Inn-Ohio of Athens, Inc.
(a wholly owned subsidiary of The Ohio University Foundation)

Financial Report

June 28, 2013 and June 29, 2012

Dave Yost • Auditor of State

Board of Trustees
Inn-Ohio of Athens, Inc.
204 HDL Center
Athens, Ohio 45701

We have reviewed the *Independent Auditor's Report* of the Inn-Ohio of Athens, Inc., Athens County, prepared by Plante & Moran, PLLC, for the audit period June 29, 2012 through June 28, 2013. 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 Inn-Ohio of Athens, Inc. is responsible for compliance with these laws and regulations.

Dave Yost
Auditor of State

November 19, 2013

88 East Broad Street, Fifth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www.ohioauditor.gov

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Inn-Ohio of Athens, Inc.

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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
Inn-Ohio of Athens, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Inn-Ohio of Athens, Inc. (the "Company"), a wholly owned subsidiary of The Ohio University Foundation, which are comprised of the balance sheet as of June 28, 2013 and June 29, 2012 and the related statements of operations and comprehensive income, stockholder's equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Trustees
Inn-Ohio of Athens, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Inn-Ohio of Athens, Inc. as of June 28, 2013 and June 29, 2012 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2013 on our consideration of Inn-Ohio of Athens, Inc.'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 is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Inn-Ohio of Athens, Inc.'s internal control over financial reporting and compliance.

Plante & Moran, PLLC

September 27, 2013

Inn-Ohio of Athens, Inc.

Balance Sheet

	June 28, 2013	June 29, 2012
Assets		
Current Assets		
Cash	$ 1,042,385	$ 1,255,642
Investments (Note 3)	1,677,342	1,268,184
Accounts receivable - Net of allowance for doubtful accounts of $6,000 as of June 28, 2013 and June 29, 2012	79,326	42,005
Inventories	37,991	43,224
Prepaid expenses and other assets	13,266	15,938
Refundable income taxes	8,903	99,373
Deferred income tax asset (Note 7)	28,749	49,611
Total current assets	2,887,962	2,773,977
Property and Equipment - At cost		
Land	197,300	197,300
Land improvements	829,229	780,105
Buildings	6,872,143	6,801,051
Furnishings, fixtures, and equipment	3,781,669	3,510,052
Total property and equipment	11,680,341	11,288,508
Less accumulated depreciation and amortization	(7,566,904)	(7,196,228)
Net property and equipment	4,113,437	4,092,280
Other Assets - Bond issuance costs - Net of accumulated amortization	17,484	19,583
Total assets	**$ 7,018,883**	**$ 6,885,840**

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

Inn-Ohio of Athens, Inc.

Balance Sheet (Continued)

	June 28, 2013	June 29, 2012
Liabilities and Stockholder's Equity		
Current Liabilities		
Accounts payable and accrued liabilities	$ 541,347	$ 539,590
Current portion of long-term debt (Note 4)	257,400	242,000
Total current liabilities	798,747	781,590
Deferred Income Tax Liability (Note 7)	221,187	163,286
Long-term Debt - Net of current portion (Note 4)	2,325,000	2,582,400
Total liabilities	3,344,934	3,527,276
Stockholder's Equity		
Common stock, no par value, stated value $10,000 per share, authorized 750 shares, 342.9182 shares issued and outstanding	3,429,182	3,429,182
Contributed capital	4,140,455	4,140,455
Accumulated other comprehensive income	50,418	97,175
Accumulated deficit	(3,946,106)	(4,308,248)
Total stockholder's equity	3,673,949	3,358,564
Total liabilities and stockholder's equity	**$ 7,018,883**	**$ 6,885,840**

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

Inn-Ohio of Athens, Inc.

