reserve for any estimated uncollectible balances.

Gifts and Contributions—Contributions are recorded at their fair value on the date of receipt. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset categories. When a donor restriction expires (when a stipulated time restriction ends or the purpose of restriction is accomplished), temporarily restricted net assets are reclassified 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 annuities are reduced by the actuarially determined liability resulting from acceptance of the gift. Contributions are held in charitable remainder trusts at the present value of their estimated future benefits to be received when the trust assets are distributed upon notification of the donor's death (see Note 9).

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

Pledges Receivable—Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discount on those amounts is computed using a risk-free interest rate. The discount rate utilized was 1.3% for fiscal year 2004 and 0.84% for fiscal year 2003. 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 statement of activities.

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

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

Depreciation of buildings is recorded over periods ranging from 10 to 31.5 years using the straight-line method. Depreciation and amortization of other property, equipment, and improvements is recorded over periods ranging from 5 to 15 years using the straight-line method.

Annually, or more frequently if events or circumstances change, a determination is made by management to ascertain whether property and equipment and intangibles have been impaired based on the sum of expected future undiscounted cash flows from operating activities. If the estimated net cash flows are less than the carrying amount of such assets, the Foundation will recognize an impairment loss in an amount necessary to write down the assets to a fair value as determined from expected future discounted cash flows. Based upon its most recent analysis, the Foundation has determined that no impairment to the carrying value of its long-lived assets existed at June 30, 2004 and 2003.

Restricted Cash—Restricted cash represents cash that, under terms of the bond issue trust indenture agreement (Trust Indenture) (see Note 11), is restricted for various purposes. In accordance with the terms of the Trust Indenture and related agreements, the proceeds from the bonds not used to construct the student housing facility and certain equipment and improvements were deposited with the trustee. The Foundation is also required to deposit all revenue directly into a designated revenue fund. The trustee is then authorized, without further direction from the Organization, to transfer funds out of the revenue fund to other funds as outlined in the Trust Indenture.

Functional Allocation of Expenses—The costs of providing the various programs and supporting services have been summarized on a functional basis in the 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 Ohio University Foundation is an exempt organization under Section 501(c)(3) of the Internal Revenue Code, except for taxes on unrelated income. Unrelated income taxes for OU Inn totaled $40,600 and $0, respectively, for the years ended June 30, 2004 and 2003 while unrelated taxes for DHI totaled $1,101,760 and $880,000, respectively.

Fair Value of Financial Instruments—The carrying values of the Foundation's financial instruments in the accompanying consolidated statement of financial position approximate their respective estimated fair value at June 30, 2004 and 2003, except for notes receivable. The fair value of the notes receivable is not necessarily determinable given the terms of the notes (see Note 7).

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

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

Reclassifications—To facilitate comparisons, certain amounts in the 2003 financial statements have been reclassified to conform to the 2004 presentation.

3. NET ASSETS

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

Unrestricted net assets as of June 30, 2004 and 2003 are available for the following purposes:

	2004		2003	
Board designated quasi endowment		$ 9,266,072		$ 9,747,374
Board designated—other:				
Board designated 1804 fund	$ 504,680		$ 667,319	
Board designated carry forward	447,129		326,876	
Board designated DHI	2,119,960	3,071,769	1,298,994	2,293,189
Designated change in value		(741,058)		(2,954,682)
Designated underwater accounts		(5,355,042)		(7,201,046)
Designated trusts		8,471		13,001
Designated housing		(1,601,683)		(1,629,345)
Undesignated		(4,439,877)		(2,659,036)
Unrestricted net assets		$ 208,652		$(2,390,545)

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, 2004 and 2003 are available for the following purposes:

	2004	2003
Alumni relations	$ 950,657	$ 1,046,320
Institutional support	5,975,053	6,309,280
Instruction and departmental support	30,901,314	27,239,282
Academic services support	10,127,735	9,716,080
Intercollegiate athletics support	742,156	569,546
Student services	1,367,227	875,159
Scholarships and fellowships	31,714,556	28,939,445
Public services	313,279	416,339
Research	1,034,220	1,147,302
Fund-raising and development	1,375,919	1,442,237
Other	149,155	372,920
	$84,651,271	$78,073,910

