The Ohio State University Foundation

Financial Statements for the Year Ended June 30, 2004 and Independent Auditors' Report

Auditor of State
Betty Montgomery

Board of Directors
The Ohio State University Foundation
2080 Blankenship Hall
901 Woody Hayes Drive
Columbus, Ohio 43210-4016

We have reviewed the Independent Auditor's Report of The Ohio State University Foundation, Franklin County, prepared by Deloitte & Touche LLP, for the audit period July 1, 2003 to 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 State University Foundation is responsible for compliance with these laws and regulations.

Betty Montgomery

BETTY MONTGOMERY
Auditor of State

May 16, 2005

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THE OHIO STATE UNIVERSITY FOUNDATION

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Ohio State University Foundation
Columbus, Ohio

We have audited the accompanying statement of net assets of The Ohio State University Foundation (the "Foundation"), a component unit of The Ohio State University, for the year ended June 30, 2004 and the related statements of revenues, expenses and changes in net assets, and of cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Ohio State University Foundation as of June 30, 2004 and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 6 to the financial statements, previously reported nets assets as of June 30, 2003 have been restated.

Management's Discussion and Analysis is not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued or report dated January 31, 2005 on our consideration of the Foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Deloitte & Touche LLP

January 31, 2005

THE OHIO STATE UNIVERSITY FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2004

The following Management's Discussion and Analysis ("MD&A") of The Ohio State University Foundation's (the "Foundation") financial performance provides an introduction to the financial statements for the year ended June 30, 2004. The information contained in this MD&A should be considered in conjunction with the information contained in the Foundation's financial statements.

Overview

This annual report consists of financial statements and notes for the Foundation. The financial statements include a Statement of Net Assets showing the Foundation's assets, liabilities and net assets. Also included are a Statement of Revenue, Expenses and Changes in Net Assets, which shows the various sources of revenue and categorizes expenses by type. The third statement is a Statement of Cash Flows showing cash receipts and disbursements by category, allowing the reader to analyze the items affecting cash and cash flows within the Foundation.

As discussed in Note 6, subsequent to the issuance of the Foundation's 2003 financial statements, the Foundation's management determined that certain pledges receivable had been excluded from the financial statements, and that the reported amount of the charitable remainder trust liability had been understated. Accordingly, the Foundation has restated its previously reported net assets at June 30, 2003 for the effects of these matters. The accompanying Management's Discussion and Analysis gives effect to the restatement.

Statement of Net Assets

	2004
ASSETS:	
Current assets	$ 6,570,308
Other assets	362,579,429
Total assets	$369,149,737
LIABILITIES:	
Current liabilities	$ 1,102,003
Long-term liabilities	53,447,001
Total liabilities	54,549,004
NET ASSETS:	
Unrestricted	7,857,946
Restricted	34,807,398
Endowment	271,935,389
Total net assets	314,600,733
TOTAL LIABILITIES AND NET ASSETS	$369,149,737

Assets

Total current assets decreased from $24 million at June 30, 2003 to $6.6 million at June 30, 2004, due primarily to real estate of $16 million sold to the University.

Total noncurrent assets increased from $300 million at June 30, 2003 to $363 million at June 30, 2004 due primarily to the investment in The Ohio State University Endowment Fund, which increased by $59 million. The investments increased because of overall financial market performance.

Liabilities

Total current liabilities decreased from $16.8 million at June 30, 2003 to $1.1 million at June 30, 2004, primarily due to the $16 million sale of real estate, for which the Foundation borrowed funds from the University to finance.

Total noncurrent liabilities increased from $49 million at June 30, 2003 to $53 million at June 30, 2004 mostly due to an increase in the Gift Annuity Reserve. This was due to new gift annuities and the adjustment done at June 30 for the present value of payments expected to be made.

Net Assets

Net assets increased $56 million as a result of revenue exceeding operating expenses.

Statement of Revenues, Expenses and Changes in Net Assets

	2004
Operating revenues	$80,427,981
Operating expenses	24,713,989
Increase in net assets	$55,713,992

Operating Revenues

Overall, operating revenues increased from $57 million in 2003 to $80 million in 2004. The primary reason for the increase is improved investment performance. A detailed analysis of the components of Operating revenues follows:

Gifts decreased from $51 million in 2003 to $39 million in 2004.

