The University of Akron Foundation

Financial Statements

June 30, 2009 and 2008

Mary Taylor, CPA
Auditor of State

Board of Directors
The University of Akron Foundation
302 Buchtel Common
Akron, Ohio 44325

We have reviewed the *Independent Auditor's Report* of The University of Akron Foundation, Summit 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 University of Akron Foundation is responsible for compliance with these laws and regulations.

Robert R. Hinkle

Robert R. Hinkle, CPA
Chief Deputy Auditor

December 10, 2009

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The University of Akron Foundation

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Independent Auditor's Report

To the Board of Directors
The University of Akron Foundation

We have audited the accompanying statement of financial position of The University of Akron Foundation (the "Foundation"), a discretely presented component unit of the University of Akron, as of June 30, 2009 and 2008 and the related 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 University of Akron Foundation as of June 30, 2009 and 2008 and the results of its operations and cash flows for the years then ended, 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 October 14, 2009 on our consideration of The University of Akron Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. 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 25 and 26 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

October 14, 2009

The University of Akron Foundation

Statement of Financial Position

	June 30 2009	June 30 2008
Assets		
Accounts and notes receivable	$ 654,500	$ 203,572
Pledges receivable - Net of allowance and discount (Note 4)	14,535,108	9,822,922
Related party note receivable (Note 10)	1,803,939	-
Investments - At fair value (Note 3)	109,104,167	151,270,259
Investments held for others (Notes 3 and 16)	2,709,525	-
Beneficial interest in charitable lead trusts (Note 8)	161,592	264,399
Beneficial interest in real estate (Note 9)	1,700,000	1,700,000
Property - Net (Note 5)	5,761,850	5,761,850
Total assets	**$ 136,430,681**	**$ 169,023,002**
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 66,481	$ 483,276
Contributions payable to the University (Note 6)	1,044,142	399,507
Deposit - BioInnovation Institute (Note 16)	2,684,525	-
Deposit - Akron Cooperative	25,000	-
Deferred revenue	30,000	30,000
Refundable advances	68,835	95,285
Note payable (Note 13)	1,500,000	1,500,000
Line of credit (Note 10)	1,800,000	-
Actuarial liability for annuity/unitrust agreements (Notes 7 and 9)	11,271,563	11,844,733
Total liabilities	18,490,546	14,352,801
Net Assets		
Unrestricted (Note 11)	(8,853,123)	6,625,863
Temporarily restricted (Note 11)	44,099,767	59,726,772
Permanently restricted (Note 11)	82,693,491	88,317,566
Total net assets	117,940,135	154,670,201
Total liabilities and net assets	**$ 136,430,681**	**$ 169,023,002**

See Notes to Financial Statements.

Statement of Activities
Year Ended June 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Other Additions				
Contributions	$ 8,246	$ 10,112,260	$ 1,830,440	$ 11,950,946
Net change in the fair value of investments	(14,963,201)	(18,047,734)	(935,566)	(33,946,501)
Change in the fair value of split-interest agreements	(699)	(9,037)	(5,152,487)	(5,162,223)
Change in the fair value of beneficial interest in perpetual trusts	-	(4,273)	10,458	6,185
Dividend and interest income	1,576,045	1,222,985	6,619	2,805,649
Other income	-	129,147	800	129,947
Total revenue and other additions - Net	(13,379,609)	(6,596,652)	(4,239,736)	(24,215,997)
Release of Restrictions	10,414,692	(10,044,214)	(370,478)	-
Total revenue and other additions and release of restrictions	(2,964,917)	(16,640,866)	(4,610,214)	(24,215,997)
Expenses				
Distributions to or for The University of Akron:				
Direct distributions to the University	10,851,972	-	-	10,851,972
Distributions on behalf of the University	904,020	-	-	904,020
Administration of the Foundation:				
Services performed by University personnel (Note 12)	402,328	-	-	402,328
Professional fees	127,360	-	-	127,360
Other administrative expenses	194,419	-	-	194,419
Office expenses	27,416	-	-	27,416
Insurance and taxes	6,554	-	-	6,554
Total expenses	12,514,069	-	-	12,514,069
Change in Donor Designation	-	1,013,861	(1,013,861)	-
Decrease in Net Assets	(15,478,986)	(15,627,005)	(5,624,075)	(36,730,066)
Net Assets - Beginning of year	6,625,863	59,726,772	88,317,566	154,670,201
Net Assets - End of year	**$ (8,853,123)**	**$ 44,099,767**	**$ 82,693,491**	**$ 117,940,135**

