The Ohio State University Foundation

Financial Statements for the Years Ended June 30, 2006 and 2005, Additional Information for the Years Ended June 30, 2006 and 2005, and Independent Auditors' Report

Mary Taylor, CPA
Auditor of State

Board of Directors
The Ohio State University Foundation
2040 Blankenship Hall
901 Woody Hayes Drive
Columbus, Ohio 43210-4016

We have reviewed the *Independent Auditors' Report* of The Ohio State University Foundation, Franklin County, prepared by Deloitte & Touche LLP, for the audit period July 1, 2005 through June 30, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

February 15, 2007

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THE OHIO STATE UNIVERSITY FOUNDATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Ohio State University Foundation
Columbus, Ohio

We have audited the accompanying statements of net assets of The Ohio State University Foundation (the "Foundation"), a component unit of The Ohio State University, as of June 30, 2006 and 2005, and the related statements of revenues, expenses, and changes in net assets, and of cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2006 and 2005, 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.

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 our report dated December 28, 2006 on our consideration of the Foundation's internal control over financial reporting and our tests of its compliance and other matters. The purpose of that report is to describe the scope of our 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 audits.

Deloitte & Touche LLP

December 28, 2006

THE OHIO STATE UNIVERSITY FOUNDATION

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006

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, 2006. 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 Statements of Net Assets showing the Foundation's assets, liabilities, and net assets. Also included are a Statements 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 Statements 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.

Statements of Net Assets

	2006	2005
ASSETS:		
Current assets	$ 10,550,580	$ 12,090,205
Other assets	434,891,098	388,477,307
Total assets	$445,441,678	$400,567,512
LIABILITIES:		
Current liabilities	$ 137,363	$ 1,153,046
Long-term liabilities	48,984,784	50,939,504
Total liabilities	49,122,147	52,092,550
NET ASSETS:		
Unrestricted	2,274,167	5,723,415
Restricted	29,529,822	33,433,746
Endowment	364,515,542	309,317,801
Total net assets	396,319,531	348,474,962
TOTAL LIABILITIES AND NET ASSETS	$445,441,678	$400,567,512

Assets

Total current assets decreased from $12.1 million at June 30, 2005 to $10.5 million at June 30, 2006, primarily due to a decrease of pledges receivable of $1.9 million. This was caused by normal scheduled payments being made by donors for their pledge commitments.

Total noncurrent assets increased from $388 million at June 30, 2005 to $435 million at June 30, 2006 due primarily to the investment in The Ohio State University Endowment Fund, which increased by $55 million. The investments increased because of overall financial market performance and new gifts to the Endowment of $39 million.

Liabilities

Total current liabilities decreased from $1.2 million at June 30, 2005 to $137 thousand at June 30, 2006, primarily due to real estate sold, for which the Foundation borrowed $1 million from the University to finance the purchase in 2005 and repaid in 2006 at the time of sale.

Total noncurrent liabilities decreased from $51 million at June 30, 2005 to $49 million at June 30, 2006 due primarily to the maturity of trust agreements of approximately $2.3 million in 2006. This amount was slightly offset by new trusts established.

Net Assets

Net assets increased $48 million as a result of revenue exceeding operating expenses.

Statements of Revenues, Expenses, and Changes in Net Assets

	2006	2005
Operating revenues	$ 87,897,755	$ 71,348,310
Operating expenses	40,053,184	37,474,083
Increase in net assets	$ 47,844,571	$ 33,874,227

Operating Revenues

Overall, operating revenues increased from $71 million in 2005 to $88 million in 2006. The primary reason for the increase is investment performance. A detailed analysis of the components of Operating revenues follows:

Gifts increased from $47 million in 2005 to $48 million in 2006.

Interest and dividends were comparable with $19 million in 2005 and in 2006.

The realized/unrealized gains on marketable securities line item represents the adjustment to both restricted endowments assets to market value at June 30, 2006. The net adjustment to market for both restricted and endowment marketable securities increased from $3 million to $17 million in the current year, while the change in carrying value of remainder trusts also represents adjustment of those assets, net of their related liabilities, to market at June 30, 2006. The net market adjustment in the carrying value of remainder trusts increased from approximately $1 million in June 30, 2005 to $3 million in June 30, 2006.

Miscellaneous income for unrestricted funds is principally funds the University transfers to the Foundation for general support and specific funding items. For the restricted funds the increase is due to insurance policies cash surrender value increase as of June 30, 2006.

Distributions to The Ohio State University, not including payments received on accounts receivable and payments toward advances, increased from $34 million in 2005 to $36 million in 2006 due to an increase in gifts passed on to the University from the Foundation. For the year ended June 30, 2006 the Foundation also distributed approximately $1.9 million in gifts to other charities.