Interest and dividends increased from $14 million in 2003 to $15 million in 2004. The increase is due to the University Endowment Fund distributing more income to the Foundation for its endowment accounts. This is because the Foundation has more endowment accounts at June 30, 2004 and consequently owns more shares of the University's endowment investment pool.

The realized/unrealized gains on marketable securities line item represents the adjustment of those assets to market value at June 30, 2004. The change in carrying value of remainder trusts also represents adjustment of those assets, net of their related liabilities, to market at June 30, 2004.

Miscellaneous income is principally funds the University transfers to the Foundation for general support and specific funding items.

Distributions to The Ohio State University decreased from $34 million in 2003 to $23 million in 2004 due to a decrease in endowment income and gifts passed on to the University from the Foundation.

Distributions to gift annuitants represent contractual payments to annuitants. Gift annuity remainder distributions represent distributions to the University for the accounts of annuitants passing away during the year. Gift annuity reserve adjustment reflects the adjustment to market of gift annuity assets, and the adjustment to present value of expected annuity payments. The adjustment also includes the difference between income earned and payments to annuitants.

Statement of Cash Flows

Operating activities	$ 37,593,408
Investing activities	(37,621,322)
Net decrease in cash and cash equivalents	(27,914)
Cash—beginning of year	177,182
Cash—end of year	$ 149,268

Operating activities and investing activities include positive and negative cash flow items.

The major positive cash flow item included in operating activities is cash received from contributors totaling $44 million. The largest negative cash flow item is distributions to The Ohio State University of $24 million.

Cash used in investing activities represents purchases of marketable securities totaling $40 million and real estate totaling $1 million. These are offset by proceeds from sales of marketable securities of $3 million and proceeds from the sales of real estate of $16 million.

THE OHIO STATE UNIVERSITY FOUNDATION

STATEMENT OF NET ASSETS
JUNE 30, 2004

ASSETS

CURRENT ASSETS:	
Cash and cash equivalents	$ 149,268
Pledges receivable—current portion—net	6,363,144
Accrued interest receivable	34,120
Other current assets	23,776
Total current assets	6,570,308
INVESTMENT IN THE OHIO STATE UNIVERSITY ENDOWMENT FUND	263,503,880
PLEDGES RECEIVABLE—Net	22,257,639
CHARITABLE REMAINDER TRUSTS	42,539,459
INVESTMENTS IN MARKETABLE SECURITIES	22,336,436
LIFE INSURANCE POLICIES	3,391,882
INVESTMENT IN REAL ESTATE	6,840,000
RECEIVABLE FROM THE OHIO STATE UNIVERSITY	1,264,898
OTHER ASSETS	445,235
TOTAL	$ 369,149,737

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES—Advance from The Ohio State University	$ 1,102,003
DEFERRED REVENUE	2,402,977
GIFT ANNUITY LIABILITIES	14,008,447
CHARITABLE REMAINDER TRUST LIABILITY	28,715,459
GIFT ANNUITIES RESERVE	8,309,306
ADVANCE FROM THE OHIO STATE UNIVERSITY	10,812
Total liabilities	54,549,004
NET ASSETS:	
Unrestricted	7,857,946
Restricted	34,807,398
Endowment	271,935,389
Total net assets	314,600,733
TOTAL	$ 369,149,737

See notes to financial statements.

THE OHIO STATE UNIVERSITY FOUNDATION

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2004

OPERATING REVENUES:	
Gifts	$ 38,936,457
Interest and dividends	15,337,544
Realized/unrealized gains on marketable securities—net	24,098,839
Gift annuity reserve adjustment	(192,037)
Change in carrying value of remainder trusts	1,487,891
Miscellaneous income	759,287
Total operating revenues	80,427,981
OPERATING EXPENSES:	
Distributions to The Ohio State University	22,804,306
Distributions to gift annuitants	1,655,123
Gift annuity remainder distributions	260,648
Salaries	103,063
Benefits	29,785
Legal fees	1,665
Audit fees	32,275
EDP training, hardware and software	7,063
Training and travel expense	1,902
Office supplies and expenses	1,452
Real estate taxes, fees and expenses	97
Provision for uncollectible pledges	(240,380)
Other	56,990
Total operating expenses	24,713,989
INCREASE IN NET ASSETS	55,713,992
NET ASSETS—June 30, 2003:	
As previously reported	232,863,106
Prior period adjustment (Note 6)	26,023,635
As restated	258,886,741
NET ASSETS—June 30, 2004	$314,600,733

See notes to financial statements.

