

FINANCIAL REPORT

For the Fiscal Year
Ended June 30, 1998



The Ohio University Foundation
Athens, Ohio



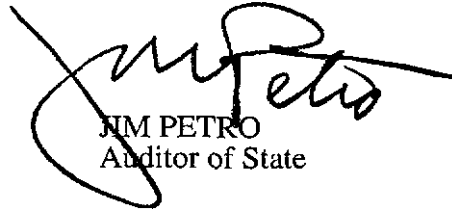
STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

35 North Fourth Street, 1st Floor
Columbus, Ohio 43215
Telephone 614-466-4514
800-282-0370
Facsimile 614-728-7398

Board of Trustees
The Ohio University Foundation

We have reviewed the Independent Auditor's Report of The Ohio University Foundation, Athens County, prepared by Arthur Andersen LLP for the audit period July 1, 1997 through June 30, 1998. 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.



JIM PETRO
Auditor of State

August 8, 2000

TO

**THE PRESIDENT AND TRUSTEES OF
THE OHIO UNIVERSITY FOUNDATION**

**I herewith tender the Financial Statements
of The Ohio University Foundation for the period
July 1, 1997 through June 30, 1998.**

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Richard P. Siemer", written in a cursive style.

Richard P. Siemer, Treasurer

BOARD OF TRUSTEES MEMBERS

TERM EXPIRES
JULY

Robert Arter, Leavenworth, Kansas	2000
Robert P. Axline, Jr., Northboro, Massachusetts	2000
Deborah Phillips Bower, Columbus, Ohio	2000
Jeanette Grasselli Brown, Chagrin Falls, Ohio	2000
Richard H. Brown, Rockwood, Maine	1999
Gordon F. Brunner, Cincinnati, Ohio	2001
Sydney E. Buck, Corona del Mar, California	1999
William Burke, New Albany, Ohio	2000
David L. Burner, Hudson, Ohio	1999
Steven Carin, Jr., Guysville, Ohio	1999
Richard F. Carlile, Dayton, Ohio	1999
Alfred G. Corrado, Shaker Heights, Ohio	2000
James E. Daley, New York, New York	1999
John D. Davis, Ironton, Ohio	2000
Charles R. Emrick, Jr., Westlake, Ohio	1999
Charlotte Coleman Eufinger, Marysville, Ohio	2000
Robert Glidden, Athens, Ohio	
N. Victor Goodman, New Albany, Ohio	2001
B. T. Grover, Jr., Athens, Ohio	2000
J. Richard Hamilton, Bratenahl, Ohio	1998
Thomas S. Hodson, Athens, Ohio	1998
Leona H. Hughes, Sarasota, Florida	2001
J. Davis Illingworth, Jr., Irvine, California	2000
Scott C. Kirschman, Cincinnati, Ohio	2000
Wilfred R. Konneker, Ladue, Missouri	Life Trustee
Richard A. Lancaster, Charlotte, North Carolina	2000
Penny S. Lauer, Moreland Hills, Ohio	1999
Richard T. Lewis, Lake Forest, Illinois	1999
Robert W. Litter, Chillicothe, Ohio	2000
Sheila R. McHale, Aurora, Ohio	2000
Cruse W. Moss, Ann Arbor, Michigan	2001
Philip Muck, Sewickley, Pennsylvania	2001
Howard E. Nolan, Oviedo, Florida	2000
Karol A. Ondick, Enon, Ohio	2001
Jerry P. Peppers, Scarsdale, New York	2000
Leonard R. Raley, Athens, Ohio	
John E. Reynolds III, Centerville, Ohio	1999
Alan E. Riedel, Houston, Texas	2001
T. Richard Robe, Salem, South Carolina	2001
Lucille L. Schey, Westlake, Ohio	2000
Daniel Kung-Chuen Shao, Hong Kong	2001
Richard P. Siemer, Athens, Ohio	
Lola Signom, Dayton, Ohio	1999
William J. Sitterley, Lancaster, Ohio	1999
C. David Snyder, Lakewood, Ohio	2001
John P. Susany, Rocky River, Ohio	1998
Terry E. Trimmer, Lakewood, Ohio	1998
Frank E. Underwood, Petersburg, Virginia	1999
Donald H. Voelker, Belleair, Florida	2001
Alan I. Weinberg, Norcross, Georgia	2000
Harry W. White, St. Clairsville, Ohio	2000

BOARD OF TRUSTEES MEMBERS, CONTINUED

TERM EXPIRES
JULY

Richard R. Wilhelm, New York, New York	2000
Joseph B. Yanity, Jr., Athens, Ohio	2000

1997-98 OFFICERS	
James E. Daley, Chairman	1998
Charlotte Coleman Eufinger, Vice Chairman	1998
Frank E. Underwood, Secretary	1998
Richard P. Siemer, Treasurer	1998
Leonard R. Raley, Executive Director	1998

1998-99 OFFICERS	
James E. Daley, Chairman	1999
Charlotte Coleman Eufinger, Vice Chairman	1999
Frank E. Underwood, Secretary	1999
Richard P. Siemer, Treasurer	1999
Leonard R. Raley, Executive Director	1999

REAPPOINTMENTS	
Leona H. Hughes, Sarasota, Florida	2001
Karol A. Ondick, Enon, Ohio	2001
Alan E. Riedel, Houston, Texas	2001
Daniel Kung-Chuen Shao, Hong Kong	2001
Donald H. Voelker, Belleair, Florida	2001

NEW APPOINTMENTS	
Gordon F. Brunner, Cincinnati, Ohio	2001
William Burke, New Albany, Ohio	2000
Scott C. Kirschman, Cincinnati, Ohio	2000
Cruse W. Moss, Ann Arbor, Michigan	2001
Philip F. Muck, Sewickley, Pennsylvania	2001
T. Richard Robe, Salem, South Carolina	2001
C. David Snyder, Lakewood, Ohio	2001