Statement of Operations and Comprehensive Income

	Year Ended June 28, 2013	Year Ended June 29, 2012
Revenue		
Room	$ 3,094,283	$ 2,794,197
Restaurant	1,466,470	1,401,898
Beverage	274,467	257,004
Telephone	2,831	3,999
Total revenue	4,838,051	4,457,098
Operating Expenses		
Room	608,490	560,933
Restaurant	1,176,840	1,116,042
Beverage	119,765	117,979
Telephone	39,413	35,220
Total operating expenses	1,944,508	1,830,174
Income Before General and Unapportioned Expenses	2,893,543	2,626,924
General and Unapportioned Expenses		
Administrative and general	488,973	490,783
Repair and maintenance	448,503	441,959
Taxes, insurance, and other	246,959	227,382
Marketing	210,287	217,177
Management fees (Note 6)	236,877	197,489
Utilities	178,671	162,522
Total general and unapportioned expenses	1,810,270	1,737,312
Capital Expenses		
Interest - Net of other income of $56,471 and $52,093 during 2013 and 2012, respectively	33,048	45,198
Depreciation and amortization	493,850	536,105
Total capital expenses	526,898	581,303
Income Before Provision for Income Taxes	556,375	308,309
Provision for Income Taxes (Note 7)	194,233	127,924
Net Income	362,142	180,385
Other Comprehensive (Loss) Income - Unrealized (losses) gains on investments	(46,757)	39,796
Comprehensive Income	**$ 315,385**	**$ 220,181**

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

	Common Stockholder Stated Value - $10,000 Per Share	Contributed Capital	Accumulated Comprehensive Gain	Accumulated Deficit	Total Stockholder's Equity
Balance - July 1, 2011	$ 3,429,182	$ 4,140,455	$ 57,379	$ (4,488,633)	$ 3,138,383
Net income	-	-	-	180,385	180,385
Other comprehensive income	-	-	39,796	-	39,796
Balance - June 29, 2012	3,429,182	4,140,455	97,175	(4,308,248)	3,358,564
Net income	-	-	-	362,142	362,142
Other comprehensive loss	-	-	(46,757)	-	(46,757)
Balance - June 28, 2013	**$ 3,429,182**	**$ 4,140,455**	**$ 50,418**	**$ (3,946,106)**	**$ 3,673,949**

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

Statement of Cash Flows

	Year Ended June 28, 2013	Year Ended June 29, 2012
Cash Flows from Operating Activities		
Net income	$ 362,142	$ 180,385
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	493,850	536,105
Deferred income tax expense	78,762	107,252
Loss on disposal of assets	2,783	-
Changes in assets and liabilities:		
Accounts receivable	(37,321)	16,920
Inventories	5,233	(8,249)
Prepaid expenses and other assets	93,141	(106,388)
Accounts payable and accrued liabilities	2,257	80,646
Net cash provided by operating activities	1,000,847	806,671
Cash Flows from Investing Activities		
Acquisition of property and equipment	(516,189)	(229,495)
Purchases of investment	(455,915)	(51,754)
Net cash used in investing activities	(972,104)	(281,249)
Cash Flows from Financing Activities - Payments on long-term debt	(242,000)	(227,400)
Net (Decrease) Increase in Cash	(213,257)	298,022
Cash - Beginning of year	1,255,642	957,620
Cash - End of year	**$ 1,042,385**	**$ 1,255,642**
Supplemental Disclosure of Cash Flow Information		
Interest paid	$ 89,854	$ 97,604
Income taxes paid	25,000	80,000

Note 1 - Organization

Inn-Ohio of Athens, Inc. (the "Company") was incorporated in Ohio on September 10, 1986 to acquire and operate an 87-room hotel and restaurant facility in Athens, Ohio known as The Ohio University Inn (the "Inn"). An additional wing with 61 rooms was added to the hotel and placed in service in October 1989. The Inn currently has 139 rooms in service. The Company is a wholly owned subsidiary of The Ohio University Foundation (the "Stockholder").

Note 2 - Summary of Significant Accounting Policies

Method of Accounting - The Company maintains its books and records in accordance with accounting principles generally accepted in the United States of America.

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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash - At times, cash may exceed federally insured amounts. At June 28, 2013, the Company held $840,783 in cash that was uninsured by the FDIC.

Advertising Costs - Advertising costs are included in marketing expenses on the statement of operations and are expensed as incurred. These costs for the years ended June 28, 2013 and June 29, 2012 were approximately $69,000 and $73,000, respectively.

Investments - Investments consist of fixed-income mutual funds. These securities are valued at market and are classified as available for sale as they are to be held for an indefinite period of time. Unrealized holding losses of approximately $47,000 for the year ended June 28, 2013 and unrealized holding gains of approximately $40,000 for the year ended June 29, 2012 are reported in other comprehensive income and are included as a component of stockholder's equity. Realized losses and gains for the years ended June 28, 2013 and June 29, 2012 were nominal.