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, 2004 and 2003 are available for the following purposes:

	2004	2003
Alumni relations	$ 1,159,005	$ 603,760
Institutional support	2,163,136	2,361,848
Instruction and departmental support	45,185,308	36,012,303
Academic services support	3,491,537	3,201,640
Intercollegiate athletics support	85,955	39,494
Student services	1,964,259	2,186,425
Scholarships and fellowships	41,006,518	37,294,237
Public services	297,523	406,069
Research	874,718	768,138
Fund-raising and development	124,204	87,868
Other	618,261	9,266
	$96,970,424	$82,971,048

4. PLEDGES RECEIVABLE

Included in pledges receivable are the following unconditional promises to give at June 30, 2004 and 2003:

	2004	2003
Unconditional promises to give before unamortized discount and allowance for uncollectibles	$18,921,209	$14,063,575
Less allowance for uncollectibles	482,080	796,240
Subtotal	18,439,129	13,267,335
Less unamortized discount	513,940	772,275
Unconditional promises to give—net	$17,925,189	$12,495,060

	2004		2003	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
Amounts due in:				
Less than one year	$ 5,345,349	$3,354,542	$3,128,660	$1,732,736
One to five years	5,320,684	3,796,531	5,215,941	2,144,811
More than five years	94,462	13,621	238,702	34,210
Total	$10,760,495	$7,164,694	$8,583,303	$3,911,757

5. INVESTMENTS IN SECURITIES

The cost and market value of the investments in securities at June 30, 2004 and 2003 are as follows:

	2004		2003	
	Cost	Market	Cost	Market
Common and preferred stock	$ 84,182,536	$ 81,417,112	$ 84,093,483	$ 71,935,380
Short-term cash investments	2,533,332	2,533,332	4,167,328	4,167,328
Bonds and debentures	22,126,609	21,865,913	47,194,481	47,713,041
Other	37,147,472	36,894,431	5,924,390	5,260,075
Total investments	$ 145,989,949	$ 142,710,788	$141,379,682	$129,075,824

6. PROPERTY AND EQUIPMENT

As of June 30, 2004 and 2003, property and equipment (primarily relating to Housing and the Inn) are as follows:

	2004	2003
Land	$ 829,948	$ 805,198
Land improvements	234,408	184,569
Building and building improvements	35,017,525	35,995,969
Furnishings, fixtures and equipment	5,891,034	4,997,783
Construction in progress	210,125	238,980
	42,183,040	42,222,499
Less accumulated depreciation and amortization	(7,747,214)	(6,279,881)
Property and equipment—net	$ 34,435,826	$ 35,942,618

Total depreciation expense of $1,840,144 and $1,439,230 was recorded in fiscal years 2004 and 2003, respectively.

7. NOTES RECEIVABLE AND RELATED PARTIES

Prior to 1998, the Foundation made interest-bearing working capital loans totaling $495,000 to an Ohio for-profit entity, SEED, which was formed to support, enhance, and supplement the scientific and technological research, educational activities, and economic development of the University. Total outstanding notes receivable related to SEED are $0 and $45,000 at June 30, 2004 and 2003, respectively.

In November 1997, the Foundation approved a loan totaling $75,000 to Electronic Vision, Inc. (“EVI”), which was used for marketing and distribution of an interactive CD that contains credit hours of instruction on filming and a library of reference. The project is used to continue to promote Ohio University as a filmmaking school, and can be used as a distance-learning tool. Total outstanding notes related to EVI are $49,761 and $49,761 at June 30, 2004 and 2003, respectively.

8. SUPPORT FROM OHIO UNIVERSITY

During 2004 and 2003, the University paid certain payroll costs amounting to \$2,605,399 and \$2,725,457 and additional costs of \$865,969 and \$798,538, 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 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 are not considered to be material to the results of operations of the Foundation.