THE OHIO UNIVERSITY FOUNDATION

INDEX FOR COMBINING FINANCIAL STATEMENTS

AS OF JUNE 30, 1998 AND 1997

	<u>Page(s)</u>
Report of Independent Public Accountants	1
Combining Statements of Financial Position	2-5
Combining Statements of Activities	6-9
Combined Statements of Cash Flows	10-11
Notes to Combining Financial Statements	12-25

ARTHUR ANDERSEN LLP

Report of Independent Public Accountants

To the Board of Trustees of
The Ohio University Foundation:

We have audited the accompanying combining statements of financial position of THE OHIO UNIVERSITY FOUNDATION (an Ohio not-for-profit corporation) and subsidiary as of June 30, 1998 and 1997, and the related combining statements of activities and combined 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 generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Ohio University Foundation and subsidiary as of June 30, 1998 and 1997, and the changes in their net assets and cash flows for the years then ended in conformity with generally accepted accounting principles.

Arthur Andersen LLP

Columbus, Ohio,
September 18, 1998.

THE OHIO UNIVERSITY FOUNDATION
COMBINING STATEMENT OF FINANCIAL POSITION

AS OF JUNE 30, 1998

	Unrestricted	Temporarily Restricted	Permanently Restricted	Agency	Enterprise	Eliminations	Total
ASSETS:							
Cash	\$ 518,693	\$ 509,218	\$ -	\$ -	\$ 381,826	\$ -	\$ 1,409,737
Accounts receivable	182,043	41,871	11,225	-	101,094	-	336,233
Pledges receivable	-	1,466,434	1,217,223	-	-	-	2,683,657
Interest and dividends receivables	307,634	370,350	2,739	978	-	-	681,701
Investment in securities	10,842,967	85,747,275	57,555,869	130,695	-	-	154,276,806
Investment in Inn-Ohio of Athens, Inc.	4,106,770	-	-	-	-	(4,106,770)	-
Property and equipment, net	339,464	-	248,464	-	6,127,106	-	6,715,034
Prepaid expenses	895	9,683	-	-	-	-	10,578
Cash surrender value - life insurance policies	183,411	399,337	1,123,271	-	-	-	1,706,019
Notes receivable	598,200	-	-	-	-	(447,199)	151,001
Charitable remainder trusts	-	-	1,014,544	-	-	-	1,014,544
Charitable gift annuity trusts	-	-	3,060,459	-	-	-	3,060,459
Other	-	-	-	-	173,770	-	173,770
Total assets	\$ 17,080,077	\$ 88,544,168	\$ 64,233,794	\$ 131,673	\$ 6,783,796	\$ (4,553,969)	\$172,219,539
LIABILITIES AND NET ASSETS/SHAREHOLDER'S EQUITY:							
Liabilities							
Accounts payable:							
- Ohio University	\$ 224,469	\$ 670,848	\$ -	\$ -	\$ -	\$ -	\$ 895,317
- Trade and other	48,204	122,428	-	-	396,864	-	567,496
Annuities payable	-	-	1,976,712	-	-	-	1,976,712
Deposits	-	-	-	-	-	-	-
Deposits held in custody for others	-	-	-	131,673	-	-	131,673
Long-term debt	-	-	-	-	1,832,963	-	1,832,963
Other payables	-	-	-	-	447,199	(447,199)	-
Total liabilities	272,673	793,276	1,976,712	131,673	2,677,026	(447,199)	5,404,161

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THE OHIO UNIVERSITY FOUNDATION
COMBINING STATEMENT OF FINANCIAL POSITION

AS OF JUNE 30, 1998
(Continued)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Agency	Enterprise	Eliminations	Total
Net assets:							
Unrestricted:							
- Board of Trustees designated quasi-endowments	\$ 14,236,890	-	-	-	-	-	\$ 14,236,890
- Board of Trustees designated other	1,518,232	-	-	-	-	-	1,518,232
- Undesignated	1,052,282	-	-	-	-	-	1,052,282
Temporarily restricted	-	17,942,903	-	-	-	-	17,942,903
Temporarily restricted funds designated as endowments	-	69,807,989	-	-	-	-	69,807,989
Permanently restricted	-	-	62,257,082	-	-	-	62,257,082
Shareholder's equity:							
Common stock, no par value, stated value \$10,000 per share, 750 shares authorized, 342,9181 shares issued and outstanding	-	-	-	-	3,429,182	(3,429,182)	-
Contributed capital	-	-	-	-	4,140,455	(4,140,455)	-
Retained deficit	-	-	-	-	(3,462,867)	3,462,867	-
Total net assets/ shareholder's equity	<u>16,807,404</u>	<u>87,750,892</u>	<u>62,257,082</u>	<u>-</u>	<u>4,106,770</u>	<u>(4,106,770)</u>	<u>166,815,378</u>
Total liabilities and net assets/ shareholder's equity	<u>\$ 17,080,077</u>	<u>\$ 88,544,168</u>	<u>\$ 64,233,794</u>	<u>\$ 131,673</u>	<u>\$ 6,783,796</u>	<u>\$ (4,553,969)</u>	<u>\$172,219,539</u>

