The Ohio University Foundation and Subsidiaries

Consolidated Financial Statements as of and for the Years Ended June 30, 2009 and 2008 with Supplemental Schedules as of and for the Year Ended June 30, 2009 and Independent Auditor's Report

Mary Taylor, CPA
Auditor of State

Board of Trustees
The Ohio University Foundation and Subsidiaries
166 HDL Center, Suite 204
Athens, Ohio 45701

We have reviewed the *Independent Auditor's Report* of The Ohio University Foundation and Subsidiaries, Athens County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 8, 2010

88 E. Broad St. / Fifth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us

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Plante & Moran, PLLC
Suite 600
65 E. State St.
Columbus, OH 43215
Tel: 614.849.3000
Fax: 614.221.3535
plantemoran.com

Independent Auditor's Report

To the Board of Trustees
The Ohio University Foundation
and Subsidiaries
Athens, Ohio

We have audited the accompanying consolidated statement of financial position of The Ohio University Foundation, an Ohio not-for-profit corporation, and Subsidiaries (the "Foundation") as of June 30, 2009 and 2008 and the related consolidated statements of activities and 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 *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Ohio University Foundation and Subsidiaries as of June 30, 2009 and 2008 and the results of their operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of the Foundation, taken as a whole. The consolidating information on pages 33-36 is presented for the purpose of additional analysis rather than to present the financial position, change in net assets, and cash flows of the individual entities, and is not a required part of the basic consolidated financial statements. These schedules are the responsibility of the management of the Foundation. Such schedules have been subjected to the auditing procedures applied in our audits of the basic consolidated financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic consolidated financial statements taken as a whole.

To the Board of Trustees
The Ohio University Foundation
and Subsidiaries
Athens, Ohio

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2009 on our consideration of The Ohio University Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report (included on pages 37-38 herein) 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.

As further explained in Note 6, the consolidated financial statements include investments that are not listed on national exchanges nor for which quoted market prices are available. These investments include limited partnerships, hedge funds, funds-of-funds, and commingled funds that are not mutual funds. Such investments totaled $89,523,760 (33.6 percent of net assets) and $72,597,450 (23.3 percent of net assets) at June 30, 2009 and 2008, respectively. Where a publicly listed price is not available, management uses alternative sources of information including the funds' audited financial statements, unaudited interim reports, lists of underlying fund holdings, and similar evidence provided by the fund managers to determine fair values of the investments.

Plante & Moran, PLLC

October 15, 2009

The Ohio University Foundation and Subsidiaries

Consolidated Statements of Financial Position
June 30, 2009 and 2008

	2009	2008
Assets		
Cash and cash equivalents	$ 10,544,532	$ 9,826,952
Accounts receivable - Net	354,005	508,535
Trust receivable	-	3,200,000
Pledges receivable - Net	19,595,695	21,815,995
Bequests receivable	551,853	1,424,120
Interest and dividends receivable	344,243	315,998
Prepaid expenses	935,374	1,098,622
Investments	225,630,152	272,775,367
Cash surrender value - Life insurance policies	1,834,656	2,020,464
Charitable trusts	2,580,840	2,871,788
Charitable gift annuities	2,017,306	2,489,816
Deposits with trustees - Restricted cash	3,474,439	3,405,144
Property and equipment - Net	37,301,348	28,873,648
Other assets	721,499	803,930
Total assets	**$ 305,885,942**	**$ 351,430,379**
Liabilities and Net Assets		
Liabilities		
Accounts payable:		
Ohio University	$ 2,288,703	$ 1,255,908
Trade and other	1,172,598	875,799
Deposits held in custody for others	278,836	249,817
Annuities payable	1,631,555	1,811,025
Charitable trusts obligations	956,677	1,192,782
Bonds payable	28,865,000	29,500,000
Notes payable	3,816,600	4,075,500
Other liabilities	271,425	228,506
Total liabilities	39,281,394	39,189,337
Net Assets (Deficit)		
Unrestricted	(16,881,083)	3,610,289
Temporarily restricted	138,463,261	175,702,694
Permanently restricted	145,022,370	132,928,059
Total net assets	266,604,548	312,241,042
Total liabilities and net assets	**$ 305,885,942**	**$ 351,430,379**

The Notes to Consolidated Financial Statements are an Integral Part of this Statement.

The Ohio University Foundation and Subsidiaries

Consolidated Statements of Activities
Year Ended June 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and other support:				
Gifts and contributions	$ (206,650)	$ 18,860,243	$ 4,791,115	$ 23,444,708
University support	5,031,373	-	-	5,031,373
Income from investments:				
Interest and dividends	471,932	4,235,479	2,980	4,710,391
Sold during the year (realized loss)	(1,134,140)	(11,320,165)	(572,151)	(13,026,456)
Held at year end (unrealized gain (loss))	(18,603,830)	(32,925,020)	8,186,050	(43,342,800)
Revenues from sales, services, and events	194,197	13,492	-	207,689
Change in value - Split-interest agreements	11,478	(452,459)	(112,260)	(553,241)
Administrative fee income	1,323,243	(1,291,295)	(31,948)	-
Other	140,944	199,274	39,835	380,053
Related entity revenues	8,181,890	1,058,061	-	9,239,951
Total revenues and other support	(4,589,563)	(21,622,390)	12,303,621	(13,908,332)
Net assets released from restrictions - Satisfaction of program restrictions:				
Academic support	1,153,812	(1,153,812)	-	-
Alumni relations	6,794	(6,794)	-	-
Fund-raising and development	13,831	(13,831)	-	-
Institutional support	973,288	(973,288)	-	-
Instruction and departmental research	7,446,525	(7,237,215)	(209,310)	-
Intercollegiate athletics	534,821	(534,821)	-	-
Operation and maintenance of plant	730,148	(730,148)	-	-
Public service	167,112	(167,112)	-	-
Research	132,586	(132,586)	-	-
Student aid	3,502,746	(3,502,746)	-	-
Student services	270,241	(270,241)	-	-
Related entity operations	119,460	(119,460)	-	-
Total net assets released from restrictions	15,051,364	(14,842,054)	(209,310)	-
Total revenues, other support, and net assets released from restrictions	10,461,801	(36,464,444)	12,094,311	(13,908,332)

Consolidated Statements of Activities (Continued)
Year Ended June 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Expenses:				
Program services:				
Academic support	$ 1,153,812	$ -	$ -	$ 1,153,812
Alumni relations	593,819	-	-	593,819
Institutional support	1,217,926	-	-	1,217,926
Instruction and departmental research	7,555,533	-	-	7,555,533
Intercollegiate athletics	534,885	-	-	534,885
Operation and maintenance of plant	730,148	-	-	730,148
Public service	167,112	-	-	167,112
Research	368,567	-	-	368,567
Student aid	3,502,746	-	-	3,502,746
Student services	270,241	-	-	270,241
Support services:				
Fund-raising and development	6,526,533	-	-	6,526,533
Fund administration	595,194	-	-	595,194
Related entity operations	7,736,657	774,989	-	8,511,646
Total expenses	30,953,173	774,989	-	31,728,162
Changes in Net Assets	(20,491,372)	(37,239,433)	12,094,311	(45,636,494)
Net Assets - Beginning of year	3,610,289	175,702,694	132,928,059	312,241,042
Net Assets (Deficit) - End of year	**$ (16,881,083)**	**$ 138,463,261**	**$ 145,022,370**	**$ 266,604,548**