9. SPLIT-INTEREST AGREEMENTS

Charitable Gift Annuities—Under charitable gift annuity agreements, all assets are held by the Foundation. Therefore, the Foundation has recorded the donated assets at fair value and the liabilities to the donor or his/her beneficiaries discounted to the present value of the estimated future payments to be distributed by the Foundation to such individuals at a rate established at the beginning of the agreement. The amount of the contribution is the difference between the asset and liability and is recorded as contribution revenue. The discount rate applied to gift annuities held at June 30, 2004 and 2003 ranged from 3.6% to 9.8% and 3.6% to 9.8%, respectively.

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

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

In instances where the donor has not specifically reserved the right to change the remainderman, and the Foundation serves as the trustee, the Foundation will recognize the fair market value of the assets of the trust, as well as a liability for the net present value of future payments to be distributed by the Foundation to the donor or his/her designated beneficiaries. The amount of the contribution is the difference between the asset and liability at the inception of the trust. The present value of the future payments to the donor-designated beneficiary is determined using a discount rate established at the beginning of the trust. At June 30, 2004 and 2003, the discount rate applied to the charitable remainder trusts was 1.3% and 6%, respectively.

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 can be changed by the donor prior to his/her death.

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

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

10. INN-OHIO OF ATHENS, INC.

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

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

Operations—The Inn's operations for the years ended June 30, 2004 and 2003 are summarized below:

	2004	2003
Revenue	$4,346,975	$4,424,294
Operating and general expenses	3,503,028	3,477,505
Depreciation and amortization	410,785	447,490
Interest expense—net	9,134	26,922
Provision for income taxes	40,600	
Total expenses	3,963,547	3,951,917
Net income	383,428	472,377
Dividends paid to Foundation	(500,000)	(500,000)
Unrealized gains (losses)	(24,569)	30,522
Change in net assets	$ (141,141)	$ 2,899

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

In fiscal years 2004 and 2003, base management fees incurred by the Inn with respect to the Manager were $100,000 and $100,000 and incentive fees were $100,060 and $114,640, respectively.

As of June 30, 2004 and 2003, the Inn has net operating loss carryforwards of $153,000 and $365,000, respectively, for Federal income tax purposes. The NOL carryforwards will begin to expire in 2010. The Inn has reflected deferred income taxes at a 40% tax rate, which represents a blended statutory Federal and state income tax rate. As of June 30, 2004 and 2003, the Inn has recorded a valuation allowance of approximately $163,500 and $279,000, respectively, due to the uncertainty of the future realizability of its remaining net deferred tax asset carryforwards, in accordance with the provisions of SFAS No. 109.

Debt Obligations—Long-term debt of the Inn as of June 30, 2004 and 2003 consists of the following:

	2004	2003
1996 Serial Project Bonds:		
5.75% due November 1, 2003	$ -	$ 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 97.61%, due November 1, 2011	830,000	830,000
	1,220,000	1,335,000
Less: Unamortized discount on Series 1996 Bonds	9,670	10,989
Total	$1,210,330	$1,324,011

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

The 1996 Term Project Bonds require the Inn to make monthly payments to a trustee. These payments accumulate in the bond fund to pay principal and interest on the Bonds. Principal payments are due annually on November 1; interest payments are due semiannually each May 1 and November 1 and are payable from the bond fund. The 1996 Serial Project Bonds are subject to redemption prior to maturity, including mandatory sinking fund redemption. After November 1, 2006, the Inn has the option to prepay the 1996 Bonds. The balance in the bond fund at June 30, 2004 and 2003 was $92,662 and $90,653, respectively.

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

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

The fair value of the debt obligations at June 30, 2004 and 2003 approximated their carrying value.

11. HOUSING FOR OHIO, INC.

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

Debt—In September 2000, Housing offered $31,985,000 of variable-rate, tax-exempt bonds (the “2000 Bonds”). The proceeds of the 2000 Bonds financed the construction, installation, and equipping of the Project. The 2000 Bonds will be fully matured at June 2032 and bear interest at an adjustable rate as determined weekly by the remarketing agent, based on their knowledge of prevailing market conditions, except that in no event will the interest rate exceed 12%. The average interest rate for the years ended June 30, 2004 and 2003 was 1.03% and 1.32%, respectively, and the actual interest rate at June 30, 2004 and 2003 was 1.13% and 1.04%, respectively.