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

THE OHIO UNIVERSITY FOUNDATION
COMBINING STATEMENT OF FINANCIAL POSITION

AS OF JUNE 30, 1997

	Unrestricted	Temporarily Restricted	Permanently Restricted	Agency	Enterprise	Eliminations	Total
ASSETS:							
Cash	\$ 13,867	\$ 750,635	\$ -	\$ 1,500	\$ 288,790	\$ -	\$ 1,054,792
Accounts receivable	55,093	7,154	3,640	-	167,775	-	233,662
Pledges receivable	-	2,047,208	1,427,611	-	-	-	3,474,819
Interest and dividends receivables	317,577	417,668	3,248	1,264	4,371	-	744,128
Investment in securities	11,042,747	70,970,247	50,307,253	132,910	-	-	132,453,157
Investment in Inn-Ohio of Athens, Inc.	3,556,252	-	-	-	-	(3,556,252)	-
Property and equipment, net	363,656	-	166,385	-	5,805,350	-	6,335,391
Prepaid expenses	8,706	21,202	-	-	-	-	29,908
Cash surrender value - life insurance policies	168,636	337,978	1,071,081	-	-	-	1,577,695
Notes receivable	604,200	-	-	-	-	(447,199)	157,001
Charitable remainder trusts	-	-	865,596	-	-	-	865,596
Charitable gift annuity trusts	-	-	2,612,662	-	-	-	2,612,662
Other	-	-	-	-	166,315	-	166,315
Total assets	<u>\$ 16,130,734</u>	<u>\$ 74,532,092</u>	<u>\$ 56,457,476</u>	<u>\$ 135,674</u>	<u>\$ 6,432,601</u>	<u>\$ (4,003,451)</u>	<u>\$ 119,705,126</u>
LIABILITIES AND NET ASSETS/SHAREHOLDER'S EQUITY:							
Liabilities							
Accounts payable:							
- Ohio University	\$ 308,576	\$ 2,380,785	\$ -	\$ -	\$ -	\$ -	\$ 2,689,361
- Trade and other	120,068	142,156	-	-	499,351	-	761,575
Annuities payable	-	-	1,465,558	-	-	-	1,465,558
Deposits	5,420	-	-	-	-	-	5,420
Deposits held in custody for others	-	-	-	135,674	-	-	135,674
Long-term debt	-	-	-	-	1,929,799	-	1,929,799
Other payables	-	-	-	-	447,199	(447,199)	-
Total liabilities	<u>434,064</u>	<u>2,522,941</u>	<u>1,465,558</u>	<u>135,674</u>	<u>2,876,349</u>	<u>(447,199)</u>	<u>6,987,387</u>

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THE OHIO UNIVERSITY FOUNDATION
COMBINING STATEMENT OF FINANCIAL POSITION

AS OF JUNE 30, 1997
(Continued)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Agency	Enterprise	Eliminations	Total
Net assets:							
Unrestricted:							
- Board of Trustees designated quasi-endowments	\$ 13,036,723	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,036,723
- Board of Trustees designated other	2,076,610	-	-	-	-	-	2,076,610
- Undesignated	583,337	-	-	-	-	-	583,337
Temporarily restricted	-	16,298,820	-	-	-	-	16,298,820
Temporarily restricted funds designated as endowments	-	55,730,331	-	-	-	-	55,730,331
Permanently restricted	-	-	54,991,918	-	-	-	54,991,918
Shareholder's equity:							
Common stock, no par value, stated value \$10,000 per share, 750 shares authorized, 342,9181 shares issued and outstanding	-	-	-	-	3,429,182	(3,429,182)	-
Contributed capital	-	-	-	-	2,980,701	(2,980,701)	-
Retained deficit	-	-	-	-	(2,853,631)	2,853,631	-
Total net assets/shareholder's equity	<u>15,696,670</u>	<u>72,029,151</u>	<u>54,991,918</u>	<u>-</u>	<u>3,556,252</u>	<u>(3,556,252)</u>	<u>142,717,739</u>
Total liabilities and net assets/shareholder's equity	<u>\$ 16,130,734</u>	<u>\$ 74,552,092</u>	<u>\$ 56,457,476</u>	<u>\$ 135,674</u>	<u>\$ 6,432,601</u>	<u>\$ (4,003,451)</u>	<u>\$ 149,705,126</u>

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

THE OHIO UNIVERSITY FOUNDATION

COMBINING STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 1998

	Unrestricted	Temporarily Restricted	Permanently Restricted	Enterprise	Eliminations	Total
REVENUES AND OTHER SUPPORT:						
Gifts and contributions	\$ 453,932	\$ 3,533,528	\$ 7,095,393	\$ -	\$ -	\$ 11,102,853
University support	2,477,125	-	-	-	-	2,477,125
Income from investments- Interest and dividends	1,173,069	2,846,259	146,500	-	-	4,165,828
Equity in loss of Inn-Ohio of Athens, Inc.	(609,236)	-	-	-	609,236	-
Change in market value of investments: Sold during the year	562,708	7,036,888	70,153	-	-	7,669,749
Held at year-end	1,186,270	9,849,758	(11,921)	-	-	11,024,107
Revenues from sales, services and events	27,971	-	-	3,405,358	-	3,433,329
Other	334,156	70,985	99,776	-	-	504,917
Net assets released from restrictions- Satisfaction of program restrictions:						
- Alumni relations	51,925	(51,925)	-	-	-	-
- Institutional support	438,961	(438,961)	-	-	-	-
- Instruction and departmental support	3,533,622	(3,533,622)	-	-	-	-
- Academic services support	817,782	(817,782)	-	-	-	-
- Intercollegiate athletics support	232,303	(232,303)	-	-	-	-
- Student services	295,969	(295,969)	-	-	-	-
- Scholarships and fellowships	2,094,081	(2,094,081)	-	-	-	-
- Public services	95,282	(95,282)	-	-	-	-
- Research	60,428	(60,428)	-	-	-	-
- Fundraising and development	15,324	(15,324)	-	-	-	-
Total net assets released from restrictions	7,635,677	(7,635,677)	-	-	-	-
Total revenues and other support	13,241,672	15,721,741	7,399,901	3,405,358	609,236	40,377,908

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THE OHIO UNIVERSITY FOUNDATION