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.

Statements of Cash Flows

	2006	2005
Operating activities	$ 33,278,379	$ 30,739,243
Investing activities	(33,305,287)	(30,723,394)
Net increase (decrease) in cash and cash equivalents	(26,908)	15,849
Cash—beginning of year	165,117	149,268
Cash—end of year	$ 138,209	$ 165,117

The major positive cash flow item included in operating activities is cash received from contributors totaling $54 million. The largest negative cash flow item is distributions to The Ohio State University of $37 million. Total distributions to The Ohio State University include, distributions from donors and payments on advances net of cash received on accounts receivable.

Cash used in investing activities represents purchases of marketable securities totaling $41 million. This is offset by proceeds from sales of marketable securities of $5 million and proceeds from the sales of real estate of $2 million.

THE OHIO STATE UNIVERSITY FOUNDATION

STATEMENTS OF NET ASSETS
AS OF JUNE 30, 2006 AND 2005

	2006	2005
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 138,209	$ 165,117
Pledges receivable—current portion—net	9,958,178	11,865,067
Accrued interest receivable	34,172	34,136
Other current assets	420,021	25,885
Total current assets	10,550,580	12,090,205
INVESTMENT IN THE OHIO STATE UNIVERSITY ENDOWMENT FUND	355,527,573	300,579,759
PLEDGES RECEIVABLE—Net	10,135,776	13,775,433
CHARITABLE REMAINDER TRUSTS	39,301,809	42,294,786
INVESTMENTS IN MARKETABLE SECURITIES	22,696,203	22,306,700
LIFE INSURANCE POLICIES	4,011,896	3,465,464
INVESTMENT IN REAL ESTATE	2,300,501	4,732,501
RECEIVABLE FROM THE OHIO STATE UNIVERSITY	917,340	903,314
OTHER ASSETS		419,350
TOTAL	$ 445,441,678	$ 400,567,512
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES—Advance from The Ohio State University	$ 137,363	$ 1,153,046
DEFERRED REVENUE	568,250	478,610
GIFT ANNUITY LIABILITIES	12,636,193	13,309,504
CHARITABLE REMAINDER TRUST LIABILITY	25,738,943	28,172,840
GIFT ANNUITIES RESERVE	10,041,398	8,978,550
Total liabilities	49,122,147	52,092,550
NET ASSETS:		
Unrestricted	2,274,167	5,723,415
Restricted	29,529,822	33,433,746
Endowment	364,515,542	309,317,801
Total net assets	396,319,531	348,474,962
TOTAL	$ 445,441,678	$ 400,567,512

See notes to financial statements.

THE OHIO STATE UNIVERSITY FOUNDATION

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	2006	2005
OPERATING REVENUES:		
Gifts	$ 48,321,415	$ 47,177,726
Interest and dividends	19,107,714	18,594,511
Realized/unrealized gains on marketable securities—net	16,596,227	2,826,740
Realized/unrealized (losses) on real estate	(123,513)	(260,197)
Gift annuity reserve adjustment	520,964	1,713,443
Change in carrying value of remainder trusts	2,755,956	1,051,445
Miscellaneous income	718,992	244,642
Total operating revenues	87,897,755	71,348,310
OPERATING EXPENSES:		
Distributions to The Ohio State University	36,098,001	33,695,523
Distributions to gift annuitants	1,790,582	1,782,450
Gift annuity remainder distributions	164,461	1,648,783
Distributions to other charities	1,944,025	
Salaries	110,096	106,980
Benefits	32,653	32,308
Real estate taxes, fees, and expenses	3,699	27,033
Provision for uncollectible pledges	(197,491)	124,703
Other	107,158	56,303
Total operating expenses	40,053,184	37,474,083
INCREASE IN NET ASSETS	47,844,571	33,874,227
NET ASSETS—Beginning of year	348,474,960	314,600,733
NET ASSETS—End of year	$396,319,531	$348,474,960

See notes to financial statements.