The Ohio University Foundation and Subsidiaries

Consolidated Statements of Activities
Year Ended June 30, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and other support:				
Gifts and contributions	$ 491,854	$ 83,303,361	$ 10,609,003	$ 94,404,218
University support	3,394,637	-	-	3,394,637
Income from investments:				
Interest and dividends	636,062	3,403,815	-	4,039,877
Sold during the year (realized gain (loss))	(1,587,887)	7,924,794	(218,143)	6,118,764
Held at year end (unrealized loss)	(2,720,325)	(16,362,938)	(306,311)	(19,389,574)
Revenues from sales, services, and events	314,970	50	-	315,020
Change in value - Split-interest agreements	186,074	(153,036)	219,614	252,652
Administrative fee income	1,227,181	(1,198,218)	(28,963)	-
Other	726,885	126,527	1,146,963	2,000,375
Related entity revenues	8,196,986	-	-	8,196,986
Total revenues and other support	10,866,437	77,044,355	11,422,163	99,332,955
Net assets released from restrictions - Satisfaction of program restrictions:				
Academic support	1,584,506	(1,584,506)	-	-
Alumni relations	423,741	(423,741)	-	-
Fund-raising and development	60,141	(60,141)	-	-
Institutional support	1,661,813	(1,661,813)	-	-
Instruction and departmental research	4,572,768	(4,572,768)	-	-
Intercollegiate athletics	127,366	(127,366)	-	-
Public service	123,021	(123,021)	-	-
Research	43,118	(43,118)	-	-
Student aid	3,382,844	(3,382,844)	-	-
Student services	370,211	(370,211)	-	-
Related entity operations	180,560	(180,560)	-	-
Total net assets released from restrictions	12,530,089	(12,530,089)	-	-
Total revenues, other support, and net assets released from restrictions	23,396,526	64,514,266	11,422,163	99,332,955

The Ohio University Foundation and Subsidiaries

Consolidated Statements of Activities (Continued)
Year Ended June 30, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Expenses:				
Program services:				
Academic support	$ 1,584,506	$ -	$ -	$ 1,584,506
Alumni relations	814,866	-	-	814,866
Institutional support	1,777,214	-	-	1,777,214
Instruction and departmental research	4,719,693	-	-	4,719,693
Intercollegiate athletics	128,478	-	-	128,478
Public service	123,021	-	-	123,021
Research	285,703	-	-	285,703
Student aid	3,384,370	-	-	3,384,370
Student services	369,869	-	-	369,869
Support services:				
Fund-raising and development	4,957,801	-	-	4,957,801
Fund administration	535,165	-	-	535,165
Related entity operations	8,026,407	-	-	8,026,407
Total expenses	26,707,093	-	-	26,707,093
Changes in Net Assets	(3,310,567)	64,514,266	11,422,163	72,625,862
Net Assets - Beginning of year	6,920,856	111,188,428	121,505,896	239,615,180
Net Assets - End of year	**$ 3,610,289**	**$ 175,702,694**	**$ 132,928,059**	**$ 312,241,042**

Consolidated Statements of Cash Flows

	Years Ended June 30	
	2009	2008
Cash Flows from Operating Activities		
Changes in net assets	$ (45,636,494)	$ 72,625,862
Adjustments to reconcile changes in net assets to net cash from operating activities		
Realized investment losses (gains) - Net	13,026,456	(6,118,764)
Noncash items:		
Depreciation and amortization	1,545,203	1,478,859
Unrealized investment losses - Net	43,342,800	19,389,574
Decrease in cash surrender value of life insurance policies	185,808	113,056
Contributions restricted for endowment investments	(4,480,822)	(10,609,003)
Contributions of land and buildings	(9,431,000)	-
Changes in current assets and liabilities:		
Decrease in accounts receivable	154,530	363,269
Decrease (increase) in trust receivable	3,200,000	(3,200,000)
Decrease (increase) in pledges receivable	2,220,300	(4,604,686)
Decrease in bequests receivable	872,267	263,919
Increase in interest and dividends receivable	(28,245)	(75,528)
Decrease (increase) in prepaid expenses	140,461	(206,145)
Decrease (increase) in other assets	54,175	(786)
Increase in accounts payable	1,329,594	1,302,449
Increase in other liabilities	42,919	63,037
Increase (decrease) in deposits held in custody for others	94,543	(46,940)
Net cash provided by operating activities	6,632,495	70,738,173
Cash Flows from Investing Activities		
Additions to property and equipment	(490,860)	(418,365)
Purchases of investments	(96,615,083)	(202,477,953)
Proceeds from sales of investments	87,325,518	126,520,876
Increase in restricted cash	(69,295)	(332,160)
Decrease (increase) in charitable trusts	290,948	(187,104)
Decrease in investments subject to annuity agreements	472,510	470,534
Net cash used in investing activities	(9,086,262)	(76,424,172)
Cash Flows from Financing Activities		
Contributions restricted for endowment investment	4,480,822	10,609,003
Payments on notes and bonds payable	(893,900)	(822,600)
Net change in annuity obligations	(415,575)	(123,235)
Net cash provided by financing activities	3,171,347	9,663,168
Net Increase in Cash and Cash Equivalents	717,580	3,977,169
Cash and Cash Equivalents - Beginning of year	9,826,952	5,849,783
Cash and Cash Equivalents - End of year	**$ 10,544,532**	**$ 9,826,952**
Supplemental Disclosure of Cash Flow Information -		
Cash paid during the year for interest	**$ 739,815**	**$ 1,119,164**

Note 1 - Organization and Operation

The Ohio University Foundation (the "Foundation") was incorporated in Ohio in October 1945 to support the educational undertakings of Ohio University (the "University"). The Foundation is authorized to solicit and receive gifts and contributions for the benefit of the University and to ensure that funds and property received are applied to the uses specified by the donor.

The Foundation's wholly owned subsidiary, Inn-Ohio of Athens, Inc. (the "Inn"), owns and operates a 139-room hotel and restaurant facility in Athens, Ohio known as The Ohio University Inn (see Note 11).

Another controlled entity, Housing for Ohio, Inc. ("Housing"), constructed and operates a 182-unit student housing facility in Athens, Ohio (see Note 12). It has been granted tax-exempt status under Section 501(a)(3) of the Internal Revenue Code (the Code) as an organization described in Section 501(c)(3).

The Foundation owns a minority interest (44.18 percent at June 30, 2009 and 2008) in Diagnostic Hybrids, Inc. (DHI), which develops and manufactures tissue cell cultures, antibody kits, and biological reagents for use in medical laboratories.

The Foundation entered into an agreement with the Sugar Bush Foundation (Sugar Bush), an Ohio not-for-profit corporation, in August 2005. Sugar Bush is a supported organization as defined in Code Section 509(a)(3) and the Foundation is its primary supported organization receiving 51 percent of its charitable distributions. This agreement was further amended in August 2007 with Sugar Bush pledging to commit all of its charitable distributions to the Foundation. Upon dissolution of Sugar Bush and payment of all Sugar Bush liabilities, all of its assets shall be transferred to the Foundation, provided the Foundation is then recognized as a non-profit Ohio corporation and as a tax-exempt organization under Section 501(c)(3) of the Code. The Foundation consolidates this supporting organization that is deemed to be financially interrelated under the provisions of Financial Accounting Standards Board Statement No. 136, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*.

During 2009, the Foundation created three limited liability companies to receive property distributions from The Dolores H. Russ Trust for the benefit of the Russ College of Engineering. The three limited liability companies are the Fritz J. and Dolores H. Russ Holdings LLC, Russ North Valley Road LLC, and Russ Research Center LLC (collectively referred to as the "Russ LLCs"). The limited liability companies are treated as disregarded entities for federal income tax purposes.

The Foundation is the sole member of the Fritz J. and Dolores H. Russ Holdings LLC. The Fritz J. and Dolores H. Russ Holdings LLC is the sole member of the Russ North Valley Road LLC and Russ Research Center LLC.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting - The consolidated financial statements of the Foundation have been prepared on the accrual basis of accounting. The accompanying consolidated financial statements present the financial position and results of activities of the Foundation and its wholly owned subsidiary and other related entities - the Inn, Housing, one supporting organization, and three limited liability companies. All intercompany transactions have been eliminated.

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

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

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

Regarding the Inn, the management company that operates the Inn is responsible for collection of receivables (see Note 11). The Inn provides a reserve for any estimated uncollectible balances.

Gifts and Contributions - Contributions are recorded at their fair value on the date of receipt. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset categories. When a donor restriction expires (when a stipulated time restriction ends or the purpose of restriction is accomplished), temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

Note 2 - Summary of Significant Accounting Policies (Continued)

Contributed property is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used or restrict the use of such assets for a specific purpose, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property are recorded as unrestricted support.