COMBINING STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 1998
(Continued)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Enterprise	Eliminations	Total
EXPENSES:						
Program services-						
Alumni relations	\$ 738,595	\$ -	\$ -	\$ -	\$ -	\$ 738,595
Institutional support	605,128	-	-	-	-	605,128
Instruction and departmental support	3,713,184	-	-	-	-	3,713,184
Academic services support	908,374	-	-	-	-	908,374
Intercollegiate athletics support	232,303	-	-	-	-	232,303
Student services	295,961	-	-	-	-	295,961
Scholarships and fellowships	2,094,081	-	-	-	-	2,094,081
Public services	97,469	-	-	-	-	97,469
Research	277,358	-	-	-	-	277,358
Supporting services-						
Fundraising and development	2,828,579	-	-	-	-	2,828,579
Fund administration	324,355	-	-	-	-	324,355
Im-Ohio of Athens, Inc. operations	-	-	-	4,014,594	-	4,014,594
Carrying costs of real estate	15,551	-	-	-	-	15,551
Loss on impairment	-	-	134,737	-	-	134,737
Total expenses	12,130,938	-	134,737	4,014,594	-	16,280,269
CHANGES NET ASSETS/RETAINED DEFICIT	1,110,734	15,721,741	7,265,164	(609,236)	609,236	24,097,639
NET ASSETS/RETAINED DEFICIT, BEGINNING OF YEAR	15,696,670	72,029,151	54,991,918	(2,853,631)	2,853,631	142,717,739
NET ASSETS/RETAINED DEFICIT, END OF YEAR	\$ 16,807,404	\$ 87,750,892	\$ 62,257,082	\$ (3,462,867)	\$ 3,462,867	\$166,815,378

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

THE OHIO UNIVERSITY FOUNDATION

COMBINING STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 1997

	Unrestricted	Temporarily Restricted	Permanently Restricted	Enterprise	Eliminations	Total
REVENUES AND OTHER SUPPORT:						
Gifts and contributions	\$ 2,724,852	\$ 819,968	\$ 4,410,261	\$ -	\$ -	\$ 7,955,081
University support	2,432,425	-	-	-	-	2,432,425
Income from investments-						
Interest and dividends	1,101,752	2,441,009	46,279	-	-	3,589,040
Equity in loss of Inn-Ohio of Athens, Inc.	(418,492)	-	-	-	418,492	-
Change in market value of investments:						
Sold during the year	602,504	6,612,608	65,226	-	-	7,280,338
Held at year-end	1,322,002	11,679,529	115,234	-	-	13,116,765
Revenues from sales, services and events	39,288	-	-	3,014,381	-	3,053,669
Other	485,026	482	99,337	-	-	584,845
Net assets released from restrictions-						
Satisfaction of program restrictions:						
- Alumni relations	31,240	(31,240)	-	-	-	-
- Institutional support	308,475	(308,475)	-	-	-	-
- Instruction and departmental support	3,229,671	(3,229,671)	-	-	-	-
- Academic services support	679,943	(679,943)	-	-	-	-
- Intercollegiate athletics support	148,952	(148,952)	-	-	-	-
- Student services	105,077	(105,077)	-	-	-	-
- Scholarships and fellowships	1,714,453	(1,714,453)	-	-	-	-
- Public services	72,942	(72,942)	-	-	-	-
- Research	44,235	(44,235)	-	-	-	-
- Fundraising and development	17,177	(17,177)	-	-	-	-
Total net assets released from restrictions	6,352,165	(6,352,165)	-	-	-	-
Total revenues and other support	14,641,522	15,201,431	4,736,337	3,014,381	418,492	38,012,163

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THE OHIO UNIVERSITY FOUNDATION

COMBINING STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 1997

(Continued)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Enterprise</u>	<u>Eliminations</u>	<u>Total</u>
EXPENSES:						
Program services-						
Alumni relations	\$ 963,123	\$ -	\$ -	\$ -	\$ -	\$ 963,123
Instructional support	507,648	-	-	-	-	507,648
Instruction and departmental support	3,229,672	-	-	-	-	3,229,672
Academic services support	791,172	-	-	-	-	791,172
Intercollegiate athletics support	148,952	-	-	-	-	148,952
Student services	105,077	-	-	-	-	105,077
Scholarships and fellowships	1,714,453	-	-	-	-	1,714,453
Public services	89,558	-	-	-	-	89,558
Research	166,691	-	-	-	-	166,691
Supporting services-						
Fundraising and development	2,492,555	-	-	-	-	2,492,555
Fund administration	288,065	-	-	-	-	288,065
Inn-Ohio of Athens, Inc. operations	-	-	-	3,432,873	-	3,432,873
Carrying costs of real estate	2,452	-	-	-	-	2,452
Total expenses	<u>10,499,418</u>	<u>-</u>	<u>-</u>	<u>3,432,873</u>	<u>-</u>	<u>13,932,291</u>
CHANGES NET ASSETS/RETAINED DEFICIT	4,142,104	15,201,431	4,736,337	(418,492)	418,492	24,079,872
NET ASSETS/RETAINED DEFICIT, BEGINNING OF YEAR	<u>11,554,566</u>	<u>56,827,720</u>	<u>50,255,581</u>	<u>(2,435,139)</u>	<u>2,435,139</u>	<u>118,637,867</u>
NET ASSETS/RETAINED DEFICIT, END OF YEAR	<u>\$ 15,696,670</u>	<u>\$ 72,029,151</u>	<u>\$ 54,991,918</u>	<u>\$ (2,853,631)</u>	<u>\$ 2,853,631</u>	<u>\$142,717,739</u>