THE OHIO STATE UNIVERSITY FOUNDATION

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	2006	2005
OPERATING ACTIVITIES:		
Cash received from contributors	$ 54,155,090	$ 47,096,437
Interest and dividends received	17,500,650	17,697,103
Funding from The Ohio State University	591,910	196,944
Receipt of new gift annuity agreements	906,470	1,656,983
Receipt of new trust agreements	191,717	144,018
Investment income received on gift annuities	1,212,926	895,301
Distributions to The Ohio State University	(37,127,710)	(33,293,706)
Income distributions paid to gift annuitants	(1,790,582)	(1,782,450)
Distributions to gift annuity remainderman	(164,461)	(1,648,783)
Payments to vendors for supplies and services	(110,857)	(83,316)
Payments to or on behalf of employees	(110,096)	(106,980)
University employee benefit payments	(32,653)	(32,308)
Distributions to other charities	(1,944,025)	
Net cash provided by operating activities	33,278,379	30,739,243
INVESTING ACTIVITIES:		
Proceeds from sales of marketable securities	5,223,363	4,184,810
Purchases of marketable securities	(40,837,136)	(37,768,007)
Proceeds from sale of investments in real estate	2,308,486	2,859,803
Net cash used in investing activities	(33,305,287)	(30,723,394)
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(26,908)	15,849
CASH AND CASH EQUIVALENTS—Beginning of year	165,117	149,268
CASH AND CASH EQUIVALENTS—End of year	$ 138,209	$ 165,117
RECONCILIATION OF INCREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Increase in net assets	$ 47,844,571	$ 33,874,227
Adjustments to reconcile increase in asstes to net cash provided by operating activities:		
Unrealized gain on investments	(16,596,227)	(2,826,741)
Unrealized loss on real estate	123,513	260,217
Unrealized gain on charitable remainder trusts	(2,403,240)	(663,778)
Change in CSV of life insurance policies	(546,432)	(73,582)
Total gifts received in real estate		(1,012,501)
Adjustment to gift annuity reserve	(356,503)	(64,660)
Other	(4,001)	(26,760)
Changes in operating assets and liabilities:		
Decrease in pledges receivable	5,546,546	2,980,283
Increase (decrease) in deferred revenue	89,640	(1,924,367)
Increase in accrued interest receivable and other current assets	(394,172)	(2,107)
Decrease in other assets	419,350	25,884
(Increase) decrease in receivable from The Ohio State University	(14,026)	361,584
Decrease (increase) in advance from The Ohio State University	(1,015,683)	40,231
Decrease in liability for gift annuities	428,205	105,688
Decrease (increase) in gift annuity reserve	317,837	(70,727)
Increase in liability for charitable remainder trusts	(160,999)	(243,648)
Net cash provided by operating activities	$ 33,278,379	$ 30,739,243

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, 2006 and 2005, the carrying amount of the Foundation's deposits with financial institutions was $100. These deposits were insured by the Federal Deposit Insurance Corporation (Category 1 as defined by GASB). In addition, the Foundation had $138,109 and $165,017, respectively, of cash equivalents, which were uncollateralized.

Pledges Receivable—The Foundation receives pledges and bequests of financial support from corporations, foundations and individuals. Revenue is recognized when a pledge representing an unconditional promise to pay is received and all eligibility requirements have been met. In the absence of such promise, revenue is recognized when the gift is received. In accordance with GASB Statement No. 33, *Accounting and Reporting for Nonexchange Transactions,* endowment pledges are not recorded as assets until the related gift is received. The Foundation reduces pledges receivable to estimated net realizable value by recording an allowance for uncollectible pledges. The allowance is estimated using a four-year rolling average of canceled pledges divided by net pledges receivable. For the years ended June 30, 2006 and 2005, the Foundation recorded an allowance against pledges receivable of approximately $7,600,000 and $7,800,000, respectively.

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 Revenues 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, private donations are recognized when all eligibility requirements are met. The Foundation has recorded $20,093,954 and $25,640,510, respectively, (net of allowance for uncollectible pledges of approximately $7,590,000 and $4,188,000, respectively, at June 30, 2006 and 2005) in pledges receivable as of June 30, 2006 and 2005.

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. A reduction of $170,560 was recognized in both 2006 and 2005.

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, 2006 and 2005). 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.

New Accounting Standards—In September 2006, GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues.* This statement establishes criteria that governments will use to ascertain whether the proceeds received should be reported as revenue or as a liability. This statement also includes guidance to be used for recognizing other assets and liabilities arising from a sale of specific receivables or future revenues, including residual interests and recourse provisions. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2006. The Foundation's management has not determined the impact the implementation of GASB 48 will have on the reported financial tatements.

2. INVESTMENTS

Investments in marketable securities and the Foundation endowment at June 30, 2006 and 2005, are as follows:

	2006	2005
Common stock	$113,709,774	$ 85,779,276
Equity mutual funds	131,291,987	119,379,517
U.S. government obligations	7,629,703	11,766,387
U.S. government agency obligations	6,315,845	7,048,494
Corporate bonds and notes	12,568,058	8,390,377
Bond mutual funds	52,843,842	51,503,319
International bonds	3,407,067	
Partnerships and hedge	27,438,455	14,620,381
Real estate	17,590,135	15,139,550
Cash and cash equivalents	4,255,853	8,162,889
Other	1,173,056	1,096,269
Total	$378,223,776	$322,886,459

Additional Risk Disclosures on Deposits and Investments—GASB Statement Nos. 3 and 40 require certain additional disclosures related to the interest rate, credit and foreign currency risks associated with deposits and investments.