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

Principal payments for the bonded debt for the years subsequent to June 30, 2004 are summarized as follows:

Year Ending June 30	Principal
2005	$ 340,000
2006	445,000
2007	530,000
2008	575,000
2009	635,000
Thereafter	28,865,000
Total	$ 31,390,000

Debt issuance costs are included in property on the balance sheet and are amortized over the term of the bonds. Amortization during the years ended June 30, 2004 and 2003 was $34,965 and $17,675, respectively.

Litigation— Housing, Ambling Companies, Inc., and Subsidiaries ("Ambling"), the developer and manager of Housing for Ohio, and various of its subcontractors were 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. During fiscal 2003, Housing and Ohio University were relieved as defendants in the litigation.

Furthermore, during fiscal 2004, Housing was a cross-claim plaintiff against Ambling and the general contractor, for indemnification of any expenses related to the cost of the project and litigation expenses beyond the Developer Guaranteed Project Cost of $26,308,823. During fiscal 2003, Ambling notified Housing, requesting reimbursement by Housing for various additional costs totaling $2,400,000, incurred during the construction process. Subsequent to June 30, 2003, Ambling filed a formal legal action for the claim in the amount of $2,600,000. While the $2,600,000 claim was disputed by Housing, the original $2,400,000 claim that was identified prior to June 30, 2003 was included in the building cost and related liabilities recorded on Housing's statement of financial position. Also, subsequent to June 30, 2003, Ambling filed an additional lawsuit against Housing requesting reimbursement from Housing for $631,000 related to development fees, of which $300,000 was held in escrow with the bond trustee. Housing filed a counter claim against the general contractor for $1,000,000 for breach of contract and indemnity. The Ambling claims and the indemnity claims against Ambling and the general contractor were resolved by mediation. The parties came to a settlement agreement on May 19, 2004, in which Housing would pay Ambling a total sum of $2,000,000. The settlement agreement required an initial payment of $1,300,000 to Ambling in cash no later than thirty days after the issuance of orders of the court, and a cognovit promissory note for $700,000 payable in ten annual installments of $70,000 commencing on June 1, 2005. The entire note balance becomes due and payable if Ambling's current management agreement is terminated or if certain other events occur. As a result of this settlement, property and equipment and accrued construction costs were reduced $1,024,000

In the opinion of management, the litigation had no material adverse impact on the Foundation's consolidated financial statements.

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

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

The Foundation owns 802,720 shares of Class A Common Stock and 384,622 shares of Convertible Preferred Stock, which represent an approximate 71% ownership of DHI.

The Preferred Shares are convertible into common shares based on an initial conversion price of $6.50 per common share, adjusted for shares and options issued at prices below $6.50 per share. The Preferred Shares also convert automatically on a qualified initial public offering and have voting rights equal to common shares and a liquidation preference over common shares. In addition, the Foundation has conversion rights that give the Foundation the right to convert all of the Preferred Shares to an amount of common shares, as defined in the Share Purchase Agreement (the "Agreement") between the Foundation and DHI. These conversion rights expire on February 15, 2006. Through February 15, 2006, in accordance with the Agreement, in the event that all potential common shares of DHI are outstanding, as defined, the Foundation's minimum ownership percentage in DHI would be 50.1%.

DHI's operations for the years ended June 30, 2004 and 2003 are summarized below:

	2004	2003
Revenue	$19,562,433	$14,831,298
Operating and general expenses	16,171,422	11,914,860
Interest expense	146,457	192,605
Provision for income taxes	1,101,760	880,000
Total expenses	17,419,639	12,987,465
Net income	$ 2,142,794	$ 1,843,833

DHI accounts for its employee and director stock-based compensation plans in accordance with Accounting Principles Board Opinion No. 25. DHI has elected not to adopt the cost recognition provisions of SFAS No. 123, *Accounting for Stock-Based Compensation*. DHI follows only the disclosure provisions of SFAS No. 123, as permitted by the statement. In accordance with SFAS No. 123, the fair value of each option grant is estimated on the date of each grant using the Black-Scholes option pricing model. If compensation expense had been determined using the estimated fair value of options under SFAS No. 123, the pro forma effects on net income would have been an increase of approximately $94,000 and $285,000 for the 12-month period ended June 30, 2004 and 2003, respectively. DHI recorded deferred compensation expense of $799,947 and $731,815 for the 12-month periods ended June 30, 2004 and 2003, respectively.