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

THE OHIO UNIVERSITY FOUNDATION

COMBINED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 1998 AND 1997

INCREASE (DECREASE) IN CASH

	<u>1998</u>	<u>1997</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets/retained deficit	<u>\$24,097,639</u>	<u>\$24,079,872</u>
Adjustments to reconcile change in net assets/retained deficit to net cash provided by (used in) operating activities:		
Depreciation and amortization	416,447	265,004
Loss on disposal of property and equipment	852,144	68,958
Accretion on investments	(10,030)	(31,204)
Realized investment gains, net	(11,092,842)	(7,280,338)
Unrealized investment gains, net	(7,588,020)	(13,116,765)
Increase in cash surrender value of life insurance policies	(128,324)	(110,219)
Forgiveness of notes receivable	6,000	6,000
Changes in current assets and liabilities:		
Decrease (increase) in accounts receivable	(102,571)	1,658,096
Decrease in pledges receivable	791,162	430,895
Decrease in bequests receivable	-	831,914
Decrease/(increase) in interest and dividends receivables	62,427	(54,537)
Decrease/(increase) in prepaid expenses	19,330	(20,676)
Increase in charitable remainder trusts	(148,948)	(865,596)
Decrease (increase) in other assets	(7,455)	103,111
(Decrease)/increase in accounts payable	(1,988,123)	988,888
Decrease in deposits	(5,420)	(6,638)
Decrease in deposits held in custody for others	(4,001)	(546,125)
Total adjustments	<u>(18,928,224)</u>	<u>(17,679,232)</u>
Net cash provided by operating activities	<u>5,169,415</u>	<u>6,400,640</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(1,648,235)	(1,454,993)
Proceeds from sale of property and equipment	-	250,000
Purchases of investment securities	(63,593,098)	(54,971,181)
Proceeds from sales of investment securities	60,460,341	51,754,220
Proceeds on notes receivable	-	350,000
Issuance of notes receivable	-	(70,000)
Net cash used in investing activities	<u>(4,780,992)</u>	<u>(4,141,954)</u>

(Continued on next page)

THE OHIO UNIVERSITY FOUNDATION

COMBINED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 1998 AND 1997

INCREASE (DECREASE) IN CASH

(Continued)

	<u>1998</u>	<u>1997</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments of long-term debt	\$ (96,836)	\$ (3,932,840)
Proceeds from issuance of long-term debt	-	1,900,221
Payments of capital lease obligations	-	(1,903)
Decrease in restricted investments - reserve fund	-	440,000
Net increase in annuity obligations	511,155	106,206
Increase in investments subject to annuity agreements	<u>(447,797)</u>	<u>(128,374)</u>
Net cash used in financing activities	<u>(33,478)</u>	<u>(1,616,690)</u>
NET INCREASE IN CASH	354,945	641,996
CASH, BEGINNING OF YEAR	<u>1,054,792</u>	<u>412,796</u>
CASH, END OF YEAR	<u>\$ 1,409,737</u>	<u>\$ 1,054,792</u>
<u>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</u>		
Interest paid	<u>\$ 122,827</u>	<u>\$ 235,962</u>

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

THE OHIO UNIVERSITY FOUNDATION

NOTES TO COMBINING FINANCIAL STATEMENTS

JUNE 30, 1998 AND 1997

(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.

(2) Summary of Significant Accounting Policies

Basis of Accounting

The combining financial statements of the Foundation have been prepared on the accrual basis of accounting. The accompanying combining financial statements present the financial position and results of operations of the Foundation and its wholly-owned subsidiary, *Inn-Ohio of Athens, Inc. (the Inn or Company)*. All intercompany transactions have been eliminated.

The Inn's fiscal year includes 52 weeks.

Use of Estimates

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

Concentrations of Credit Risk

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

Investments are recorded at market value. Changes in market conditions could dramatically affect the Foundation's net assets. As of September 18, 1998, the Foundation had experienced a decline in market value of its marketable securities by approximately \$9,800,000. Regarding the Inn, the Management Company is responsible for collection of receivables (Note 8). However, the Management Company has recourse with respect to these receivables, and accordingly, the Inn provides a reserve for any estimated uncollectible balances.

Gifts and Contributions

Contributions are recorded at their fair market value on the date of receipt. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a donor restriction expires (when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributed property is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used or restrict the use of such assets for a specific purpose, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property are recorded as unrestricted support.

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

Pledges Receivable

Unconditional promises to give, that are expected to be collected within one year, are recorded at net realizable value. Unconditional promises to give, that are expected to be collected in future years, are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Discount rates ranged from 5.43% to 5.57% for fiscal year 1998 and 5.95% to 6.55% for fiscal year 1997. Amortization of the discounts is included in contribution revenues. Unconditional promises to give, which are silent as to the due date, are presumed to be time restricted by the donor until received and are reported as temporarily restricted net assets. Conditional promises to give are not included as support until the conditions are substantially met.

Included in the "Pledges Receivable" are the following unconditional promises to give at June 30, 1998 and 1997:

	<u>1998</u>	<u>1997</u>
Unconditional promises to give before unamortized discount and allowance for uncollectibles	\$3,690,312	\$4,974,118
Less: Unamortized discount	<u>(233,898)</u>	<u>(424,284)</u>
Subtotal	3,456,414	4,549,834
Less: Allowance for uncollectibles	<u>(772,757)</u>	<u>(1,075,015)</u>
Net unconditional promises to give	<u>\$2,683,657</u>	<u>\$3,474,819</u>

	<u>1998</u>		<u>1997</u>	
	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Amounts due in:				
Less than one year	\$ 475,285	\$ 491,709	\$ 623,588	\$ 507,920
One to five years	873,949	638,883	1,201,136	802,774
More than five years	117,200	86,631	222,484	116,917
Total	<u>\$1,466,434</u>	<u>\$1,217,223</u>	<u>\$2,047,208</u>	<u>\$1,427,611</u>

The Foundation has received communications from donors indicating that the Foundation has been included in the donor's will or life insurance policy as a beneficiary, representing intentions to give rather than promises to give. Such communications are not unconditional promises to give because the donors retain the ability to modify their wills and insurance policies during their lifetimes. The total realizable value of these intended gifts has not been established, nor have the intended gifts been recognized as an asset or contribution revenue. Such gifts are recorded when the Foundation is notified of the donor's death, the will is declared valid by a probate court and the proceeds are measurable. At June 30, 1998 and 1997, the Foundation has no bequests receivable based upon their policy. In addition, the Foundation has recorded the cash surrender value of insurance policies that it serves as owner and beneficiary, which totals \$1,706,019 and \$1,577,695 as of June 30, 1998 and 1997, respectively.