The University of Akron Foundation

Statement of Activities
Year Ended June 30, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Other Additions				
Contributions	$ 3,166	$ 14,513,522	$ 5,252,638	$ 19,769,326
Net change in the fair value of investments	(1,129,549)	(7,986,168)	(889,108)	(10,004,825)
Change in the fair value of split-interest agreements	(1,856)	(6,408)	(2,518,163)	(2,526,427)
Change in the fair value of beneficial interest in perpetual trusts	-	1,488	14,516	16,004
Dividend and interest income	2,209,362	1,350,968	9,632	3,569,962
Other income	1,500	110,840	1,500	113,840
Total revenue and other additions	1,082,623	7,984,242	1,871,015	10,937,880
Release of Restrictions	12,157,093	(12,057,857)	(99,236)	-
Total revenue and other additions and release of restrictions	13,239,716	(4,073,615)	1,771,779	10,937,880
Expenses				
Distributions to or for The University of Akron:				
Direct distributions to the University	12,892,054	-	-	12,892,054
Distributions on behalf of the University	1,500,368	-	-	1,500,368
Administration of the Foundation:				
Services performed by University personnel (Note 12)	349,552	-	-	349,552
Professional fees	147,616	-	-	147,616
Other administrative expenses	190,485	-	-	190,485
Depreciation	1,651	-	-	1,651
Office expenses	20,730	-	-	20,730
Insurance and taxes	7,921	-	-	7,921
Total expenses	15,110,377	-	-	15,110,377
Change in Donor Designation	-	160,916	(160,916)	-
Change in Net Assets	(1,870,661)	(3,912,699)	1,610,863	(4,172,497)
Net Assets - Beginning of year	8,496,524	63,639,471	86,706,703	158,842,698
Net Assets - End of year	**$ 6,625,863**	**$ 59,726,772**	**$ 88,317,566**	**$ 154,670,201**

See Notes to Financial Statements.

Statement of Cash Flows

	Year Ended June 30	
	2009	2008
Cash Flows from Operating Activities		
Decrease in net assets	$ (36,730,066)	$ (4,172,497)
Adjustments to reconcile decrease in net assets to net cash from operating activities:		
Net change in the fair value of investments	33,946,501	10,004,825
Contributed property	-	(110,000)
Contributions restricted for long-term investment	(1,830,440)	(5,142,638)
Change in fair value of split-interest agreements	5,162,223	2,526,427
Change in fair value of refundable advances	(26,450)	(22,716)
Depreciation	-	1,651
Changes in operating assets and liabilities:		
Accounts and notes receivable - Net	(450,928)	44,438
Pledges receivable - Net	(4,712,186)	(6,057,409)
Beneficial interest in charitable lead trusts	102,807	94,514
Deposit - BioInnovation Institute	2,684,525	-
Deposit - Akron Cooperative	25,000	-
Accounts payable and other liabilities	227,841	478,008
Net cash used in operating activities	(1,601,173)	(2,355,397)
Cash Flows from Investing Activities		
Issuance of related party promissory note receivable	(1,803,939)	-
Proceeds from sale of investments	194,468,531	213,754,324
Purchase of investments	(188,958,466)	(217,143,241)
Net cash provided by (used in) investing activities	3,706,126	(3,388,917)
Cash Flows from Financing Activities		
Proceeds from contributions restricted for:		
Investment in endowment	1,660,830	4,741,674
Investment subject to annuity agreements	333,224	2,395,047
Other financing activities:		
Proceeds from issuance of notes payable	-	1,500,000
Proceeds from line of credit	1,800,000	-
Interest and dividends restricted for annuity agreements	266,660	298,791
Net change in restricted for annuity agreements	(4,640,197)	(1,524,938)
Payments of annuity obligations	(1,525,470)	(1,751,207)
Net cash (used in) provided by financing activities	(2,104,953)	5,659,367
Net Decrease in Cash	-	(84,947)
Cash - Beginning of year	-	84,947
Cash - End of year	$ -	$ -

See Notes to Financial Statements.