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

DHI has the following debt obligations at June 30, 2004 and 2003:

	2004	2003
State of Ohio Pioneer Loan— 4% installment note, payable monthly through 2008, collateralized by machinery and equipment	$ 43,692	$ 53,687
Buckeye Hills—Hocking Valley development loan— 4% installment note payable monthly through 2009, collateralized by machinery and equipment	76,448	89,508
Note payable to BioWhittaker— Payments begin March 2003 with 12% interest, payable in 36 monthly installments, unsecured	917,670	1,084,183
Installment note payable to Neogenex— 5% installment loan, payable in monthly installments through August 2003, unsecured		28,718
Other notes payable to Neogenex— Due in four installments beginning September 2003, unsecured		133,440
Total	$ 1,037,810	$ 1,389,536

The aggregate maturities and scheduled payments of debt for each of the next five years are as follows:

Twelve Months Ending June 30	
2005	$ 483,094
2006	464,756
2007	45,125
2008	26,169
2009	18,666
Total debt	$ 1,037,810

13. SUBSEQUENT EVENT

On August 2, 2004, DHI amended its Articles of Incorporation and issued 1,030,342 newly created Class A Participating Convertible Preferred Shares (the "Class A Preferred Shares") to Summit Partners for $10,000,000 cash for a 25% interest in DHI. The Class A Preferred Shares are convertible into common shares on an initial conversion price of $9.706 per share. In connection with and as a condition to consummating the issuance of the Class A Preferred Shares, the Foundation converted its outstanding preferred shares into common stock immediately prior to the issuance of the new shares. The Foundation received an additional 59,022 common shares upon conversion in accordance with the articles of incorporation in effect at that time. DHI used $3,500,000 of the proceeds to immediately pay a special dividend to current outstanding shareholders of record, as of August 4, 2004, on a pro rata basis. The Foundation's share of the dividend was $2,482,288, which was received on August 5, 2004. These funds have been allocated to unrestricted and endowment accounts based on the sources of the funds used to purchase the shares.

After the above transaction, the Foundation's ownership was 44.7% of outstanding shares. Consequently, the investment will be recorded using the equity method of accounting.

DHI's Class A Preferred Shares accrue dividends at a rate of 5.2% per annum. Upon a liquidation or sale of DHI, the holders of the Class A Preferred Shares will be entitled to receive an amount in cash equal to the redeemable preference in the amount of $3,500,000 plus accrued and unpaid dividends before any distribution or payments to common shareholders. In no event, shall the Class A Preferred Shares be entitled to be paid less than the original investment plus accrued and unpaid dividends.