Investments

Investments in securities are recorded at market value with changes in market value during the year reflected in the combining statement of activities. Investments also include common stock of the Inn (see Note 8). The investment in the Inn is recorded using the equity method of accounting and has been reduced to reflect cumulative losses of the Inn.

Income from Investments

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

Property and Equipment

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

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

As of June 30, 1998 and 1997, property and equipment (primarily related to the Inn) is as follows:

	<u>1998</u>	<u>1997</u>
Land	\$ 787,622	\$ 805,532
Land improvements	128,843	64,135
Buildings	6,445,009	6,323,330
Furnishings, fixtures and equipment	2,069,190	1,399,833
Construction in progress	3,180	479,761
Less - accumulated depreciation and amortization	<u>(2,718,810)</u>	<u>(2,737,200)</u>
Property and equipment, net	<u>\$6,715,034</u>	<u>\$6,335,391</u>

Total depreciation and amortization expense of \$416,447 and \$265,004 was recorded in fiscal years 1998 and 1997, respectively.

SFAS No. 121, "Accounting for Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed Of" requires that long-lived assets and certain identifiable intangibles to be held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company incurred an impairment to the carrying value of one of its long-lived assets which exists at June 30, 1998. The impairment was immaterial to the financial statements as a whole.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. Certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The Internal Revenue Service has determined that the Foundation is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income or excise tax has been made in the accompanying combining financial statements.

Fair Value of Financial Instruments

The carrying values of the Foundation's financial instruments in the accompanying combining statements of financial position approximate their respective estimated fair values at June 30, 1998 and 1997, except for notes receivable. The fair value of the notes receivable is not reasonably determinable given the terms of the notes (see Note 5).

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

Advertising Costs

Advertising costs of the Inn are included in marketing expenses and are expensed as incurred. These costs were immaterial for the years ended July 3, 1998 and July 4, 1997, respectively.

(3) Net Assets

Unrestricted Net Assets

The unrestricted net assets consists of operating funds available for any purpose authorized by the Board of Trustees.

The unrestricted net assets, as of June 30, 1998, consists of an unallocated amount of \$1,052,282 and an allocated amount of \$1,518,232 with \$1,076,692 held in escrow pending disposition by the Board of Trustees, and \$441,540 of unexpended funds previously authorized by the Board of Trustees for expenditure. In addition, unrestricted net assets includes Board of Trustees designated quasi-endowments of \$14,236,890.

The unrestricted net assets, as of June 30, 1997, consists of an unallocated amount of \$583,337 and an allocated amount of \$2,076,610 with \$1,188,666 held in escrow pending disposition by the Board of Trustees, and \$887,944 of unexpended funds previously authorized by the Board of Trustees for expenditure. In addition, unrestricted net assets includes Board of Trustees designated quasi-endowments of \$13,036,723.

Restricted Net Assets

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

Temporarily restricted net assets, as of June 30, 1998 and 1997, are available for the following purposes:

	<u>1998</u>	<u>1997</u>
Alumni relations	\$ 236,165	\$ 107,090
Institutional support	2,608,423	2,138,688
Instruction and departmental support	36,280,587	30,203,985
Academic services support	10,132,938	8,390,519
Intercollegiate athletics support	282,605	325,617
Student services	1,329,998	1,196,891
Scholarships and fellowships	35,291,733	28,411,680
Public services	229,748	216,111
Research	957,428	749,171
Fundraising and development	337,348	226,129
Implicit time restrictions	63,919	63,270
	<u>\$87,750,892</u>	<u>\$72,029,151</u>

Included in temporarily restricted net assets are temporarily restricted funds designated as endowments. This is primarily due to the Foundation having a spending policy which was approved by the Board of Trustees to protect the Foundation's endowments from the effect of inflation. Based upon the spending policy, management has reinvested a portion of the earnings on the Foundation's donor designated endowments into the related endowment accounts. As this reinvestment of earnings into the endowment accounts was not explicitly designated by the donors, the reinvested earnings cannot be classified as permanently restricted under SFAS No. 116 and SFAS No. 117.

Permanently Restricted Net Assets

Permanently restricted net assets consist of funds arising from a gift or bequest in which the donor has stipulated, as a condition of the gift, that the principal be maintained in perpetuity and only the investment income from investment of the funds be expended. Certain donor endowments also specify that a portion of the earnings from the investment be reinvested as principal, or that all income earned over a period of time be reinvested. Amounts are also transferred for specific uses as authorized from time to time by the donor.

Permanently restricted net assets are restricted to:

	<u>1998</u>	<u>1997</u>
Alumni relations	\$ 426,918	\$ 525,879
Institutional support	1,564,450	913,323
Instruction and departmental support	29,557,570	25,827,505
Academic services support	2,522,224	2,239,071
Intercollegiate athletics support	48,770	34,110
Student services	1,283,731	1,233,664
Scholarships and fellowships	26,233,271	23,651,721
Public services	195,202	91,096
Research	100,019	200,640
Fundraising and development	145,812	113,166
Other	179,114	161,743
	<u>\$62,257,081</u>	<u>\$54,991,918</u>

Agency Net Assets

Agency net assets consist of resources received and held by the Foundation as custodian or trustee. Agency transactions are not reported on the combining statement of activities, as the Foundation only acts as custodian for the outside agency depositing the funds.