Note 1 - Organization

The University of Akron Foundation (the "Foundation"), a discretely presented component unit of the University of Akron, is a not-for-profit organization. The Foundation's mission is to provide financial assistance to the University of Akron (the "University") by encouraging and administering gifts and bequests.

The Foundation receives contributions from the following support groups of the University:

John R. Buchtel Society (the "Society")

The Society includes seven gift clubs, ranging from the Loyalty Club for annual donors of up to $99 to the 1870 Benefactors Club for lifetime contributions of $1 million or more.

Partners in Excellence (the "Group")

The Group constitutes an array of companies, foundations, and business organizations providing financial, technical, and material assistance to the University, including the following:

- Unrestricted support to the University
- Support for the Crusade for Scholars program
- Support for the Center for Economic Education
- Support for the intercollegiate athletic program
- Support for restricted purposes

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting - The accounts of the Foundation are maintained in accordance with the principles of not-for-profit accounting. The statements have been prepared on an accrual basis.

Basis of Presentation - The Foundation reports net assets based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

- **Unrestricted Net Assets** - Net assets that are not subject to donor-imposed stipulations. This category includes unrestricted assets and uncollected pledges.
- **Temporarily Restricted Net Assets** - Net assets subject to donor-imposed stipulations that will be met either by actions of the Foundation and/or the passage of time, including quasi-endowments which are purpose restricted donor contributions that the Board has designated to function as endowments. This category includes true endowment earnings, quasi-endowment principal and earnings, a property annuity, and property assets.

Note 2 - Summary of Significant Accounting Policies (Continued)

- **Permanently Restricted Net Assets** - Net assets subject to donor-imposed stipulations to be maintained permanently by the Foundation. The donors of these assets permit the Foundation to use the income earned on related investments for general or specific purposes. This category includes annuity funds and true endowment principal.

Revenues - Revenues are reported as increases in unrestricted net assets unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as the release of restrictions in the accompanying statement of activities.

Underwater Endowments - In Ohio, the Uniform Prudent Management of Institutional Funds Act (UPMIFA) governs the investment of and spending from true endowments. As reported in Note 15, the Foundation has interpreted this act as requiring the preservation of the historical value of the original gift as of the gift date of the donor-restricted endowment fund. Under this interpretation, if the market value of an endowment drops below the historic gift value, the endowment is considered to be underwater. The net depreciation of an underwater endowment will reduce unrestricted net assets. Any future gains will be used to restore the cumulative deficiency within unrestricted net assets. Once unrestricted net assets have been fully restored, net appreciation will be recorded within either temporarily or permanently restricted net assets, as required by the donor's restriction.

Income Taxes - The Foundation is an Ohio nonprofit organization, tax-exempt under Section 501(c)(3) of the Internal Revenue Code and exempt from federal, state, and local income tax on related income.

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

Note 2 - Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents - The Foundation considers highly liquid instruments with a maturity of three months or less when purchased to be cash equivalents. Cash equivalents held as part of the investment pool are classified as investments and are excluded from cash equivalents for purposes of the statement of cash flows.

Investments - Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value. The fair values of investments are based on quoted market prices. Investments not publicly traded are either stated at cost, which approximates market, or at appraised market values when applicable. Alternatives are recorded at their most recent available valuation as provided by the investment custodian. Donated investments including donated property are recorded as contributions at fair value on the date received. Realized gains (losses) on investments are the difference between the proceeds received and the average cost of investments sold. Net appreciation in the fair value of investments (including realized gains (losses) and unrealized gains (losses) and dividends and interest) is included in revenues, gains, and other income of unrestricted net assets, unless the net appreciation or investment income is restricted by the donor in a non-underwater account.