THE OHIO STATE UNIVERSITY FOUNDATION

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2004

OPERATING ACTIVITIES:	
Cash received from contributors	$ 43,776,138
Interest and dividends received	14,761,287
Funding from The Ohio State University	605,657
Receipt of new gift annuity agreements	2,563,646
Receipt of new trust agreements	1,083,830
Investment income received on gift annuities	574,907
Distributions to The Ohio State University	(23,621,411)
Income distributions paid to gift annuitants	(1,655,123)
Distributions to gift annuity remainderman	(260,648)
Payments to vendors for supplies and services	(101,444)
Payments to or on behalf of employees	(103,063)
University employee benefit payments	(29,785)
Other receipts (payments)	(583)
Net cash provided by operating activities	37,593,408
INVESTING ACTIVITIES:	
Proceeds from sales of marketable securities	2,735,833
Purchases of marketable securities	(40,357,155)
Proceeds from sale of investments in real estate	16,367,571
Investment of cash in real estate	(1,000,237)
Purchase of real estate	1,000,237
Sale of real estate	(16,367,571)
Net cash used in investing activities	(37,621,322)
DECREASE IN CASH AND CASH EQUIVALENTS	(27,914)
CASH AND CASH EQUIVALENTS—Beginning of year	177,182
CASH AND CASH EQUIVALENTS—End of year	$ 149,268
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	$ 55,713,992
Adjustments to reconcile operating income to net cash provided by operating activities:	
Provision for uncollectible pledges	240,380
Unrealized gain on investments	(24,098,840)
Unrealized gain on charitable remainder trusts	(858,402)
Change in CSV of life insurance policies	(177,406)
Total gifts received in real estate	(499,763)
Adjustment to gift annuity reserve	452,694
Other	(15,718)
Changes in operating assets and liabilities:	
Decrease in pledges receivable	4,858,678
Increase in accrued interest receivable and other current assets	(1,350)
Decrease in other assets	23,776
Increase in receivable from The Ohio State University	(454,298)
Increase in advance from The Ohio State University	(362,807)
Increase in liability for gift annuities	1,323,687
Increase in gift annuity reserve	994,444
Increase in liability for charitable remainder trusts	454,341
Net cash provided by operating activities	$ 37,593,408

See notes to financial statements.

1. ACCOUNTING POLICIES

The following is a summary of significant accounting policies followed in preparing the financial statements:

Organization—The Ohio State University Foundation (the "Foundation") was incorporated as a not-for-profit organization in the State of Ohio on April 19, 1985, and operates for the benefit of and is a component unit of The Ohio State University (the "University"). The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Basis of Accounting—The financial statements of the Foundation have been prepared on the accrual basis of accounting. The preparation of financial statements in accordance 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 at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Pursuant to Governmental Accounting Standards Board ("GASB") Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting,* the Foundation follows GASB guidance as applicable to proprietary funds and Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Cash Equivalents—The Foundation considers all demand deposit accounts and money market funds with a maturity of three months or less at the date of purchase to be cash equivalents. All cash is principally on deposit with one bank.

At June 30, 2004, the carrying amount of the Foundation's deposits with financial institutions was $100 and the bank balance was $100, which was insured by the Federal Deposit Insurance Corporation (Category 1 as defined by GASB). In addition, the Foundation had $149,168 of cash equivalents, which were uncollateralized (Category 3 as defined by GASB).

Fund Accounting—To ensure the observance of limitations and restrictions placed on the use of resources available to the Foundation, the accounts of the Foundation are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported in the following fund groups:

Unrestricted Fund—The Unrestricted Fund represents funds which can be used by the Foundation for any purpose authorized by the Board of Directors.

Restricted Fund—The Restricted Fund represents funds which are restricted for a specific purpose determined by the donor. The Foundation maintains separate balances in its accounting records to account for the amounts available for such restricted purposes.

Endowment Fund—The Endowment Fund represents contributions in which the donor has stipulated, as a condition of the gift, that the principal be maintained intact and only the investment income of the fund be expended as the donor has specified.

Operating Revenue and Expenses—Operating revenues and expenses are distinguished from nonoperating items and generally result from providing services in connection with ongoing operations. The principal operating revenues are derived from gifts, interest and dividends, gains and losses on marketable securities and real estate investments and the change in other assets held by the Foundation. Operating expenses include distributions to the University and gift annuitants and related administrative expenses.