* * * * * *

SUPPLEMENTAL SCHEDULES

THE OHIO UNIVERSITY FOUNDATION AND SUBSIDIARIES

SCHEDULE 1

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
JUNE 30, 2004

	OUF	OU Inn	Housing for Ohio	DHI	Eliminations	Total
ASSETS:						
Cash	$ 5,074,650	$ 846,088	$ 37,192	$ 4,051,361	$ -	$ 10,009,291
Accounts receivable—net	433,237	150,637	4,434	2,706,942		3,295,250
Pledges receivable—net	17,925,189					17,925,189
Bequests receivable	1,558,378					1,558,378
Interest and dividends receivable	126,535					126,535
Prepaid expenses	155,305	19,626	921,262	266,351		1,362,544
Investments	142,710,788	916,614			(916,614)	142,710,788
Investment in Inn-Ohio of Athens, Inc.	5,393,664				(5,393,664)	
Investment in Diagnostic Hybrids, Inc.	6,411,988				(6,411,988)	
Cash surrender value—life insurance policies	2,636,067					2,636,067
Notes receivable—net	49,761					49,761
Charitable remainder trusts	1,324,704					1,324,704
Charitable gift annuities	3,659,103					3,659,103
Deposit with trustees—restricted cash			3,059,378			3,059,378
Property and equipment—net	1,330,033	5,144,674	26,376,227	1,584,892		34,435,826
Due from Ohio University			359,611			359,611
Other		157,407	119,651	4,775,937		5,052,995
TOTAL ASSETS	$ 188,789,402	$ 7,235,046	$ 30,877,755	$ 13,385,483	$ (12,722,266)	$ 227,565,420
LIABILITIES:						
Accounts payable:						
Ohio University	$ 1,185,372	$ -	$ -	$ -	$ -	$ 1,185,372
Trade and other	329,677	631,052	146,652	1,053,277		2,160,658
Deposits held in custody for others	1,134,691		119,651		(916,614)	337,728
Annuities payable	2,209,123					2,209,123
Charitable remainder trust obligation	545,914					545,914
Bonds payable			31,390,000			31,390,000
Notes payable		1,210,330	700,000	1,037,810		2,948,140
Other liabilities	(47,405)		123,135	924,367		1,000,097
Total liabilities	5,357,372	1,841,382	32,479,438	3,015,454	(916,614)	41,777,032
DHI MINORITY INTEREST					3,958,041	3,958,041

(Continued)

THE OHIO UNIVERSITY FOUNDATION AND SUBSIDIARIES

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
JUNE 30, 2004

	OUF	OU Inn	Housing for Ohio	DHI	Eliminations	Total
NET ASSETS:						
Unrestricted:						
Board of trustees-designated quasi-endowments	$ 9,266,072	$ -	$ -	$ -	$ -	$ 9,266,072
Board of trustees-designated other	3,080,240					3,080,240
Designated change in value	(741,058)					(741,058)
Designated underwater accounts	(5,355,042)					(5,355,042)
Undesignated	(4,439,877)		(1,601,683)			(6,041,560)
Total unrestricted	1,810,335	-	(1,601,683)	-	-	208,652
Temporarily restricted	84,651,271					84,651,271
Permanently restricted	96,970,424					96,970,424
Total net assets	183,432,030	-	(1,601,683)	-	-	181,830,347
STOCKHOLDERS' EQUITY:						
Common stock		3,429,182		13,037	(3,442,219)	
Preferred stock				3,846	(3,846)	
Additional paid-in capital		4,140,455		6,181,928	(10,322,383)	
Deferred stock compensation				(416,552)	416,552	
Retained earnings		(2,175,973)		4,587,770	(2,411,797)	
Total stockholders' equity	-	5,393,664	-	10,370,029	(15,763,693)	-
TOTAL LIABILITIES, NET ASSETS AND STOCKHOLDERS' EQUITY	$ 188,789,402	$ 7,235,046	$ 30,877,755	$ 13,385,483	$ (12,722,266)	$ 227,565,420

(Concluded)