At June 30, 2009, the Foundation has remaining capital commitments for investment in a private equity fund of approximately $4,600,000.

Property - Property is recorded at cost at the date of acquisition or estimated fair value at the date of donation. Depreciation is computed over the estimated useful life of the asset, 25 years, using the straight-line method.

Pledges Receivable - The Foundation records pledges and unconditional promises to give as receivables and revenue in the year the pledge is made. Those that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as revenue until the conditions are substantially met.

Note 2 - Summary of Significant Accounting Policies (Continued)

Fair Value of Financial Instruments - The estimated fair value amounts have been determined by the Foundation using available market information and appropriate valuation methodologies. These estimates are subjective in nature and involve uncertainties and matters of considerable judgment. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Foundation could realize in a current market exchange. The use of different assumptions, judgments, and/or estimation methodologies may have a material effect on the estimated fair value amounts. All investment securities, the actuarial liability for annuity/unitrust agreements, and refundable advances are carried at fair value in the financial statements.

Credit Risk Concentrations - Financial instruments which potentially expose the Foundation to concentrations of credit risk include investments in marketable securities and pledges receivable. As a matter of policy, the Foundation only maintains balances with financial institutions having a high credit quality. Concentration of credit risk for investments in marketable securities is mitigated by both the distribution of investment funds among asset managers and the overall diversification of managed investment portfolios. Concentration of credit risk for pledges receivable is generally limited due to the dispersion of these balances over a wide base of donors.

Expenses - The Foundation's expenses are classified into two categories: (1) distributions to or for The University of Akron and (2) administration of the Foundation. The expenses relating to the administration of the Foundation include both fund-raising and management and general activities. Total expenses consisted of expenses related to program services, management and general, and fund-raising. Costs are allocated between the various programs and support services on an actual basis, where available, or based upon reasonable methods. Although methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Fair Value Option - As of July 1, 2008 the Foundation adopted Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS 159). SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value. The fair value option may be applied instrument by instrument, is irrevocable, and is applied only to entire instruments and not to portions of instruments. The Foundation made the fair value option election with respect to the annuity pool and refundable advances.

Note 2 - Summary of Significant Accounting Policies (Continued)

Management made the election for the fair value option to provide an accurate portrayal of these balances by discounting the annuities pool given the length of time involved with some of the annuities and by adjusting the refundable advances to their underlying investment's market value.

The fair value of the annuity pool, which relates to the split-interest agreements, and the fair value of refundable advances, which relates to a revocable trust, is estimated by discounting expected cash inflows and outflows to their present value using appropriate rates with the risk of realizing such cash inflows and outflows. The fair value of the annuity pool and refundable advances is $11,271,563 and $68,835, respectively, as of June 30, 2009.

Risks and Uncertainties - The Foundation invests in various investment securities. 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 reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Subsequent Events - The financial statements and related disclosures include evaluation of events up through and including October 14, 2009, which is the date the financial statements were issued.

Note 3 - Investments

Investments are stated at fair value. Fluctuations in fair value, as well as gains or losses on sales of securities, are recognized in the statement of activities. Investments as of June 30, 2009 and 2008 were as follows:

	2009	2008
Pooled investment funds managed for the Foundation:		
Smith Group	$ 6,168,555	$ 12,672,677
TCW	-	9,928,066
The Common Fund	76,562	107,753
Oak Associates	2,062,753	-
NFJ	8,266,112	15,274,745
Hotchkis & Wiley	8,024,864	-
Alliance	6,035,069	10,841,349
Essex	-	2,175,520
Aletheia	8,345,129	14,355,168
Denver	1,569,943	2,401,463
ING Global	2,651,655	1,160,001
Wentworth	1,490,922	3,099,840
Permal	-	6,248,603
Robeco Sage	2,635,453	3,213,849
Earnest	3,219,288	3,931,625
Merrill Lynch Main Account	43,565	6,112
Julius Baer	8,751,620	13,592,485
Vesey Street Private Equity	1,885,542	-
Metropolitan West	27,274,623	29,972,470
Total pooled investment funds	88,501,655	128,981,726
Mutual funds	4,484,870	6,234,369
U.S. Treasury obligations	582,011	569,883
Bonds	4,248,787	4,515,406
Premium public funds	357,000	2,030,000
Floaters	1,455,000	-
Commercial paper	7,471,112	7,324,474
Common stocks	775,669	736,050
Money market funds	3,657,053	597,816
Insurance policies, cash surrender value	280,535	280,535
Total fair value	$ 111,813,692	$ 151,270,259
Total cost	$ 129,564,661	$ 158,753,193