Gifts—Gifts are recorded at their fair market value as of the date received. This includes gifts of real estate for which fair market value is obtained by an independent appraisal.

In accordance with GASB Statement No. 33, *Accounting and Reporting for Nonexchange Transactions*, private donations are recognized when all eligibility requirements are met. The Foundation has recorded $28,620,783 (net of allowance for uncollectible pledges of approximately $4,063,000 at June 30, 2004) in pledges receivable as of June 30, 2004.

In-Kind Income—The facilities occupied by the Foundation are provided by the University. In addition, the University's Office of University Development and the Office of the Treasurer assist the Foundation in fund raising, gift processing and accounting. The value of the office space and services provided constitutes additional in-kind income to the Foundation that is not recorded.

Investments—Investments in the University's Endowment Fund are valued at share values reported by the University. The interest in unitrust, annuity trust and pooled income agreements are invested principally in Vanguard Mutual Funds and are carried at market value. Real estate is recorded at appraised value. Bonds and notes are recorded at values determined by market quotations. Mutual funds are recorded at share values reported by investment carriers. Realized gains or losses from sale or redemption of investments are based upon the cost of the specific investment sold or redeemed. Purchases and sales of investments are reflected on a trade-date basis.

Investment income is recorded in the fund in which the income was earned, except for income derived from endowments. Investment income on Endowment Fund assets is recorded in the fund to which the income was designated by the donor.

Reimbursement Agreement and Resolution—The Foundation and the University entered into an agreement in March 1989, to reimburse costs incurred by the University on behalf of the Foundation and to repay related advances from the University. In connection therewith, the Foundation's Board of Directors approved a resolution in April 1989, authorizing the Foundation to utilize undesignated income earned from unrestricted/restricted funds, as needed, to reimburse the University. On July 7, 2000 the University's Board of Trustees approved a resolution creating a funding plan for University development. Part of this plan includes support to reduce the Foundation's outstanding liability to the University. In 2004 a reduction of $164,000 was recognized.

Life Insurance Policies—The Foundation is the owner and beneficiary of certain life insurance policies. The policies classified in the Unrestricted Fund are single premium whole life insurance policies paid by the Foundation. These policies are recorded at their net present value, which was calculated using the risk free interest rate (approximately 4% at June 30, 2004). The policies classified in the Restricted Fund are whole life policies including both single premium and annual premium policies for which the donors are paying the premiums. These policies are recorded at their cash surrender value. The increase in the recorded value during the year is recorded in miscellaneous income.

2. INVESTMENTS

The Foundation's investments are categorized in accordance with the criteria established by the GASB to give an indication of the level or risk assumed as of June 30, 2004. Category 1 includes investments that are insured or registered or for which the securities are held by the Foundation or its agent in the Foundation's name. Category 2 includes investments that are uninsured and unregistered for which the securities are held by the counterparty's trust department or agent in the Foundation's name. Category 3 includes uninsured and unregistered investments for which securities are held by the counterparty or by its trust department or agent but not in the Foundation's name. Deposits and equities in pools of funds managed by other governmental units are not categorized.

The Foundation's most significant investment is in the University's Endowment Fund, which is disclosed separately on the statement of net assets. Investments in marketable securities at June 30 are comprised of:

	2004
Restricted Fund:	
Money Market Funds	$ 542,812
U.S. Treasury Note, 3.625%, due 1/15/2008 (Category 3)	254,312
U.S. Treasury Note, 3.875%, due 1/15/2009 (Category 3)	639,018
U.S. Treasury Bond, 4.25%, due 1/15/2010 (Category 3)	319,741
U.S. Treasury Note, 3.50%, due 1/15/2011 (Category 3)	299,800
U.S. Treasury Note, 3.00%, due 7/15/2012 (Category 3)	565,218
U.S. Treasury Bonds, due 7/15/2013 (Category 3)	1,011,024
Financing Corp., 10.70%, due 10/6/2017 (Category 3)	284,645
Vanguard S&P 500 Fund	6,057,785
Vanguard Bond Market Portfolio	7,122,798
Vanguard Small Cap Index Fund	5,223,423
Total Restricted Fund	22,320,576
Endowment Fund—Worthington Station Ltd. (Category 3)	15,860
Total investments in marketable securities	$22,336,436

3. GIFT ANNUITIES

The Foundation has entered into charitable gift annuity agreements which provide, among other matters, that the Foundation shall pay periodic fixed payments to beneficiaries during their lifetimes. Charitable gift annuities differ from other charitable giving options in that the annuity is a general obligation of the Foundation. Accordingly, if the assets of the gift are exhausted as a result of required payments to beneficiaries, then the unrestricted assets of the Foundation will be utilized to fund future payments.