Note 2 - Summary of Significant Accounting Policies (Continued)

Accounts Receivable - Accounts receivable consists of customers or businesses who have incurred charges at the facility. These customers' accounts have been preapproved for a direct billing from the facility based on a complete credit application. Collection of the accounts receivable balances is performed at the facility and all amounts are deposited daily. In the normal course of business, the Company leases facilities to Ohio University, a related party, and its affiliates.

Accounts receivable includes amounts due from Ohio University and its related programs, departments, and affiliates of approximately $45,000 and $22,000 as of June 28, 2013 and June 29, 2012, respectively. As the University is the sole beneficiary of the Ohio University Foundation and the Ohio University Foundation has sole ownership rights in the Inn, Ohio University is considered a related party. Accounts receivable is stated at invoiced amounts.

An allowance for doubtful accounts is recognized based on a specific assessment of all invoices that remain unpaid. The allowance is determined based on management's estimate of the amounts recoverable from each customer.

Inventories - Inventories consist of food and beverage products and gift shop items which are valued at the lower of cost (first-in, first-out method) or market.

Property and Equipment - Property and equipment are stated at cost less accumulated depreciation and amortization. Costs of normal repairs and maintenance and minor renewals are charged to expense. Major expenditures, which extend the useful lives of assets, are capitalized.

Depreciation is computed using the straight-line method over the estimated useful life of the property and equipment. The estimated useful lives are as follows:

Land improvements	5-15 years
Buildings	30-40 years
Furnishings, fixtures, and equipment	3-10 years

Depreciation expense for the years ended June 28, 2013 and June 29, 2012 totaled $491,751 and $534,006, respectively. The Company periodically reviews the carrying value of its property and equipment and determines whether any impairment needs to be recorded. As of June 28, 2013 and June 29, 2012, the Company is of the opinion there is no impairment of property and equipment.

Note 2 - Summary of Significant Accounting Policies (Continued)

Bond Issuance Costs - Bond issuance costs are amortized using the straight-line method (which approximates the effective-interest method) over the life of the related debt. Amortization expense was approximately $2,100 for each of the years ended June 28, 2013 and June 29, 2012.

Recognition of Revenue - Revenue is recognized from its room, restaurant, beverage, and telephone facilities and services as earned on the close of business each day. The majority of the Company's business is derived from Ohio University and its related programs, departments, and affiliates.

Income Taxes - A current tax liability or asset is recognized for the estimated taxes payable or refundable on tax returns for the year. Deferred tax liabilities or assets are recognized for the estimated future tax effects of temporary differences between financial reporting and tax accounting.

As of June 28, 2013 and June 29, 2012, the Company's unrecognized tax benefits were not significant. There were no significant penalties or interest recognized during the year or accrued at year end. The Company files income tax returns in U.S. federal and various state jurisdictions and at year end, tax returns were open for years 2010-2012.

Other Comprehensive Income - Accounting principles generally require that recognized revenue, expenses, gains, and losses be included in net income. Certain changes in assets and liabilities, however, such as unrealized gains and losses on available-for-sale securities, are reported as a direct adjustment to the equity section of the balance sheet. Such items, along with net income, are considered components of comprehensive income.

During the year, the Company adopted new guidance related to the presentation of comprehensive income in the financial statements. Among other changes, the new guidance eliminated the prior option to only present comprehensive income in the statement of equity. The Company has elected to report comprehensive income in a single statement of operations and comprehensive income. The change in presentation has been applied retrospectively and the June 29, 2012 financial statements have been restated to conform to the new presentation method. Other than the change in presentation of comprehensive income and related disclosures, the new guidance did not have a material effect on the financial statements.

Fiscal Year - The Company's fiscal year included 52 weeks for 2013 and 2012.

Subsequent Events - The financial statements and related disclosures include evaluation of events up through and including September 27, 2013, which is the date the financial statements were issued.

Note 3 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the valuation techniques and inputs used to measure fair value.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Company 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. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

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

The Company measures investments at fair value on a recurring basis. The fair value of the Company's investments at June 28, 2013 and June 29, 2012 total $1,677,342 and $1,268,184, respectively, and are based primarily on Level 2 inputs as described above.

The Company's policy is to recognize transfers out of Level 1, 2, and 3 fair value classifications as of the actual date of the event of change in circumstances that caused that transfer. There were no such transfers in the current year.