Note 3 - Investments (Continued)

The pooled investment funds are invested in diverse portfolios. Limitations have been placed on the trust fund managers to stay within specified parameters in managing the portfolios.

Approximately 69 percent and 77 percent of the pooled investment funds were invested in common and preferred stocks in a variety of industries and 31 percent and 23 percent were invested in fixed income securities at June 30, 2009 and 2008, respectively. At June 30, 2009 and 2008, pooled investment funds included alternative investments totaling $4,596,865 and $9,570,202, respectively. Market prices are not available for certain investments, primarily private equity and hedge funds. These investments are carried at estimated fair value provided by the funds' managements. The Foundation believes that the carrying amounts are reasonable estimates of fair value as of June 30, 2009.

Note 4 - Pledges Receivable

Unconditional promises to give are included in the financial statements as pledges receivable. Pledges are recorded at their approximate present value. For pledges made during the year ended June 30, 2009, the future expected cash flows from pledges receivable have been discounted using a discount rate of 3.19 percent and 4.30 percent for pledges with durations of five years or less and more than five years, respectively. For pledges made during the year ended June 30, 2008, the future expected cash flows from pledges receivable have been discounted using a discount rate of 3.34 percent and 4.59 percent for pledges with durations of five years or less and more than five years, respectively.

Pledges receivable at June 30, 2009 and 2008 are expected to be realized in the following periods:

	2009	2008
Less than one year	$ 3,314,852	$ 1,621,660
One to five years	6,476,757	5,696,723
More than five years	9,901,000	6,514,286
Total	19,692,609	13,832,669
Less amount estimated to be uncollectible	(1,060,582)	(1,091,436)
Less unamortized discount	(4,096,919)	(2,918,311)
Total pledges receivable - Net	$ 14,535,108	$ 9,822,922

Note 4 - Pledges Receivable (Continued)

As of June 30, 2009, the Foundation has $29,572,660 in numerous outstanding pledges which are considered to be intentions to give and are contingent upon future events. These pledges are not accrued as contributions 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 5 - Property

Property consists of the following at June 30, 2009 and 2008:

			Totals	
	Non-depreciable	Depreciable	2009	2008
Brown Street Property	$ 81,000	$ -	$ 81,000	$ 81,000
Union Street Property	126,460	-	126,460	126,460
Miller Parkway Land	155,825	-	155,825	155,825
E. Exchange Street Property	401,385	-	401,385	401,385
Torrey Street Property	6,814	160,426	167,240	167,240
Avery Place Property	12,017	-	12,017	12,017
South Arlington Street Land	220,000	-	220,000	220,000
Dale Street Property	27,460	82,540	110,000	110,000
Heritage Centre Lot A	1,600,000	-	1,600,000	1,600,000
Heritage Centre Lot B	1,300,000	-	1,300,000	1,300,000
Heritage Centre Lot C	1,150,000	-	1,150,000	1,150,000
Heritage Centre Lot D	600,000	-	600,000	600,000
Less accumulated depreciation	-	(162,077)	(162,077)	(162,077)
Total	$ 5,680,961	$ 80,889	$ 5,761,850	$ 5,761,850

Note 6 - Contributions Payable to the University

The Foundation may receive gifts on behalf of the University. The Foundation records a contribution payable to the University for such gifts. In 2009 and 2008, the Foundation recorded $1,360,406 and $1,434,338, respectively, of contribution revenue for amounts received on behalf of the University.