Enterprise Fund

The enterprise fund consists of the activities of the Foundation's wholly-owned subsidiary, Inn-Ohio of Athens, Inc. The Inn owns and operates a 144 room hotel and restaurant facility in Athens, Ohio known as The Ohio University Inn (see Note 8).

(4) Investment in Securities

The cost and market value of the investment in securities at June 30, 1998 and 1997, are as follows:

	1998		1997	
	Cost	Market	Cost	Market
Common and preferred stocks	\$ 97,386,451	\$115,521,049	\$ 75,402,709	\$104,096,570
Commercial paper and other short-term cash investments	16,189,916	16,196,753	12,969,359	12,962,668
Bonds and debentures	19,085,287	15,761,181	8,954,032	15,389,867
Other	342,286	6,797,823	4,052	4,052
Total investments	<u>\$133,003,940</u>	<u>\$154,276,806</u>	<u>\$ 97,330,152</u>	<u>\$132,453,157</u>

Within the unrestricted and permanently restricted net assets, the Foundation has investments of approximately \$570,000 in stock and bonds of a non-public entity at June 30, 1998 and 1997. One of the members of the Foundation's Board of Trustees is also an officer of this entity, which is a research based start-up company located on the campus of the University. Because there is no public market for the securities, they are valued at the lower of historical cost or estimated market value.

(5) Notes Receivable

The Foundation has made available to the Inn a non-interest bearing working capital loan of up to \$450,000 at June 30, 1998 and 1997. The Inn had total borrowings of approximately \$447,000 from the Foundation on the working capital loan as of June 30, 1998 and 1997. Although there are no formal repayment terms, the Inn intends to make payments as cash flow permits. The unused borrowings available on this working capital loan were approximately \$3,000 at June 30, 1998 and 1997. Effective July 1, 1998, the Board of Directors of the Foundation voted to change the loan to interest bearing.

During 1997 and 1996 the Foundation made available two interest bearing working capital loans totaling \$145,000 to an Ohio entity, which was formed to support, enhance and supplement the scientific and technological research, educational activities and economic development of the University. Two-thirds of the members of the Ohio entity's Board of Trustees must be current or former members of the Foundation's Board of Trustees. Currently, the President of the entity is a member of the Foundation's Board of Trustees. Interest accrued at an annual rate of the prime rate plus two percent. The \$75,000 loan made in fiscal year 1996 is personally guaranteed by two members of the Foundation's Board of Trustees. Total outstanding notes receivable related to the Ohio entity are \$145,000 at June 30, 1998 and 1997, and are recorded in unrestricted net assets.

(6) Support from the Ohio University

During 1998 and 1997 the Foundation paid all operating costs of the University Development Office, the Office of Alumni Relations and the Foundation Accounting Office, except certain payroll costs amounting to \$2,213,896 and \$2,106,212, respectively, and additional costs of \$263,229 and \$326,212, respectively, which were paid by the University. The support costs paid by the University are reflected in the combining 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 as they cannot readily be quantified nor are they considered to be material to the results of operations of the Foundation.

(7) Split-Interest Agreements

Charitable Gift Annuity Trusts

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

Charitable Remainder Trusts

Under charitable remainder trust agreements, the Foundation serves as the remainderman, whereby the Foundation will receive the net assets of the trust upon death of the donor's beneficiary. All assets of charitable remainder trusts are maintained by a third party trustee, in an irrevocable trust, for the benefit of the Foundation. The trustee disburses income earned on the assets of the charitable remainder trusts to the donor or donor designated beneficiaries.

In instances whereby the donor has not specifically reserved the right to change the remainderman, the Foundation will recognize, as contribution revenue and as a receivable, the present value of the estimated future benefits to be received when the trust assets are distributed.

Certain charitable remainder trusts transactions are not reported on the combining statement of financial position or the combining statement of activities, as in these cases the remainderman (the Foundation) can be changed by the donor prior to his/her death. As of June 30, 1998 and 1997, the fair market value of the charitable remainder trusts for which the remainderman can be changed, and accordingly, are not reported on the combining statement of financial position or the combining statement of activities, is approximately \$2,706,000 and \$2,208,000.

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

Revocable Trusts

Under revocable trust agreements the Foundation serves as the remainderman, whereby the Foundation will receive the net assets of the trust upon death of the donor's beneficiary. All assets of the trusts are maintained by a third party trustee for the benefit of the Foundation. The trustee disburses income earned on the assets of trusts to the donor or donor designated beneficiaries. Under revocable trust agreements the donor maintains the ability to legally dissolve the trusts and may or may not reserve the right to change the remainderman. For these reasons the Foundation does not report revocable trust transactions on the combining statement of financial position or the combining statement of activities. As of June 30, 1998 and 1997, the gifted amount of the revocable trusts, is approximately \$7,482,000 and \$4,831,000.

(8) Inn-Ohio of Athens, Inc.

The Ohio University Inn was purchased by the Foundation on August 30, 1986. The primary purpose, for which the Foundation invested in the Inn, was to provide affordable and convenient housing, dining and conference facilities for the University employees, alumni and guests. Thus, a significant amount of the Inn's revenues are derived from these customers. For this reason the Foundation is committed to financially supporting the Inn. On September 10, 1986, a separate corporation, Inn-Ohio of Athens, Inc., was formed to operate the facility. At that time all assets, liabilities and operations were transferred to the Inn. The Inn's business is subject to all of the risks inherent in the lodging industry. These risks include, among other factors, varying levels of demand for rooms and related services, adverse effects of general and local economic and market conditions, changes in governmental regulations that influence wages or prices, changes in interest rates, the availability of credit and changes in real estate taxes and other operating expenses and the recurring need for renovations, refurbishment and improvements.

The financial activity of the Inn is shown on the Foundation's records as an enterprise fund.