Contributions of charitable gift annuities are reduced by the actuarially determined liability resulting from acceptance of the gift. Contributions are held in charitable trusts at the present value of their estimated future benefits to be received when the trust assets are distributed upon notification of the donor's death (see Note 10).

Pledges Receivable - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discount on those amounts is computed using a risk-free interest rate. The discount rate utilized was 5.16 percent and 1.74 percent for the years ended June 30, 2009 and 2008, respectively. Amortization of the discounts is included in contribution revenues. Unconditional promises to give, which are silent as to the due date, are presumed to be time restricted by the donor until received and are reported as temporarily restricted net assets. Conditional promises to give are not included as support until the conditions on which they depend are substantially met.

Intentions - The Foundation receives communications from donors indicating that the Foundation has been included in the donor's will or life insurance policy as beneficiary, representing intentions to give rather than promises to give. Such communications are not unconditional promises to give because the donors retain the ability to modify their wills and insurance policies during their lifetimes. The total realizable value of these intended gifts has not been established, nor have the intended gifts been recognized as an asset or contribution revenue. Such gifts are recorded when the Foundation is notified of the donor's death, the will is declared valid by a probate court, and the proceeds are measurable.

Cash Surrender Value of Insurance Policies - The Foundation records as an asset the cash surrender value of insurance policies for which it is the owner and beneficiary.

Investments - Investments in securities are recorded at fair value based on quoted market values, with changes in market value during the year reflected in the consolidated statements of activities. Purchases and sales of investments are accounted for as of the trade date. See Note 6 for valuation policy for alternative investments.

Note 2 - Summary of Significant Accounting Policies (Continued)

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

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

Depreciation of buildings is recorded over periods ranging from 10 to 40 years using the straight-line method. Depreciation and amortization of other property, equipment, and improvements are recorded over periods ranging from 5 to 15 years using the straight-line method.

Annually, or more frequently if events or circumstances change, a determination is made by management to ascertain whether property and equipment and intangibles have been impaired based on the sum of expected future undiscounted cash flows from operating activities. If the estimated net cash flows are less than the carrying amount of such assets, the Foundation will recognize an impairment loss in an amount necessary to write down the assets to a fair value as determined from expected future discounted cash flows. Based upon its most recent analysis, the Foundation has determined that no impairment to the carrying value of its long-lived assets existed at June 30, 2009 and 2008.

Restricted Cash - Restricted cash represents cash that, under terms of the bond issue trust indenture agreement (the "Trust Indenture") (related to Housing for Ohio, Inc., see Note 12), is restricted for various purposes. In accordance with the terms of the Trust Indenture and related agreements, the proceeds from the bonds not used to construct the student housing facility and certain equipment and improvements were deposited with the trustee. The Foundation is also required to deposit all revenue directly into a designated revenue fund. The trustee is then authorized, without further direction from the Foundation, to transfer funds out of the revenue fund to other funds as outlined in the Trust Indenture.

Functional Allocation of Expenses - The costs of providing the various programs and support services have been summarized on a functional basis in the consolidated statements of activities. Certain costs have been allocated among the programs and support services benefited.

Note 2 - Summary of Significant Accounting Policies (Continued)

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, except for taxes on unrelated income. The provision for income taxes for the Inn, including deferred tax expenses totaled $32,052 and $11,000, for the years ended June 30, 2009 and 2008, respectively.

Fair Value of Financial Instruments - The carrying values of the Foundation's financial instruments in the accompanying consolidated statements of financial position approximate their respective estimated fair value at June 30, 2009 and 2008.

The Foundation has estimated the fair values of its financial instruments using available quoted market information and other valuation methodologies in accordance with FASB Statement 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.

Reclassification - Certain amounts from the prior year have been reclassified to conform to the current year's presentation.

Recent Accounting Pronouncements - In March 2008, the FASB issued statement No. 161, *Disclosures about Derivative Instruments and Hedging Activities*. FASB Statement No. 161 changes the disclosure requirements for derivative instruments and hedging activities. FASB Statement No. 161 is effective as of the beginning of the first fiscal year that begins after November 15, 2008. The Foundation is currently evaluating the impact this statement will have on the consolidated financial statements.

Subsequent Events - The financial statements and related disclosures include evaluation of events up through and including October 15, 2009, which is the date the financial statements were issued.

Note 3 - Net Assets

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

Unrestricted net assets as of June 30, 2009 and 2008 are available for the following purposes:

	2009		2008	
Board-designated quasi-endowment		$ 7,954,576		$ 12,794,776
Board-designated 1804 fund		448,437		543,634
Designated underwater accounts		(14,246,147)		(1,417,699)
Undesignated:				
Housing	$ (2,127,764)		$ (2,621,331)	
Other	(8,910,185)	(11,037,949)	(5,689,091)	(8,310,422)
Unrestricted net assets		$ (16,881,083)		$ 3,610,289

Temporarily Restricted Net Assets - Temporarily restricted net assets consist of funds that are restricted for a specific use or time determined by the donor.

Temporarily restricted net assets as of June 30, 2009 and 2008 are available for the following purposes:

	2009	2008
Academic support	$ 6,915,282	$ 9,190,998
Alumni relations	420,763	367,985
Fund-raising and development	733,138	2,259,954
Institutional support	10,013,887	9,387,204
Instruction and departmental research	88,737,312	104,906,061
Intercollegiate athletics	2,084,830	1,450,300
Operation and maintenance of plant	5,717,957	5,100,737
Other	-	24,442
Public service	232,679	378,940
Research	1,061,357	1,254,372
Student aid	21,470,686	39,757,269
Student services	1,075,370	1,624,432
Total	$ 138,463,261	$ 175,702,694

Note 3 - Net Assets - (Continued)

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

Permanently restricted net assets as of June 30, 2009 and 2008 are available for the following purposes:

	2009	2008
Academic support	$ 6,055,601	$ 6,060,266
Alumni relations	497,101	606,004
Fund-raising and development	217,615	22,384
Institutional support	4,347,382	3,919,071
Instruction and departmental research	63,492,129	62,559,763
Intercollegiate athletics	1,393,544	909,820
Other	306,244	12,617
Public service	353,368	328,389
Research	568,174	543,304
Student aid	65,184,231	55,426,463
Student services	2,606,981	2,539,978
Total	$ 145,022,370	$ 132,928,059

Note 4 - Trust Receivable

The Foundation was informed of an additional $3,200,000 to come from the Dolores H. Russ Trust beyond that which was received by the Foundation prior to June 30, 2008. The amount is recorded as trust receivable on the books of the Foundation as of June 30, 2008 and was received in fiscal year 2009.

Note 5 - Pledges Receivable

Amounts included in pledges receivable for unconditional promises to give at June 30, 2009 and 2008 are as follows:

	2009	2008
Unconditional promises to give before unamortized discount and allowance for uncollectibles	$ 25,739,179	$ 29,365,517
Less allowance for uncollectibles	(4,555,835)	(5,491,475)
Subtotal	21,183,344	23,874,042
Less unamortized discount	(1,587,649)	(2,058,047)
Unconditional promises to give - Net	$ 19,595,695	$ 21,815,995

	2009		2008	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
Amounts due in:				
Less than one year	$ 5,604,478	$ 3,664,997	$ 5,290,897	$ 3,349,136
One to five years	3,235,810	6,197,977	4,667,267	6,780,986
More than five years	222	892,211	3,539	1,724,170
Total	$ 8,840,510	$ 10,755,185	$ 9,961,703	$ 11,854,292

As of June 30, 2009, the Foundation has approximately $83,191,000 in numerous outstanding pledges which are considered to be intentions to give and are contingent upon future events. These pledges are not accrued as pledges receivable or recognized as revenue because they do not represent unconditional promises to give. It is not practicable to estimate the ultimate realizable value of these commitments or the period over which they might be collected.

Note 6 - Fair Value Measurements

As of July 1, 2008, the Foundation adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 clarifies the definition of fair value, establishes a framework for measuring fair value, and expands the disclosures for fair value measurements. The standard applies under other accounting pronouncements that require or permit fair value measurements and does not require any new fair value measurements. The provisions of SFAS 157 are effective prospectively for periods beginning July 1, 2008 for financial assets and liabilities and for periods beginning July 1, 2009 for nonfinancial assets and liabilities as a result of the deferral of the effective date of SFAS 157 provided by FSP FAS 157-2.