Note 7 - Split-interest Agreements

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

The Foundation has also entered into unitrust, annuity trust, and pooled income agreements which include provisions for the Foundation to pay beneficiaries' periodic payments until either the assets of the trust have been exhausted or until death of the beneficiaries. Upon death of the beneficiaries, any remaining property in the trust or pooled income fund will be transferred to the Foundation in accordance with the agreements.

The Foundation accounts for such agreements by recording the fair market value of assets donated as of the date of the gift and by recording the actuarial present value of the annuities payable using the applicable IRS tables (discount rates used at June 30, 2009 and 2008 were 2.8 percent and 3.8 percent, respectively) based on the term of the agreement, as a liability. The balance of the gift is recorded as unrestricted, temporarily restricted, or permanently restricted contributions, as appropriate.

The Foundation's payments to beneficiaries under the split-interest agreements reduce the annuity liability. Adjustments to the annuity liability are made to report amortization of the discount and record changes in the life expectancy of the beneficiary. These adjustments, as well as the return on the underlying investment assets (fair value of $13,379,640 and $19,841,955 at June 30, 2009 and 2008, respectively), are recognized in the statement of activities as changes in the value of split-interest agreements.

Note 8 - Beneficial Interest in Lead Trusts

The Foundation has irrevocable rights to receive a portion of the specified cash flows from certain charitable lead trusts. The recorded beneficial interest in the lead trusts is based on the present value of the future cash flows to the Foundation using a discount rate of 4.89 percent. Due to the time restriction of the Foundation's access to the assets held in these trusts, the Foundation's interests in the lead trusts are recorded as temporarily and permanently restricted net assets as applicable. Adjustments to the carrying value of the trusts and income distributions received are recognized as increases or decreases in temporarily and permanently restricted net assets.

Note 9 - Beneficial Interest in Real Estate

The Foundation has the irrevocable right to receive ownership of certain real estate. The donor has retained the right to the use of the real estate for the donor's lifetime. The carrying value of the real estate (based upon an independent appraisal) is reported as a beneficial interest in real estate and as temporarily restricted net assets. Also, based on the agreement, the Foundation is required to pay periodic fixed payments to the donor during his lifetime. The Foundation recorded the present value of this annuity payable using the applicable IRS tables (discount rates used at June 30, 2009 and 2008 were 2.8 percent and 3.8 percent, respectively), based on the term of the agreement, as a liability.

Note 10 - Line of Credit

On January 2, 2007, the Foundation obtained a $5,000,000 revolving line of credit with National City Bank. Interest on the revolver is at a fluctuating rate of LIBOR plus 0.40 percent per annum. At June 30, 2009, interest on the revolver was at 0.71 percent. Borrowings outstanding under this agreement at June 30, 2009 were $1,800,000. There were no borrowings outstanding under this agreement at June 30, 2008. The Foundation is not required to pay a fee on the unused line of credit. The line of credit agreement is set to expire January 2, 2012.

The proceeds from the line of credit were used by the University during the year. The Foundation has recorded a noninterest-bearing note receivable as of June 30, 2009 which includes the amount of the transfer plus accrued interest totaling $1,803,939. The University is responsible for the interest and any other costs associated with the line of credit and there are no specified repayment terms for the note.

Note 11 - Net Assets

Unrestricted net assets at June 30, 2009 and 2008 are as follows:

	2009	2008
Current operations	$ 324,500	$ 482,186
Board designated	5,364,264	7,271,367
Underwater endowment adjustment	(14,541,887)	(1,127,690)
Total	$ (8,853,123)	$ 6,625,863

Temporarily restricted net assets, principally related to scholarships, specific schools within the University, department chairs, and various other purposes related to support of the University at June 30, 2009 and 2008, are as follows:

	2009	2008
Accumulated appreciation on true endowments	$ 10,943,859	$ 29,473,050
Accumulated appreciation on quasi-endowments	79,440	3,153,204
Specific purpose funds	19,039,643	17,860,808
Split-interest agreements	17,181	40,682
Pledges receivable	14,019,644	9,199,028
Total	$ 44,099,767	$ 59,726,772