Interest-Rate Risk—Interest-rate is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments with interest rates that are fixed for longer periods are likely to be subject to more variability in their fair values as a result of future changes in interest rates.

The maturities of the Foundation's interest-bearing investments at June 30, 2006, are as follows:

		Investment Maturities (in years)			
	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
U.S. government obligations	$ 7,629,703	$ 274,730	$ 2,970,205	$ 3,468,411	$ 916,357
U.S. agency obligations	6,315,845	636,819	2,069,408	1,337,889	2,271,730
Corporate bonds	12,568,058	526,877	4,001,064	4,674,222	3,365,896
Bond mutual funds	52,843,842	1,821,389	24,805,538	17,492,283	8,724,633
International bonds	3,407,067		59,146	1,424,271	1,923,650
Total	$82,764,515	$ 3,259,815	$33,905,361	$28,397,076	$17,202,266

Credit Risk—Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit quality information—as commonly expressed in terms of the credit ratings issued by nationally recognized statistical rating organizations such as Moody's Investors Service, Standard & Poor's, or Fitch Ratings—provides a current depiction of potential variable cash flows and credit risk.

The credit ratings of the Foundation's interest-bearing investments at June 30, 2006, are as follows:

Credit Rating (Moody's)	Total	U.S. Government and Agency Obligations	Corporate Bonds	Bond Mutual Funds	International Bonds
Aaa	$43,563,733	$13,945,548	$ 1,451,474	$28,166,711	$ -
Aa	4,012,123		694,180	3,317,943	
A	9,506,001		3,034,995	6,309,802	161,204
Baa	7,062,420		2,469,396	4,126,481	466,543
Ba	5,666,396		769,258	2,887,757	2,009,381
B	10,025,859		3,327,821	6,134,682	563,356
Caa	1,690,501		820,935	834,253	35,313
C	98,188			98,188	
Unrated	1,139,294			968,025	171,269
Total	$82,764,515	$13,945,548	$12,568,059	$52,843,842	$3,407,066

Foreign Currency Risk—Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. At June 30, 2006, the Foundation's exposure to foreign currency risk is as follows:

	Common Stocks	Equity Mutual Funds	Bond Mutual Funds	International Bonds
Argentine Peso	$ -	$ 37,798	$ -	$ 171,241
Australian Dollar	366,920	627,675	419,849	
Brazilian Real	159,124	292,598	98,701	281,763
Canadian Dollar	765,662	942,487	595,731	
Chinese Yuan		188,689		
EURO	5,641,017	3,982,223	2,658,280	
Hong Kong Dollar	527,561	180,793		
Japanese Yen	4,148,575	2,830,847	1,381,890	
Mexican Peso	96,480	118,489	151,577	108,696
Norwegian Kroner	742,243	219,860		
Polish Zioto		16,247	243,228	
Pound Sterling	3,229,985	3,031,056	436,898	
Russian Rouble		225,225		
Singapore Dollar	120,428	93,638	253,803	
South African Rand	574,764	180,024	14,100	
South Koren Won	342,965	368,061		
Swedish Krona	494,272	265,727	169,202	
Swiss Franc	685,227	449,994		
Taiwan Dollar		216,918		
Thailand Baht	140,463	69,120	21,150	
Other Foreign Currencies	267,065	223,410	229,127	
Total	$ 18,302,751	$ 14,560,879	$ 6,673,536	$ 561,700

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, 2006 and 2005 the assets related to these investments had a fair market value of approximately $22,696,000 and $22,307,000, respectively, a present value of annuities payable of approximately $12,636,000 and $13,309,000, respectively, and reserves of approximately $10,041,000 and $8,979,000, respectively.

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 $137,000 and $1,153,000 as of June 30, 2006 and 2005, respectively. The Foundation distributed approximately $36,098,000 and $33,696,000 in fiscal years 2006 and 2005, respectively, to the University as directed by donors. The Foundation had receivables from the University of approximately $917,000 and $903,000 as of June 30, 2006 and 2005, respectively.

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.

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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*

To the Board of Directors of
The Ohio State University Foundation:

We have audited the financial statements of The Ohio State University Foundation (the "Foundation") as of and for the years ended June 30, 2006 and 2005, and have issued our report thereon dated December 28, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Foundation's internal control over financial reporting 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses.

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 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.

We also noted certain additional matters that we reported to management in a separate letter dated December 28, 2006.

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

December 28, 2006

Mary Taylor, CPA
Auditor of State

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
MARCH 1, 2007

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