Note 6 - Fair Value Measurements (Continued)

The implementation of the provisions of SFAS 157 for financial assets as of July 1, 2008 did not have a material impact on the Foundation's consolidated financial statements.

The following tables present information about the Foundation's assets and liabilities measured at fair value on a recurring basis as of June 30, 2009, and the valuation techniques used by the Foundation to determine those fair values.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Foundation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Disclosures concerning assets and liabilities measured at fair value are as follows:

Cost and Market Value of Investments at June 30, 2009 and 2008

	2009		2008	
	Cost	Market	Cost	Market
Public equity	$ 116,070,439	$ 93,220,811	$ 98,977,123	$ 98,623,689
Fixed income	41,632,433	41,697,175	35,910,848	36,808,405
Short-term cash	1,188,406	1,188,406	64,745,827	64,745,823
Alternative	93,785,369	89,523,760	59,498,960	72,597,450
Total investments	$ 252,676,647	$ 225,630,152	$ 259,132,758	$ 272,775,367

Note 6 - Fair Value Measurements (Continued)

Assets Measured at Fair Value on a Recurring Basis at June 30, 2009

	Fair Value Measurements at Reporting Date Using			
	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total at June 30, 2009
Investment Type:				
Public equity	$ 33,701,949	$ 155	$ 59,518,707	$ 93,220,811
Fixed income	39,867,092	250,156	1,579,927	41,697,175
Short-term cash	15,671	-	1,172,735	1,188,406
Alternative	-	-	89,523,760	89,523,760
Total investments	$ 73,584,712	$ 250,311	$ 151,795,129	$ 225,630,152

Changes in Level 3 Assets Measured at Fair Value on a Recurring Basis

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

	Public Equity	Fixed Income	Short-term Cash	Alternative	Total
Beginning balance	$ 50,924,324	$ 1,577,607	$ 549,980	$ 72,597,450	$ 125,649,361
Total realized and unrealized gains (losses) included in changes in net assets	(15,081,262)	12,498	-	(18,697,005)	(33,765,769)
Net purchases, sales, calls, and maturities	23,675,645	(10,178)	622,755	35,623,315	59,911,537
Net transfers into and out of Level 3	-	-	-	-	-
Ending balance	$ 59,518,707	$ 1,579,927	$ 1,172,735	$ 89,523,760	$ 151,795,129
Amount of total gains (losses) included in changes in net assets attributable to the change in unrealized gains (losses) relating to assets still held at June 30, 2009	$ (12,646,122)	$ 11,311	$ -	$ (19,957,995)	$ (32,592,806)

Note 6 - Fair Value Measurements (Continued)

Both observable and unobservable inputs may be used to determine the fair value of positions classified as Level 3 assets. As a result, the unrealized gains and losses for these assets presented in the tables above may include changes in fair value that were attributable to both observable and unobservable inputs.

Public equity, fixed income, and short-term cash investments categorized as Level 3 assets primarily consist of commingled funds. The underlying securities in these accounts are largely classified as either Level 1 or Level 2. However, as commingled funds are not registered with the Securities and Exchange Commission and do not trade on an exchange, we have conservatively classified them as Level 3 assets.

Alternative investments categorized as Level 3 assets include private equity, private real estate, commodities, and hedge funds. Also included is the Foundation's investment in Diagnostic Hybrids, Inc. For these assets, the reported values are based on the best information available to management at the time of the report, which may or may not be fair value.

Because financial data for many private investments is not available until several months after fiscal year end, some reported investment valuations represent an estimate of the June 30 value, while the remaining valuations represent March 31 reported valuations that have been adjusted by cash added to and cash distributed from these accounts through June 30. Management considers information that becomes available after the financial statements are compiled but before they are released, to determine whether an adjustment to the reported fair value of the investment should be made. For fiscal year 2009, there were $74.8 million in investment assets reported at the estimated values described above, and all are listed as Level 3 assets. After the financial statements were compiled, management learned that unrealized gains for the quarter ended June 30, related to private equity and private real estate, totaled approximately $1.8 million.

Note 6 - Fair Value Measurements (Continued)

Also, the Foundation has exposure to an absolute return investment in the LibertyView Plus Fund (the "Fund") which was managed by Lehman Brothers Holdings Inc. (LBHI). As an affiliate of LBHI and acting as prime broker for the Fund, Lehman Brothers Inc. (LBI) allowed the Fund to pledge assets as collateral in exchange for providing leverage to the Fund. This leverage was provided through margin lending agreements with an affiliate, Lehman Brothers International Europe (LBIE). Due to unprecedented adverse market conditions, on September 15, 2008, LBIE was placed into administration in the U.K. and LBHI filed for protection under the U.S. Bankruptcy Code. On September 19, 2008 the Securities Investor Protection Corp., which maintains a reserve fund to protect investors of failed brokerage firms, issued a statement saying that LBI was in liquidation. As a result, the University has been interacting with the State Attorney General's office and has engaged external special counsel for representation on behalf of itself and the Foundation.

In December 2008, based on guidance from the Foundation's investment consultant, the Foundation wrote down the value of the position to 60 percent of its net asset value (the "NAV") as observed prior to the bankruptcy filings (e.g., August 31, 2008). This NAV reflected the value of the Fund's securities which had not been re-hypothecated by LBIE and was listed on the Foundation's general ledger at approximately $4.1 million as of June 30, 2009. Based on information provided by the Fund's management in August 2009, in fiscal year 2010, the Foundation wrote down the value of the position by an additional 25 percent to approximately $2.4 million, or 35 percent of the August 31, 2008 NAV. This action takes into consideration those securities that are held by LBI but are currently subject to bankruptcy proceedings. Due to the aforementioned actions, the asset has been written down from its August 31, 2008 NAV by approximately $4.5 million.

Note 7 - Donor and Board Restricted Endowments

The Foundation's endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees as quasi-endowments. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions or board-imposed restrictions.

Note 7 - Donor and Board Restricted Endowments (Continued)

Interpretation of Relevant Law

The Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the contributed value of the original gift of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets or as unrestricted net assets until those amounts are distributed by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to distribute or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund

(2) The purposes of the gifting organization or individual and the donor-restricted endowment fund

(3) General economic conditions

(4) The possible effect of inflation and deflation

(5) The expected total return from income and the appreciation of investments

(6) Other resources of the Foundation

(7) The investment policies of the Foundation

Endowment Net Asset Composition by Type of Fund as of June 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment	$ -	$ 8,059,453	$ 131,113,746	$ 139,173,199
Board designated (quasi) endowment	7,954,576	64,938,534	-	72,893,110
Total funds	$ 7,954,576	$ 72,997,987	$ 131,113,746	$ 212,066,309

Note 7 - Donor and Board Restricted Endowments (Continued)

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Market value - Beginning of the year	$ 12,794,776	$ 129,994,939	$ 117,524,205	$ 260,313,920
Net realized and unrealized gains and losses	(4,419,992)	(57,563,647)	7,688,777	(54,294,862)
Contributions	58,332	2,968,386	5,932,712	8,959,430
Spending policy transfer	(111,697)	(1,110,396)	-	(1,222,093)
Transfers to/(from) board designated endowments	(268,635)	-	-	(268,635)
Administrative fee	(98,208)	(1,291,295)	(31,948)	(1,421,451)
Market value - End of the year	$ 7,954,576	$ 72,997,987	$ 131,113,746	$ 212,066,309

Endowment Net Asset Composition by Type of Fund as of June 30, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment	$ -	$ 53,825,433	$ 117,524,205	$ 171,349,638
Board designated (quasi) endowment	12,794,776	76,169,506	-	88,964,282
Total funds	$ 12,794,776	$ 129,994,939	$ 117,524,205	$ 260,313,920

Note 7 - Donor and Board Restricted Endowments (Continued)

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Market value - Beginning of the year	$ 12,286,990	$ 75,450,200	$ 105,050,583	$ 192,787,773
Net realized and unrealized gains and losses	589,185	(9,765,286)	(755,707)	(9,931,808)
Contributions	200,504	68,158,981	13,258,292	81,617,777
Spending policy transfer	(190,098)	(2,654,114)	-	(2,844,212)
Transfers to/(from) board designated endowments	(14,536)	-	-	(14,536)
Administrative fee	(77,269)	(1,194,842)	(28,963)	(1,301,074)
Market value - End of the year	$ 12,794,776	$ 129,994,939	$ 117,524,205	$ 260,313,920

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the contributed value that the donor or UPMIFA requires the Foundation to retain as the corpus ("Underwater Accounts"). In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were $14,246,147 and $1,417,699 as of June 30, 2009 and 2008, respectively. These deficiencies resulted from unfavorable market fluctuations and the allowable distributions made over time.