The Foundation accounts for such agreements by recording the fair market value of assets donated as of the date of the gift, and by recording the present value of the annuities payable, based on the term of the agreement, as a liability. The balance of the gift is recorded as a reserve for future payments.

As of June 30, 2004 the assets related to these investments had a fair market value of approximately $22,336,000, a present value of annuities payable of approximately $14,008,000 and reserves of approximately $8,309,000.

4. UNITRUST, ANNUITY TRUST AND POOLED INCOME AGREEMENTS

An officer of the Foundation, as trustee, has entered into unitrust, annuity trust and pooled income agreements which provide, among other matters, that the trustee shall pay beneficiaries periodic payments until either the assets of the trust have been exhausted or until the death of the beneficiaries. Upon death of the beneficiaries, any remaining property in the trust or pooled income fund will be transferred to the Foundation in accordance with the agreements.

The Foundation accounts for such agreements by recording the fair market value of assets donated as of the date of gift, and by recording the present value of the annuity payable, based on the agreement, as a liability.

5. RELATED PARTY TRANSACTIONS

The University made net advances to the Foundation of approximately $1,113,000 as of June 30, 2004. The Foundation distributed approximately $22,889,000 in fiscal year 2004 to the University as directed by donors. The Foundation had receivables from the University of approximately $1,265,000 as of June 30, 2004.

The investment in the University's Endowment Fund reflects the Foundation's participation in the central investment program of the University Endowment Fund. The University employs the share method of accounting for pooled investments and for proportionate distribution of income to each fund which participates in the pool.

6. PRIOR PERIOD ADJUSTMENT

Subsequent to the issuance of the Foundation's 2003 financial statements, the Foundation's management determined that certain pledges receivable totaling $27,200,372 (net of allowance of $4,303,354) had been excluded. Additionally, the Foundation had understated the carrying value of remainder trusts by $1,176,737. As a result, beginning net assets in the accompanying financial statements have been restated from the amounts previously reported.

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ADDITIONAL INFORMATION

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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 Directors
The Ohio State University Foundation

We have audited the financial statements of The Ohio State University Foundation (the "Foundation") as of and for the year ended June 30, 2004, and have issued our report thereon dated January 31, 2005, which report contains an explanatory paragraph relating to the restatement of the 2003 financial statements. 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 of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Foundation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Foundation's ability to record process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described below.

Pledges

In 2001 the Foundation adopted Governmental Accounting Standards Board ("GASB") No. 33, *Accounting and Financial Reporting for Nonexchange Transactions.* Private donations, which were not previously recognized until received, are now recognized when all eligibility requirements are met. The Foundation is not responsible for maintaining the pledge information; rather this is performed by the Office of Development from The Ohio State University. The database used for accumulating the pledge information was not originally established for the reporting of pledges as required under GASB No. 33, but as a marketing tool for analysis purpose only.

The following items were noted:

- Pledges have not been properly classified as University or Foundation which resulted in a current year restatement of net assets as of June 30, 2003.

- The assessments necessary to ascertain proper classification and recording of pledges in accordance with GASB No. 33 had not initially been performed by personnel with sufficient understanding of the statement.

- Subsequent to initial recognition and classification of pledges, the Foundation has not monitored the satisfaction of eligibility requirements contained within the pledge agreements.

- Proper documentation for pledges has not been maintained.

Trusts

The prior year schedule of remainder trust liabilities was incorrect and therefore, the prior year financial statements were misstated and, as such, the Foundation has restated its beginning net assets.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements, whether caused by error or frauds in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We consider the reportable conditions described above to be material weaknesses.

We also noted certain additional matters that we reported to management in a separate letter dated January 31, 2005.

Compliance and Other Matters

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

This report is intended solely for the information and use of the Foundation's management, The Ohio State University and the Ohio Auditor of State and is not intended to be and should not be used by anyone other than those specified parties.

Deloitte & Touche LLP

January 31, 2005

Auditor of State
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THE OHIO STATE UNIVERSITY FOUNDATION

FRANKLIN 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
MAY 26, 2005