Note 3 - Fair Value Measurements (Continued)

Investments in Entities that Calculate Net Asset Value per Share

The Company holds shares or interests in JPMorgan Core Bond Trust, an investment company, at year end. The fair value of the investment was $1,677,342 and $1,268,184 at June 28, 2013 and June 29, 2012, respectively. The fair value was estimated based on the net asset value per share of $10.57 and $10.90 times the number of shares owned by the Company at June 28, 2013 and June 29, 2012, respectively. The investment in the JPMorgan Core Bond Trust is redeemable daily with a notice period of one day. The trust has no unfunded commitments as of June 28, 2013.

Investee management pursues multiple strategies to diversify risks and reduce volatility. The investment company's composite portfolio for this includes investments in approximately 45 percent mortgage-backed securities, 25 percent U.S. Treasury obligations, 20 percent corporate bonds, and 10 percent other.

Note 4 - Debt Obligation

At June 28, 2013 and June 29, 2012, debt obligations consisted of the following:

	2013	2012
Term loan	$ 2,582,400	$ 2,824,400
Less current portion of long-term debt	257,400	242,000
Total long-term debt	$ 2,325,000	$ 2,582,400

In June 2006, the Company obtained a secured $4,000,000 term loan (the "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 Stockholder.

Substantially all of the property and equipment are pledged as collateral for the Term Loan. Principal payments on the Term Loan ranging from $21,000 to $25,000 are due in monthly installments through June 2021. The interest rate on the new Term Loan was fixed at 6.20 percent through June 2011 and was adjusted to 3.31 percent as of July 1, 2011. The interest rate will be adjusted to the index rate as defined in the agreement plus 1.40 percent in June 2016 and every five years thereafter.

Note 4 - Debt Obligation (Continued)

Maturities of long-term debt are as follows at June 28, 2013:

Years Ending	Amount
2014	$ 257,400
2015	273,800
2016	291,300
2017	291,300
2018	291,300
Due thereafter	1,177,300
Total	$ 2,582,400

Note 5 - Working Capital Loans Payable to Stockholder

The Stockholder had made available to the Company working capital loans, with interest at the prime rate, of up to $450,000 at June 28, 2013 and June 29, 2012. There were no outstanding borrowings on these working capital loans at June 28, 2013 and June 29, 2012. The interest rate, which is stated at the prime rate, was 3.25 percent as of both June 28, 2013 and June 29, 2012.

Note 6 - Management Fees

The property manager's compensation is based on a base fee plus a percentage of the Inn's net available operating profit, as defined in the management agreement. Management fees earned by the manager were $236,877 and $197,489 in fiscal years 2013 and 2012, respectively.

Note 7 - Income Taxes

The provision for income taxes for the years ended June 28, 2013 and June 29, 2012 consists of the following:

	2013	2012
Currently payable	$ 115,471	$ 20,672
Deferred tax expense	78,762	107,252
Provision for income taxes	$ 194,233	$ 127,924

Note 7 - Income Taxes (Continued)

The components of the deferred income tax asset and liability as of June 28, 2013 and June 29, 2012 are as follows:

	2013	2012
Current deferred tax asset - Accrued liabilities and reserves	$ 28,749	$ 49,611
Noncurrent deferred tax liabilities - Depreciation and amortization	(221,187)	(163,286)
Net deferred tax liability	$ (192,438)	$ (113,675)

The difference between the federal statutory tax rate and the Company's provision for income taxes relate primarily to state income taxes.

plante moran

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

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

Independent Auditor's Report

To Management and the Board of Trustees
Inn-Ohio of Athens, Inc.

We have audited, 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, the financial statements of Inn-Ohio of Athens, Inc., which comprise the balance sheet as of June 28, 2013 and the related statements of operations and comprehensive income, stockholder's equity, and cash flows for the year then ended and related notes to the financial statements, and have issued our report thereon dated September 27, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Inn-Ohio of Athens, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To Management and the Board of Trustees
Inn-Ohio of Athens, Inc.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Inn-Ohio of Athens, Inc.'s financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

Columbus, Ohio
September 27, 2013

Dave Yost • Auditor of State

INN-OHIO OF ATHENS, INC.

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
DECEMBER 3, 2013

88 East Broad Street, Fourth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www.ohioauditor.gov