Note 7 - Donor and Board Restricted Endowments (Continued)

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the long-term purchasing power of the endowment assets. Endowment assets include donor-restricted funds that are held in perpetuity or for donor-specified periods, as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to outperform, over rolling 12-quarter periods, a composite benchmark of appropriately weighted indices, while maintaining acceptable risk levels. The Foundation anticipates the endowment funds will provide an average rate of return of approximately 8.6 percent annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy

The Foundation's spending policy stipulates that 5 percent of a three-year moving average of the market value of the endowment is available to spend, with 1 percent of the amount being set aside to support the Foundation's administrative expenses. The spending rate applies to all endowment accounts except those Underwater Accounts, on which spending is limited to earned interest and dividends. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment to grow at an average of 3.6 percent annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through investment returns and new gifts.

Note 8 - Property and Equipment

As of June 30, 2009 and 2008, property and equipment are as follows:

	2009	2008
Land	$ 5,464,841	$ 805,198
Land improvements	661,503	660,654
Building and building improvements	39,700,503	34,621,201
Furnishings, fixtures, and equipment	4,590,521	4,478,480
Construction in progress	4,390	-
Subtotal	50,421,758	40,565,533
Less accumulated depreciation and amortization	(13,120,410)	(11,691,885)
Property and equipment - Net	$ 37,301,348	$ 28,873,648

Total depreciation expense of $1,494,160 and $1,418,989 was recorded in fiscal years 2009 and 2008, respectively.

Note 9 - Support from Ohio University

During 2009 and 2008, the University paid certain payroll costs amounting to $4,908,642 and $3,187,641 and additional costs of $122,731 and $206,996, respectively, for the Foundation's Development Office, Office of Alumni Relations, and Accounting Office. The support costs paid by the University are reflected in the consolidated statements of activities as University support, with a like amount included in expenses.

The University provides office space and the use of certain common facilities and services to the Foundation at no cost. These costs have not been recorded as University support because they are not considered to be material to the results of activities of the Foundation.

Note 10 - Split-interest Agreements

Charitable Gift Annuities - Under charitable gift annuity agreements, all assets are held by the Foundation. Therefore, the Foundation has recorded the donated assets at fair value and the liabilities to the donor or his/her beneficiaries discounted to the present value of the estimated future payments to be distributed by the Foundation to such individuals at a rate established at the beginning of the agreement. The amount of the contribution is the difference between the asset and liability and i recorded as contribution revenue. The discount rate applied to gift annuities held at June 30, 2009 and 2008 ranged from 2.4 percent to 9.4 percent.

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. During the life of the trust, the donor, or the donor-designated beneficiary, will receive regular payments as established by the trust.

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

In instances where the donor has not specifically reserved the right to change the remainderman, and the Foundation serves as the trustee, the Foundation will recognize the fair market value of the assets of the trust, as well as a liability for the net present value of future payments to be distributed by the Foundation to the donor or his/her designated beneficiaries. The amount of the contribution is the difference between the asset and liability at the inception of the trust. The present value of the future payments to the donor-designated beneficiary is determined using a discount rate established at the beginning of the trust. At June 30, 2009 and 2008, the discount rate applied to the charitable remainder trusts was 5.16 percent and 1.74 percent, respectively.

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

Note 10 - Split-interest Agreements (Continued)

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.

Lead Trusts - Charitable Lead Trusts provide an income stream to the Foundation for a set period of time established by the donor. The income stream is recorded at the net present value of the payments. Once the set period of time ends, the Foundation will no longer receive the income stream and the remaining principal is transferred back to the donor. If the Foundation serves as trustee, an asset and a liability will be recorded for the trust. The asset is booked at the fair market value. The liability is recorded at fair market value less the net present value of the income stream. If the Foundation does not serve as trustee, only the asset at fair market value will be recorded for the trust. Revenue is recorded for all Lead Trust income stream payments, as well as a reduction to the receivable.

Perpetual and Other Trusts - Perpetual Trusts are those trusts that provide a perpetual income stream to the Foundation but are held by a third party. An asset and revenue are recorded for the fair market value of the instrument. Each year, the net change in fair market value to the asset is recorded as an increase or decrease in revenue.

Pooled Income Fund - A Pooled Income Fund allows a donor to place funds into an investment pool in which an income stream is provided. The income stream is paid to the donor and/or the donor-designated beneficiaries whereby the Foundation will receive the net assets of the fund upon their death.

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

Note 11 - Inn-Ohio of Athens, Inc.

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

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

Operations - The Inn's operations for the years ended June 30, 2009 and 2008 are summarized below:

	2009	2008
Revenue	$ 4,110,554	$ 4,154,994
Operating and general expenses	3,324,378	3,460,129
Depreciation and amortization	530,262	522,675
Interest expense - Net	161,635	178,438
Provision for income taxes	32,052	11,000
Total expenses	4,048,327	4,172,242
Net income	62,227	(17,248)
Unrealized gains	8,899	13,167
Change in net assets	$ 71,126	$ (4,081)

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

In fiscal years 2009 and 2008, base management fees incurred by the Inn with respect to the Manager were $100,000 per year and incentive fees were $74,656 and $66,413, respectively.

Note 11 - Inn-Ohio of Athens, Inc. (Continued)

The Inn has alternative minimum tax credit carryforwards of approximately $40,000 at July 3, 2009 and $53,000 at June 27, 2008, which have indefinite lives.

Debt Obligations - Long-term debt of the Inn as of July 3, 2009 and June 27, 2008 consists of the following:

	2009	2008
Term loan - Principal due through June 2021, interest at 6.2 percent through June 2011 and adjusted thereafter	$ 3,466,600	$ 3,655,500
Less current portion of long-term debt	(201,000)	(188,900)
Total	$ 3,265,600	$ 3,466,600

In June 2006, the Inn obtained a $4,000,000 term loan, the proceeds of which were used to pay a dividend of $3,000,000 in June 2006 and $1,000,000 of which was placed in the bond fund to retire the 1996 Serial and Term Project Bonds in November 2006. The term loan is guaranteed by the Foundation.

Substantially all of the property and equipment are pledged as collateral for the term loan. The interest rate on the new term loan is fixed at 6.2 percent through June 2011. The interest rate will be adjusted to the index rate as defined in the agreement plus 1.4 percent in June 2011 and every five years thereafter.

Maturities of long-term debt at July 3, 2009 are set forth in the following schedule:

Year Ending	Amount
2010	$ 201,000
2011	213,800
2012	227,400
2013	242,000
2014	257,400
Due thereafter	2,325,000
Total	$ 3,466,600

The fair value of the debt obligations approximates the carrying value at June 30, 2009 and 2008.

Note 12 - Housing for Ohio, Inc.

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

Debt - In September 2000, Housing offered $31,985,000 of variable-rate, tax-exempt bonds (the "2000 Bonds"). The proceeds of the 2000 Bonds financed the construction, installation, and equipping of the Project. The 2000 Bonds will be fully matured at June 2032 and bear interest at an adjustable rate as determined weekly by the remarketing agent, based on its knowledge of prevailing market conditions, except that in no event will the interest rate exceed 12 percent.

The average interest rate for the years ended June 30, 2009 and 2008 was 1.74 percent and 2.97 percent, respectively, and the actual interest rates at June 30, 2009 and 2008 were 0.30 percent and 1.65 percent, respectively.