Permanently restricted net assets, principally related to scholarships, specific schools within the University, department chairs, and various other purposes related to support of the University at June 30, 2009 and 2008 are as follows:

	2009	2008
Endowment funds	$ 80,087,131	$ 79,737,132
Split-interest agreements	2,090,896	7,956,540
Pledges receivable	515,464	623,894
Total	$ 82,693,491	$ 88,317,566

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes of scholarships and development of the University in the amount of $10,414,692 and $12,157,093 during fiscal years 2009 and 2008, respectively.

Note 12 - University Services

The University allocated certain overhead expenses to the Foundation totaling $402,328 and $349,552 in fiscal 2009 and 2008, respectively. These amounts are recorded as "services performed by University personnel" in the statement of activities.

Note 13 - Note Payable

Note payable consists of an unsecured note to an unrelated third party. The note bears no interest and the unpaid balance is due January 10, 2011.

Note 14 - 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. The implementation of the provisions of SFAS 157 for financial assets and liabilities as of July 1, 2008 did not have a material impact on the Foundation's financial statements.

The following tables present information about the Foundation's assets and liabilities measured at fair value on a recurring basis at 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.

Note 14 - Fair Value Measurements (Continued)

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:

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

	Balance at June 30, 2009	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets - Investments				
Pooled investment funds managed for the Foundation	$ 81,400,113	$ 54,800,389	$ 22,002,859	$ 4,596,865
Mutual funds	4,484,870	4,484,870	-	-
U.S. Treasury obligations	582,011	-	582,011	-
Bonds	4,248,787	-	4,248,787	-
Commercial paper	7,471,112	-	7,471,112	-
Floaters	1,455,000	-	1,455,000	-
Common stocks	775,669	775,669	-	-
Money market mutual funds	3,647,091	3,647,091	-	-
Liabilities				
Actuarial liability for annuity/unitrust agreements	$ (11,271,563)	$ -	$ -	$ (11,271,563)
Refundable advances	(68,835)	-	-	(68,835)

Note 14 - Fair Value Measurements (Continued)

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

	Hedge Funds	Private Equity Funds	Actuarial Liability for Annuity/Unitrust Agreements	Refundable Advances
Balance at June 30, 2008	$ 9,462,449	$ 107,753	$ (11,844,733)	$ (95,285)
Total unrealized gains (losses) included in change in net assets	(578,546)	(25,987)	(5,137,225)	26,450
Net additions, purchases, sales, and maturities	(6,248,600)	1,879,796	5,710,395	-
Other changes	-	-	-	-
Net transfers in/out of Level 3	-	-	-	-
Balance at June 30, 2009	$ 2,635,303	$ 1,961,562	$ (11,271,563)	$ (68,835)

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

Investments categorized as Level 3 assets primarily consist of hedge funds and private equity funds. The Foundation estimates the fair value of these investments is based on information provided by fund managers or the general partners.

Split interest agreement liabilities characterized as Level 3 liabilities consist primarily of charitable gift annuity agreements. Refundable advances characterized as Level 3 liabilities consist of revocable trusts. The Foundation estimates the fair value of these contributions based upon the present value of the expected future cash flows using management's best estimates of key assumptions including life expectancies of annuitants, payment periods, and a discount rate commensurate with the current market and other risks involved.

Note 15 - Donor and Board Restricted Endowments

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

Interpretation of Relevant Law

The board of directors of the Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the 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 until those amounts are appropriated for expenditure 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 appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the organization 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

Note 15 - Donor and Board Restricted Endowments (Continued)

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment	$ (14,473,395)	$ 10,943,859	$ 80,087,131	$ 76,557,595
Board designated (Quasi-endowment)	3,531,961	-	-	3,531,961
Total funds	$ (10,941,434)	$ 10,943,859	$ 80,087,131	$ 80,089,556