THE OHIO UNIVERSITY FOUNDATION AND SUBSIDIARIES

SCHEDULE 2

CONSOLIDATING SCHEDULE OF ACTIVITIES
YEAR ENDED JUNE 30, 2004

	Unrestricted	OU Inn	Housing for Ohio	DHI	Total Unrestricted	Total Temporarily Restricted	Total Permanently Restricted	Eliminations	Total
REVENUES AND OTHER SUPPORT:									
Gifts and contributions	$ 454,339	$ -	$ -	$ -	$ 454,339	$ 7,694,388	$ 12,850,005	$ -	$ 20,998,732
University support	3,471,369				3,471,369				3,471,369
Income from investments:									
Interest and dividends	1,293,978	(500,000)	(300,000)		493,978	1,794,549	260		2,288,787
Change in market value of investments:									
Sold during the year	498,822				498,822	3,078,717	2,175		3,579,714
Held at year-end	3,054,542	(24,569)			3,029,973	6,337,242	(337,552)		9,029,663
Revenues from sales, services and events	193,679				193,679				193,679
Change in value—split-interest agreements	(4,530)				(4,530)	111,886	198,988		306,344
Other	284,819				284,819	100,452	791,525		1,176,796
Inn-Ohio of Athens, Inc. revenues		4,346,975			4,346,975				4,346,975
Housing for Ohio revenues			3,264,563		3,264,563				3,264,563
Diagnostic Hybrids, Inc. revenues				18,896,929	18,896,929	171,529	493,975		19,562,433
Subsidiary revenues	708,310				708,310	171,529	493,975	(1,373,814)	
	9,955,328	3,822,406	2,964,563	18,896,929	35,639,226	19,460,292	14,493,351	(1,373,814)	68,219,055
NET ASSETS RELEASED FROM RESTRICTIONS—									
Satisfaction of program restrictions:									
Alumni relations	6,259				6,259	(6,259)			
Institutional support	2,018,457				2,018,457	(2,018,457)			
Instruction and departmental support	4,648,269				4,648,269	(4,648,269)			
Academic services support	1,630,842				1,630,842	(1,630,842)			
Intercollegiate athletics support	286,875				286,875	(286,875)			
Student services	141,225				141,225	(141,225)			
Scholarships and fellowships	3,781,519				3,781,519	(3,781,519)			
Public services	131,239				131,239	(131,239)			
Research	58,389				58,389	(58,389)			
Fund-raising and developments	(100)				(100)	100			
Carry costs of real estate	8,428				8,428	(8,428)			
Total net assets released from restrictions	12,711,402	-	-	-	12,711,402	(12,711,402)	-	-	-
Total revenues and other support	22,666,730	3,822,406	2,964,563	18,896,929	48,350,628	6,748,890	14,493,351	(1,373,814)	68,219,055

(Continued)

THE OHIO UNIVERSITY FOUNDATION AND SUBSIDIARIES

SCHEDULE 2

CONSOLIDATING SCHEDULE OF ACTIVITIES
YEAR ENDED JUNE 30, 2004

	Unrestricted	OU Inn	Housing for Ohio	DHI	Total Unrestricted	Total Temporarily Restricted	Total Permanently Restricted	Eliminations	Total
EXPENSES:									
Program services:									
Alumni relations	$ 1,516,924	$ -	$ -	$ -	$ 1,516,924	$ -	$ -	$ -	$ 1,516,924
Institutional support	2,098,036				2,098,036				2,098,036
Instruction and departmental support	4,862,511				4,862,511				4,862,511
Academic services support	1,635,454				1,635,454				1,635,454
Intercollegiate athletics support	303,495				303,495				303,495
Student services	148,874				148,874				148,874
Scholarships and fellowships	3,781,519				3,781,519				3,781,519
Public services	131,273				131,273				131,273
Research	574,321				574,321				574,321
Supporting services:									
Fund-raising and development	4,485,335				4,485,335				4,485,335
Fund administration	529,356				529,356				529,356
Other	23,894				23,894				23,894
Inn-Ohio of Athens Inc. operations		3,963,547			3,963,547				3,963,547
Housing for Ohio operations			2,936,901		2,936,901				2,936,901
Diagnostic Hybrids, Inc. operations				17,419,639	17,419,639				17,419,639
Minority interest in Diagnostic Hybrids, Inc.								627,839	627,839
Carry costs of real estate	4,203				4,203				4,203
Total expenses	20,095,195	3,963,547	2,936,901	17,419,639	44,415,282	-	-	627,839	45,043,121
CHANGES IN NET ASSETS	2,571,535	(141,141)	27,662	1,477,290	3,935,346	6,748,890	14,493,351	(2,001,653)	23,175,934
Issuance of common stock									
Stock compensation				799,947	799,947			(799,947)	
NET ASSETS— Beginning of year	(761,200)	5,534,805	(1,629,345)	7,427,288	10,571,548	78,073,910	82,971,048	(12,962,093)	158,654,413
NET ASSETS—End of year	$ 1,810,335	$ 5,393,664	$ (1,601,683)	$ 9,704,525	$ 15,306,841	$ 84,822,800	$ 97,464,399	$ (15,763,693)	$ 181,830,347

(Concluded)