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

Principal payments for the bonded debt for the years subsequent to June 30, 2009 are summarized as follows:

Years Ending June 30	Principal
2010	$ 670,000
2011	705,000
2012	740,000
2013	780,000
2014	820,000
Thereafter	25,150,000
Total	$ 28,865,000

Note 12 - Housing for Ohio, Inc. (Continued)

Debt issuance costs are included in property on the consolidated statements of financial position and are amortized over the term of the 2000 Bonds. Amortization during the years ended June 30, 2009 and 2008 was $26,157 and $34,965, respectively.

Additionally, Housing has an outstanding promissory note to the Project's developer in the original amount of $700,000. The note is payable in 10 annual installments of $70,000 through June 2014. The payment terms are predicated on the Project's current management company remaining the manager of the Project. In the event that the current management company's services are terminated prior to the final payment, the remaining balance shall become immediately due and payable. There is no interest accruing on the note, and management of Housing believes that the present value discount of future payments and the calculation of imputed interest on this note are not material to the consolidated financial statements. Maturities of the note payable at June 30, 2009 are set forth in the following schedule:

Years Ending June 30	Principal
2010	$ 70,000
2011	70,000
2012	70,000
2013	70,000
2014	70,000
Total	$ 350,000

Supplemental Information

The Ohio University Foundation and Subsidiaries

Consolidating Schedule of Financial Position
June 30, 2009

	The Foundation	The Inn	Housing	Supporting Organization	Russ LLCs	Eliminations	Total
Assets							
Assets:							
Cash and cash equivalents	$ 7,960,170	$ 706,530	$ 827,552	$ -	$ 1,050,280	$ -	$ 10,544,532
Accounts receivable - Net	289,967	38,566	8,105	-	17,367	-	354,005
Pledges receivable - Net	19,595,695	-	-	-	-	-	19,595,695
Bequests receivable	551,853	-	-	-	-	-	551,853
Interest and dividends receivable	344,243	-	-	-	-	-	344,243
Prepaid expenses	116,370	25,506	793,498	-	-	-	935,374
Investments	221,349,086	987,556	-	4,281,066	-	(987,556)	225,630,152
Investment in Inn-Ohio of Athens, Inc.	2,861,000	-	-	-	-	(2,861,000)	-
Cash surrender value - Life insurance policies	1,834,656	-	-	-	-	-	1,834,656
Charitable trusts	2,580,840	-	-	-	-	-	2,580,840
Charitable gift annuities	2,017,306	-	-	-	-	-	2,017,306
Deposits with trustees - Restricted cash	-	-	3,474,439	-	-	-	3,474,439
Property and equipment - Net	1,229,301	5,056,626	21,708,617	-	9,306,804	-	37,301,348
Other assets	-	81,305	640,194	-	-	-	721,499
Total assets	**$ 260,730,487**	**$ 6,896,089**	**$ 27,452,405**	**$ 4,281,066**	**$ 10,374,451**	**$ (3,848,556)**	**$ 305,885,942**
Liabilities and Net Assets (Deficit)							
Liabilities:							
Accounts payable, Ohio University	$ 2,288,703	$ -	$ -	$ -	$ -	$ -	$ 2,288,703
Accounts payable, trade	382,208	471,476	130,082	-	188,832	-	1,172,598
Deposits held in custody for others	1,157,629	-	60,675	-	48,088	(987,556)	278,836
Annuities payable	1,631,555	-	-	-	-	-	1,631,555
Charitable trusts obligations	956,677	-	-	-	-	-	956,677
Bonds payable	-	-	28,865,000	-	-	-	28,865,000
Notes payable	-	3,466,600	350,000	-	-	-	3,816,600
Other liabilities	-	97,013	174,412	-	-	-	271,425
Total liabilities	6,416,772	4,035,089	29,580,169	-	236,920	(987,556)	39,281,394
Net assets (deficit):							
Unrestricted	(14,753,319)		(2,127,764)				(16,881,083)
Temporarily restricted	124,044,664	-	-	4,281,066	10,137,531	-	138,463,261
Permanently restricted	145,022,370	-	-	-	-	-	145,022,370
Total net assets	254,313,715	-	(2,127,764)	4,281,066	10,137,531	-	266,604,548
Stockholders' equity:							
Common stock	-	3,429,182	-	-	-	(3,429,182)	-
Additional paid-in capital	-	4,140,455	-	-	-	(4,140,455)	-
Retained earnings	-	(4,708,637)	-	-	-	4,708,637	-
Total stockholders' equity	-	2,861,000	-	-	-	(2,861,000)	-
Total liabilities and net assets	**$ 260,730,487**	**$ 6,896,089**	**$ 27,452,405**	**$ 4,281,066**	**$ 10,374,451**	**$ (3,848,556)**	**$ 305,885,942**

Consolidating Schedule of Activities
Year Ended June 30, 2009

	Unrestricted	The Inn	Housing	Total Unrestricted	Temporarily Restricted	Supporting Organization	Russ LLCs	Total Temporarily Restricted	Total Permanently Restricted	Eliminations	Total
Revenues and Other Support											
Gifts and contributions	$ (206,650)	$ -	$ -	$ (206,650)	$ 9,003,656	$ -	$ 9,856,587	$ 18,860,243	$ 4,791,115	$ -	$ 23,444,708
University support	5,031,373	-	-	5,031,373	-	-	-	-	-	-	5,031,373
Income from investments:											
Interest and dividends	471,932	-	-	471,932	4,128,990	106,489	-	4,235,479	2,980	-	4,710,391
Sold during the year (realized (loss) gain)	(1,134,140)	-	-	(1,134,140)	(11,365,729)	45,564	-	(11,320,165)	(572,151)	-	(13,026,456)
Held at year end (unrealized (loss) gain)	(18,603,830)	-	-	(18,603,830)	(31,595,088)	(1,329,932)	-	(32,925,020)	8,186,050	-	(43,342,800)
Revenues from sales, services, and events	194,197	-	-	194,197	13,492	-	-	13,492	-	-	207,689
Change in value - Split-interest agreements	11,478	-	-	11,478	(452,459)	-	-	(452,459)	(112,260)	-	(553,241)
Administrative fee income	1,323,243	-	-	1,323,243	(1,291,295)	-	-	(1,291,295)	(31,948)	-	-
Other	140,944	-	-	140,944	199,274	-	-	199,274	39,835	-	380,053
Related entity revenues	71,126	4,119,453	4,062,437	8,253,016	-	2,128	1,055,933	1,058,061	-	(71,126)	9,239,951
Total revenues and other support	(12,700,327)	4,119,453	4,062,437	(4,518,437)	(31,359,159)	(1,175,751)	10,912,520	(21,622,390)	12,303,621	(71,126)	(13,908,332)
Net assets released from restrictions -											
Satisfaction of program restrictions:											
Academic support	1,153,812	-	-	1,153,812	(1,153,812)	-	-	(1,153,812)	-	-	-
Alumni relations	6,794	-	-	6,794	(6,794)	-	-	(6,794)	-	-	-
Fund-raising and development	13,831	-	-	13,831	(13,831)	-	-	(13,831)	-	-	-
Instruction and departmental research	7,446,525	-	-	7,446,525	(7,237,215)	-	-	(7,237,215)	(209,310)	-	-
Institutional support	973,288	-	-	973,288	(973,288)	-	-	(973,288)	-	-	-
Intercollegiate athletics	534,821	-	-	534,821	(534,821)	-	-	(534,821)	-	-	-
Operation and maintenance of plant	730,148	-	-	730,148	(730,148)	-	-	(730,148)	-	-	-
Public service	167,112	-	-	167,112	(167,112)	-	-	(167,112)	-	-	-
Research	132,586	-	-	132,586	(132,586)	-	-	(132,586)	-	-	-
Student aid	3,502,746	-	-	3,502,746	(3,502,746)	-	-	(3,502,746)	-	-	-
Student services	270,241	-	-	270,241	(270,241)	-	-	(270,241)	-	-	-
Related entity operations	119,460	-	-	119,460	-	(119,460)	-	(119,460)	-	-	-
Total net assets released from restrictions	15,051,364	-	-	15,051,364	(14,722,594)	(119,460)	-	(14,842,054)	(209,310)	-	-
Total revenues, other support, and net assets released from restrictions	2,351,037	4,119,453	4,062,437	10,532,927	(46,081,753)	(1,295,211)	10,912,520	(36,464,444)	12,094,311	(71,126)	(13,908,332)