In fiscal year 1993 a capital restructuring of the Inn occurred resulting in contributed capital of approximately \$3,429,000 as of June 30, 1995. In July 1995 the Inn's Board of Directors authorized, and the Inn issued shares of common stock to the Foundation for this contributed capital.

Operations

The Inn's operations are summarized below for the year ended July 3, 1998 and July 4, 1997:

	<u>1998</u>	<u>1997</u>
Revenues	\$3,405,358	\$3,014,381
Operating and general expenses	3,542,284	2,791,777
Depreciation and amortization	409,071	261,067
Interest expense, net	<u>63,239</u>	<u>162,987</u>
Total expenses	<u>4,014,594</u>	<u>3,215,831</u>
Loss before extraordinary item	(609,236)	(201,450)
Extraordinary item	<u>-</u>	<u>217,042</u>
Net loss	<u>\$ (609,236)</u>	<u>\$ (418,492)</u>

Effective November 29, 1996, the Inn terminated its contract with a third party management Company, Marriott Management Services Corp. (Marriott), for the management of the facility. Effective November 30, 1996, a new management agreement (the Management Agreement) was entered into with Winegardner & Hammonds, Inc. (the Manager). The Management Agreement expires June 30, 2000. The Manager's compensation is a base fee plus 15% of the hotel's net available operating profit, as defined in the Management Agreement.

Total management fees incurred by the Inn with respect to the Manager and Marriott were \$100,000 and \$119,710 in fiscal years 1998 and 1997, respectively, and incentive fees were \$47,000 and \$0 in fiscal years 1998 or 1997, respectively.

The Inn has incurred a net operating loss (NOL) for both financial reporting and tax reporting purposes for the years ended July 3, 1998 and July 4, 1997. Accordingly, no Federal income tax expense was recorded in these years. As of July 3, 1998 and July 4, 1997, the Inn has NOL carryforwards of \$2,694,487 and \$2,775,938, respectively, for Federal income tax purposes. The NOL carryforwards expire in years 2002 through 2012. The Inn has reflected deferred income taxes at a 40% tax rate which represents a blended statutory Federal and state income tax rate. As of July 3, 1998 and July 4, 1997, the Inn has recorded a valuation allowance of \$1,289,782 and \$1,042,562, respectively, due to the uncertainty of the future realizability of its remaining NOL carryforwards in accordance with the provisions of SFAS No. 109.

Debt Obligations

Long-term debt consists of the following, as of July 3, 1998 and July 4, 1997:

	<u>1998</u>	<u>1997</u>
1996 Serial Project Bonds		
- 4.70%, due November 1, 1997	\$ -	\$ 85,000
- 4.90%, due November 1, 1998	90,000	90,000
- 5.10%, due November 1, 1999	95,000	95,000
- 5.30%, due November 1, 2000	100,000	100,000
- 5.45%, due November 1, 2001	105,000	105,000
- 5.60%, due November 1, 2002	110,000	110,000
- 5.75%, due November 1, 2003	115,000	115,000
- 5.85%, due November 1, 2004	120,000	120,000
- 5.95%, due November 1, 2005	130,000	130,000
- 6.05%, due November 1, 2006	140,000	140,000
1996 Term Project Bonds		
- 6.25%, at 97.617%, due November 1, 2011	830,000	830,000
Bank Loan, interest at prime plus 2%(10.50% at July 3, 1998 and July 4, 1997), interest payable monthly, principal due April 1999	15,544	28,699
	<u>1,850,544</u>	<u>1,948,699</u>
Less: Current portion of long-term debt	(105,544)	(98,459)
Less: Unamortized discount on series 1996 bonds	(17,581)	(18,900)
	<u>(123,125)</u>	<u>(117,359)</u>
Total Economic Development Revenue Bonds	<u>\$1,727,419</u>	<u>\$1,831,340</u>

In November 1996 the Inn issued approximately \$1.9 million in 1996 Serial Project Bonds and 1996 Term Project Bonds (1996 Bonds). The proceeds from the issuance of 1996 Bonds, the bond fund, the reserve fund and an additional capital contribution from the

Shareholder were used to call the 1986 Serial Project Bonds and 1986 Term Project Bonds (1986 Bonds) in November 1996. Related to the calling of the 1986 Bonds, the Inn paid a premium of \$114,150 for extinguishment of the 1986 Bonds. In addition, the Inn wrote-off \$102,892 of unamortized bond acquisition costs related to the 1986 Bonds.

The 1996 Bonds and 1986 Bonds are secured by a mortgage on the property and a security agreement granted by the Inn. The 1996 Bonds and 1986 Bonds are guaranteed by the Foundation from the money and investments comprising its unrestricted endowments.

Under the 1996 Bonds and previously the 1986 Bonds, the Inn is required to make monthly payments to a trustee. These payments accumulate in the bond fund to pay principal and interest on the 1996 Bonds. Principal payments are due annually on November 1; interest payments are due semi-annually each May and November 1 and are payable from the bond fund. The serial project bonds are subject to mandatory redemption prior to maturity, including mandatory sinking fund redemption. The Inn has the option to pre-pay the 1996 Bonds. The balance in the bond fund at July 3, 1998 and July 4, 1997 was \$80,001 and \$74,631, respectively.

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

<u>November 1,</u>	<u>Amount</u>
2007	\$145,000
2008	155,000
2009	165,000
2010	175,000
2011	190,000

On August 18, 1997, the Inn signed a promissory note with the Manager with a face amount of \$250,000, bearing interest at 8% per annum. Principal and interest are payable monthly. The promissory note matures June 30, 2000. As of July 3, 1998, there were no outstanding borrowings on the promissory note.

The fair value of the debt obligations approximate their historical carrying amounts.



STATE OF OHIO
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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
OCTOBER 10, 2000**