THE OHIO UNIVERSITY FOUNDATION AND SUBSIDIARIES

SCHEDULE 3

CONSOLIDATING SCHEDULE OF CASH FLOWS BY ENTITY
YEAR ENDED JUNE 30, 2004

	OUF	OU Inn	HFO	DHI	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Changes in net assets	$ 20,346,672	$(141,141)	$ 27,662	$ 2,942,741	$ 23,175,934
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:					
Noncash items:					
Depreciation and amortization	13,115	410,785	869,552	604,443	1,897,895
Stock compensation	799,947				799,947
Realized investment losses	(3,579,714)				(3,579,714)
Unrealized investment (gains) losses	(9,029,663)	24,569			(9,005,094)
Minority interest expense	627,839				627,839
Increase in cash surrender value of life insurance policie	(213,603)				(213,603)
Changes in current assets and liabilities:					
Increase in accounts receivable	(26,419)	(28,055)	(364,045)	(582,067)	(1,000,586)
Increase in pledges receivable	(5,430,129)				(5,430,129)
Increase in bequests receivable	(1,168,378)				(1,168,378)
Decrease in interest and dividends receivable	164,541				164,541
Increase in prepaid expenses	(85,561)	(4,211)	(81,927)	(34,918)	(206,617)
(Increase) decrease in other assets		(3,965)	99,315	(1,240,679)	(1,145,329)
Increase (decrease) in accounts payable	276,481	165,706	(3,397,274)	205,805	(2,749,282)
Increase (decrease) in other payables	(47,405)		44,821	(32,428)	(35,012)
Increase (decrease) in deposits held in custody for others	7,005		(60,874)		(53,869)
Net cash provided by (used in) operating activities	2,654,728	423,688	(2,862,770)	1,862,897	2,078,543
CASH FLOWS FROM INVESTING ACTIVITIES:					
Additions to property and equipment	(75,000)	(255,297)	1,036,971	(737,723)	(31,049)
Purchases of investments	(62,924,060)	(50,590)			(62,974,650)
Proceeds from sales of investments	61,898,475				61,898,475
Decrease in restricted cash			1,271,620		1,271,620
Decrease in notes receivable	45,000				45,000
Increase in charitable remainder trusts	(237,177)				(237,177)
Increase in investments subject to annuity agreements	(465,134)				(465,134)
Net cash provided by (used in) investing activities	(1,757,896)	(305,887)	2,308,591	(737,723)	(492,915)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Issuance of common stock					
Payments on notes and bonds payable		(115,000)	445,000	(351,726)	(21,726)
Net change in annuity obligations	173,697				173,697
Net cash provided by (used in) financing activities	173,697	(115,000)	445,000	(351,726)	151,971
NET INCREASE (DECREASE) IN CASH	1,070,529	2,801	(109,179)	773,448	1,737,599
CASH—Beginning of year	4,004,121	843,287	146,371	3,277,913	8,271,692
CASH—End of year	$ 5,074,650	$ 846,088	$ 37,192	$ 4,051,361	$ 10,009,291
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:					
Cash paid during the year for interest	$ -	$ 78,403	$ 325,089	$ 106,913	$ 510,405
Cash paid during the year for income tax	$ -	$ 46,009	$ -	$ 1,380,333	$ 1,426,342
SUPPLEMENTAL SCHEDULE OF NONCASH ACTIVITIES:					
Issuance of promissory note and other obligations for acquisition	$ -	$ -	$ -	$ 205,000	$ 205,000

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

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

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

Board of Trustees
The Ohio University Foundation

We have audited the consolidated financial statements of The Ohio University Foundation and Subsidiaries (the "Foundation"), as of and for the years ended June 30, 2004 and 2003, and have issued our report thereon dated October 8, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Foundation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements and not to provide assurance on internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and would not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses. However, we noted other matters involving internal control over financial reporting, which we have reported to management of the Foundation in a separate letter dated October 8, 2004.

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 grants, 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 that are required to be reported under *Government Auditing Standards.*

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

Deloitte & Touche LLP

October 8, 2004

Auditor of State
Betty Montgomery

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

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

OHIO UNIVERSITY FOUNDATION

ATHENS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 30, 2004