The Ohio University Foundation and Subsidiaries

Consolidating Schedule of Activities (Continued)
Year Ended June 30, 2009

	Unrestricted	The Inn	Housing	Total Unrestricted	Temporarily Restricted	Supporting Organization	Russ LLC's	Total Temporarily Restricted	Total Permanently Restricted	Eliminations	Total
Expenses											
Program services:											
Academic support	$ 1,153,812	$ -	$ -	$ 1,153,812	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,153,812
Alumni relations	593,819	-	-	593,819	-	-	-	-	-	-	593,819
Instruction and departmental research	7,555,533	-	-	7,555,533	-	-	-	-	-	-	7,555,533
Institutional support	1,217,926	-	-	1,217,926	-	-	-	-	-	-	1,217,926
Intercollegiate athletics	534,885	-	-	534,885	-	-	-	-	-	-	534,885
Operation and maintenance of plant	730,148	-	-	730,148	-	-	-	-	-	-	730,148
Public service	167,112	-	-	167,112	-	-	-	-	-	-	167,112
Research	368,567	-	-	368,567	-	-	-	-	-	-	368,567
Student aid	3,502,746	-	-	3,502,746	-	-	-	-	-	-	3,502,746
Student services	270,241	-	-	270,241	-	-	-	-	-	-	270,241
Support services:											
Fund-raising and development	6,526,533	-	-	6,526,533	-	-	-	-	-	-	6,526,533
Fund administration	595,194	-	-	595,194	-	-	-	-	-	-	595,194
Related entity operations	119,460	4,048,327	3,568,870	7,736,657	-	-	774,989	774,989	-	-	8,511,646
Total expenses	23,335,976	4,048,327	3,568,870	30,953,173	-	-	774,989	774,989	-	-	31,728,162
Changes in Net Assets	(20,984,939)	71,126	493,567	(20,420,246)	(46,081,753)	(1,295,211)	10,137,531	(37,239,433)	12,094,311	(71,126)	(45,636,494)
Net Assets (Deficit) - Beginning of year	6,231,620	2,789,874	(2,621,331)	6,400,163	170,126,417	5,576,277	-	175,702,694	132,928,059	(2,789,874)	312,241,042
Net Assets (Deficit) - End of year	**$ (14,753,319)**	**$ 2,861,000**	**$ (2,127,764)**	**$ (14,020,083)**	**$ 124,044,664**	**$ 4,281,066**	**$ 10,137,531**	**$ 138,463,261**	**$ 145,022,370**	**$ (2,861,000)**	**$ 266,604,548**

The Ohio University Foundation and Subsidiaries

Consolidating Schedule of Cash Flows
Year Ended June 30, 2009

	The Foundation	The Inn	Housing	Supporting Organization	Russ LLCs	Total
Cash Flows From Operating Activities						
Changes in net assets	$ (55,043,507)	$ 71,126	$ 493,567	$ (1,295,211)	$ 10,137,531	$ (45,636,494)
Adjustments to reconcile changes in net assets to net cash from operating activities:						
Realized investment gains - Net	13,072,020	-	-	(45,564)	-	13,026,456
Noncash items:						
Depreciation and amortization	35,315	530,262	855,430	-	124,196	1,545,203
Unrealized investment losses (gains) - Net	42,012,868	-	-	1,329,932	-	43,342,800
Decrease in cash surrender value of life insurance policies	185,808	-	-	-	-	185,808
Contributions restricted for endowment investment	(4,480,822)	-	-	-	-	(4,480,822)
Contributions of land and buildings	-	-	-	-	(9,431,000)	(9,431,000)
Changes in current assets and liabilities:						
Decrease in accounts receivable	119,917	48,204	3,776	-	(17,367)	154,530
Decrease (increase) in trust receivable	3,200,000	-	-	-	-	3,200,000
Decrease in pledges receivable	2,220,300	-	-	-	-	2,220,300
Decrease in bequests receivable	872,267	-	-	-	-	872,267
(Increase) in interest and dividends receivable	(28,245)	-	-	-	-	(28,245)
Decrease in prepaid expenses	124,633	15,642	186	-	-	140,461
Decrease in other assets	-	11,204	42,971	-	-	54,175
Increase (decrease) in accounts payable	1,196,959	(41,087)	(15,110)	-	188,832	1,329,594
Increase in other liabilities	-	16,218	26,701	-	-	42,919
Increase (decrease) in deposits held in custody for others	63,876	-	(17,421)	-	48,088	94,543
Net cash provided by (used in) operating activities	3,551,389	651,569	1,390,100	(10,843)	1,050,280	6,632,495
Cash Flows From Investing Activities						
Additions to property and equipment	(196,500)	(221,702)	(72,658)	-	-	(490,860)
Purchases of investments	(95,239,026)	(65,524)	-	(1,310,533)	-	(96,615,083)
Proceeds from sales of investments	86,004,142	-	-	1,321,376	-	87,325,518
(Increase) in restricted cash	-	-	(69,295)	-	-	(69,295)
Decrease in charitable remainder trusts	290,948	-	-	-	-	290,948
Decrease in investments subject to annuity agreements	472,510	-	-	-	-	472,510
Net cash (used in) provided by investing activities	(8,667,926)	(287,226)	(141,953)	10,843	-	(9,086,262)
Cash Flows from Financing Activities						
Contributions restricted for endowment investment	4,480,822	-		-	-	4,480,822
Payments on notes and bonds payable	-	(188,900)	(705,000)	-	-	(893,900)
Net change in annuity obligations	(415,575)	-	-	-	-	(415,575)
Net cash provided by (used in) financing activities	4,065,247	(188,900)	(705,000)	-	-	3,171,347
Net (Decrease) Increase in Cash	(1,051,290)	175,443	543,147	-	1,050,280	717,580
Cash and Cash Equivalents- Beginning of year	9,011,460	531,087	284,405	-	-	9,826,952
Cash and Cash Equivalents - End of year	**$ 7,960,170**	**$ 706,530**	**$ 827,552**	**$ -**	**$ 1,050,280**	**$ 10,544,532**

Plante & Moran, PLLC
Suite 600
65 E. State St.
Columbus, OH 43215
Tel: 614.849.3000
Fax: 614.221.3535
plantemoran.com

Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based Upon an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

To the Board of Trustees
The Ohio University Foundation
and Subsidiaries
Athens, OH

We have audited the accompanying consolidated statement of financial position of The Ohio University Foundation, an Ohio not-for-profit corporation, and Subsidiaries (the "Foundation") as of June 30, 2009 and the related consolidated statements of activities and cash flows for the year then ended and have issued our report thereon dated October 15, 2009 (which report expresses an unqualified opinion and includes an emphasis of matter paragraph regarding the valuation of alternative investments), which is also based on the report of another auditor. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that are considered to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and 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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of trustees and management of the Foundation and the Auditor of the State of Ohio and is not intended to be, and should not be, used by anyone other than these specified parties.

Plante & Moran, PLLC

October 15, 2009

Russ Research Center, LLC
(an Ohio limited liability company)

Financial Report

June 30, 2009

Russ Research Center, LLC

Contents

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Plante & Moran, PLLC
Suite 600
65 E. State St.
Columbus, OH 43215
Tel: 614.849.3000
Fax: 614.221.3535
plantemoran.com

Independent Auditor's Report

To the Board of Directors
Russ Research Center, LLC

We have audited the accompanying balance sheet of Russ Research Center, LLC (the "Company"), an Ohio limited liability company, as of June 30, 2009 and the related statements of operations, member's equity, and cash flows for the period from October 30, 2008 (date of inception) through June 30, 2009. These financial statements are the responsibility of the Company'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 basic financial statements referred to above present fairly, in all material respects, the financial position of the Company as of June 30, 2009 and the results of its operations and cash flows for the period from October 30, 2008 (date of inception) through June 30, 2009, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2010 on our consideration of Russ Research Center, LLC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report (included in pages 9 and 10 herein) 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.