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - Beginning of the year	$ 4,260,489	$ 29,473,050	$ 79,737,132	$ 113,470,671
Investment return:				
Investment income	45,304	916,121	(17,580)	943,845
Net depreciation	(14,963,423)	(15,444,107)	(935,566)	(31,343,096)
Total investment return	(14,918,119)	(14,527,986)	(953,146)	(30,399,251)
Contributions	25	-	1,774,329	1,774,354
Appropriation of endowment assets for expenditure	(216,087)	(4,539,618)	(370,478)	(5,126,183)
Other changes - Change in donor designations	(67,742)	538,413	(100,706)	369,965
Endowment net assets - End of the year	$ (10,941,434)	$ 10,943,859	$ 80,087,131	$ 80,089,556

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment	$ (950,402)	$ 29,473,050	$ 79,737,132	$ 108,259,780
Board designated (quasi-endowment)	5,210,891	-	-	5,210,891
Total funds	$ 4,260,489	$ 29,473,050	$ 79,737,132	$ 113,470,671

Note 15 - 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
Endowment net assets - Beginning of the year	$ 5,630,457	$ 40,001,259	$ 73,538,608	$ 119,170,324
Investment return:				
Investment income	44,476	883,718	(16,520)	911,674
Net depreciation	(1,127,147)	(6,971,457)	(889,108)	(8,987,712)
Total investment return	(1,082,671)	(6,087,739)	(905,628)	(8,076,038)
Contributions	-	-	6,752,640	6,752,640
Appropriation of endowment assets for expenditures	(219,233)	(4,520,364)	(99,237)	(4,838,834)
Other changes - Change in donor designation	(68,064)	79,894	450,749	462,579
Endowment net assets - End of the year	$ 4,260,489	$ 29,473,050	$ 79,737,132	$ 113,470,671

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were $14,541,887 and $1,127,690 as of June 30, 2009 and 2008, respectively. These deficiencies resulted from unfavorable market fluctuations and continued appropriation for certain programs that was deemed prudent by the board of directors.

Note 15 - 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 purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for donor-specified periods, as well as board-designated funds. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Foundation expects its endowment funds, over time, to provide an average net rate of return of approximately 9.25 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 and How the Investment Objectives Relate to Spending Policy

The Foundation investment and spending policy stipulates that 5 percent of a three-year rolling average of the market value of the endowment is available to spend, 1.5 percent of the three-year moving average of the market value of the endowment is available for support of the Foundation's administrative expenses, and the remaining income is to be reinvested. If an investment loss is incurred, the loss is allocated entirely as currently expendable. 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 2.75 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 new gifts and investment return.

Note 16 - Fiscal Agent

During 2009, the Foundation entered into an agreement to serve as the fiscal agent for a non-profit Ohio corporation for educational, scientific, and charitable purposes called the BioInnovation Institute in Akron (the "Institute"). As part of this agreement, the Foundation is serving as the fiscal agent until a new 501(c)(3) organization can be established by the Institute. Members of the Institute include the University of Akron and other unrelated entities. As fiscal agent, the Foundation receives grant monies to invest and disburse. The Foundation has no discretion on use of the funds. The grant funds are segregated from the Foundation investment portfolio and invested in accordance with the direction of the member institutions of the Institute.

The Foundation has recorded investments held for the Institute and a corresponding liability for these funds of approximately $2,684,000 as of June 30, 2009 related to this agreement.

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

To the Board of Directors
The University of Akron Foundation

We have audited the financial statements of the University of Akron Foundation (the "Foundation"), a discretely presented component unit of the University of Akron, as of and for the years ended June 30, 2009 and 2008 and have issued our report thereon dated October 14, 2009. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Foundation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, 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 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 controls.

A material weakness is a significant deficiency, or 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 the internal control over financial reporting was for the limited purpose described in the first paragraph or this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

To the Board of Directors
The University of Akron Foundation

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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 Foundation's board of birectors, management of the Foundation, and the Auditor of the State of Ohio and is not intended to be used and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

Toledo, Ohio
October 14, 2009

Mary Taylor, CPA
Auditor of State

UNIVERSITY OF AKRON FOUNDATION

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 31, 2009