Plante & Moran, PLLC

February 1, 2010

Russ Research Center, LLC

Balance Sheet
June 30, 2009

Assets	
Cash	$ 1,050,280
Accounts receivable	17,367
Property and equipment - Less accumulated depreciation (Note 3)	5,675,804
Total assets	**$ 6,743,451**
Liabilities and Member's Equity	
Liabilities	
Accounts payable and accrued liabilities	$ 188,832
Tenant security deposits	48,088
Total liabilities	236,920
Member's Equity	6,506,531
Total liabilities and member's equity	**$ 6,743,451**

The Notes to the Financial Statements are
an Integral Part of this Statement.

Russ Research Center, LLC

Statement of Operations
Period from October 30, 2008 through June 30, 2009

Revenues	
Rental income	$ 1,051,968
Interest income	3,965
Total revenues	1,055,933
Expenses	
Real estate taxes	65,253
Security and inspections	21,465
Repairs and maintenance	227,857
Utilities	254,953
Professional fees	35,273
Administrative expenses	12,821
Depreciation expense	124,196
Management fees	33,171
Total expenses	774,989
Operating Income	280,944
Nonoperating Revenue - Contribution revenue (Note 4)	6,225,587
Net Income	**$ 6,506,531**

The Notes to the Financial Statements are
an Integral Part of this Statement.

Russ Research Center, LLC

Statement of Member's Equity
Period from October 30, 2008 through June 30, 2009

Balance - October 30, 2008	$ -
Net income	6,506,531
Balance - June 30, 2009	**$ 6,506,531**

Russ Research Center, LLC

Statement of Cash Flows
Period from October 30, 2008 through June 30, 2009

Cash Flows from Operating Activities	
Net income	$ 6,506,531
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	124,196
Contribution revenue	(6,225,587)
Changes in assets and liabilities:	
Accounts receivable	(8,617)
Accounts payable and accrued liabilities	54,330
Net Increase in Cash	450,853
Cash - Beginning of period	599,427
Cash - End of period	**$ 1,050,280**

The Notes to the Financial Statements are
an Integral Part of this Statement.

Note 1 - Nature of Entity

Russ Research Center, LLC (the "Company") was organized as a limited liability company on October 30, 2008 under the laws of the State of Ohio for the purpose of operating a research park, which consists of 10 office and research buildings. The Company was created to accept the membership interest of an LLC that formerly held the land and buildings for the Russ Estate. The Company's sole member is Fritz J. and Dolores H. Russ Holdings, LLC (Russ Holdings). Russ Holdings' sole member is the Ohio University Foundation (the "Foundation"). The Foundation's purpose is to support Ohio University, located in Athens, Ohio, its students, faculty and staff, and the educational programs designated for its students, potential students, and alumni. The rental property is located in Dayton, Ohio. Operations of the Company commenced October 30, 2008, and these financial statements reflect the operations of the Company from October 30, 2008 to June 30, 2009.

Note 2 - Summary of Significant Accounting Policies

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

Classification - The financial affairs of the Company generally do not involve a business cycle since the realization of assets and the liquidation of liabilities are usually dependent on the Company's circumstances. Accordingly, the classification of current assets and current liabilities is not considered appropriate and has been omitted from the balance sheet.

Cash - At times, cash may exceed federally insured amounts. The Company believes that it mitigates risks by depositing cash with major financial institutions.

Trade Accounts Receivable - Accounts receivable are stated at net invoice amounts. An allowance for doubtful accounts is established based on a specific assessment of all invoices that remain unpaid following normal customer payment periods. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. Management considers all accounts receivable collectible; therefore, an allowance for doubtful accounts has not been recorded as of June 30, 2009.

Property and Equipment - Property and equipment additions are stated at cost. The straight-line method is used for computing depreciation. Assets are depreciated over their estimated useful lives. Costs of maintenance and repairs are charged to expense when incurred.

Note 2 - Summary of Significant Accounting Policies (Continued)

Impairment of Long-lived Assets - Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When indicators of impairment are present, management evaluates the carrying amount of such assets in relation to the operating performance and future estimated undiscounted net cash flows expected to be generated by the assets or underlying operations. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. The assessment of the recoverability of assets will be impacted if estimated future operating cash flows are not achieved. In the opinion of management, no long-lived assets were impaired as of June 30, 2009.

Recognition of Revenue - Rental income is recognized on a straight-line basis over the terms of the tenant leases (one year). Rental payments received in advance of the rental income recognition are included in deferred rental income, a liability in the accompanying statement of operations. Late fees are recognized when tenants fail to submit rental payments under the terms of leases. Late fees and other miscellaneous fees such as month-to-month leasing agreements, rental of storage facilities, and reservation fees are included in other operating income related to rental activity in the accompanying statement of operations.

Income Taxes - The Company is treated as a pass-through entity for federal income tax purposes. Consequently, federal income taxes are not payable or provided for by the Company. Members are taxed individually on their pro rata ownership share of the Company's earnings. The Company's net income or loss is allocated to the sole member in accordance with the Company's operating agreement.

Note 3 - Property and Equipment

A summary of property and equipment at June 30, 2009 is as follows:

	Amount	Depreciable Life - Years
Buildings	$ 4,967,857	20 years
Land	832,143	-
Total property and equipment	5,800,000	
Less accumulated depreciation	124,196	
Net property and equipment	$ 5,675,804	

Depreciation expense totaled $165,687 for the period ended June 30, 2009.

Note 4 - Contribution Revenue

As further disclosed in Note 1, the value of the membership interest donated, which was determined based on the fair value of the cash, accounts receivable, land, and buildings received less the accounts payable and other liabilities assumed at October 30, 2008, totaled $6,225,587. This amount has been recorded as contribution revenue on the statement of operations.

Plante & Moran, PLLC
Suite 600
65 E. State St.
Columbus, OH 43215
Tel: 614.849.3000
Fax: 614.221.3535
plantemoran.com

Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based Upon an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Russ Research Center, LLC
Athens, OH

We have audited the accompanying financial statements of Russ Research Center, LLC (the "Company"), an Ohio limited liability company, as of and for the period from October 30, 2008 through June 30, 2009, and have issued our report thereon dated February 1, 2010. 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 Company's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and responses as item 2009-1 to be a significant deficiency in internal control over financial reporting.

To the Board of Directors
Russ Research Center, LLC

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we do not believe the significant deficiency described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company'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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of the Company in a separate letter dated February 1, 2010.

The Company's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Company's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the board of directors and management of the Company and the Auditor of the State of Ohio and is not intended to be, and should not be, used by anyone other than these specified parties.

Plante & Moran, PLLC

February 1, 2010

Reference Number	Findings
2009-1	**Finding Type** - Significant deficiency

Criteria - The Company's financial records for interim periods have been recorded on the cash basis of accounting. The Company is required to convert the financial records from the cash basis to the accrual basis of accounting as part of the year-end financial reporting process.

Condition - The Company's management reviewed cash receipt and cash disbursement transactions for cut-off to convert the financial records to the accrual basis at inception, which is October 30, 2008, and for the period end, which is June 30, 2009. The accrual for real estate taxes was incorrectly calculated.

Cause - A thorough review was not completed to verify that all such obligations are recorded in the appropriate period as part of the period end close process.

Effect or Potential Effect - The accrued real estate taxes and related expense were overstated as a result of the error.

Recommendation - We suggest management perform a thorough review of account balances to verify that all obligations are recorded in the appropriate period as part of the year-end close process.

Views of Responsible Officials and Planned Corrective Actions - At the request of the Ohio University Foundation, the property asset management company, Richard Flagel Management LLC, has converted the financial records from the cash basis to the accrual basis of accounting. Hence, the real estate taxes will be accrued properly in future periods.

Mary Taylor, CPA
Auditor of State

THE OHIO UNIVERSITY FOUNDATION AND SUBSIDIARIES

ATHENS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 18, 2010

88 E. Broad St. / Fourth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us