The Ohio University Foundation and Subsidiaries

Consolidated Financial Statements as of and for the Years Ended June 30, 2012 and 2011 with Supplemental Schedules as of and for the Year Ended June 30, 2012 and Independent Auditor's Report

Dave Yost • Auditor of State

Board of Trustees
Ohio University Foundation
204 HDL Center
Athens, Ohio 45701

We have reviewed the *Independent Auditor's Report* of the Ohio University Foundation, Athens County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost
Auditor of State

December 28, 2012

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Independent Auditor's Report

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

We have audited the accompanying consolidated statements of financial position of The Ohio University Foundation, an Ohio not-for-profit corporation, and Subsidiaries (the "Foundation") as of June 30, 2012 and 2011 and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 consolidated 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, 2012 and 2011 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 audit was conducted for the purpose of forming opinions on the consolidated financial statements that collectively comprise the basic consolidated financial statements of the Foundation taken as a whole. The consolidating information, as identified on pages 41-44, is presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements 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 8, 2012 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 45-46 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 audits.

As discussed in Note 12 to the consolidated financial statements, an error resulting in a misstatement of previously reported net assets was discovered by the Foundation's management during the current year. Accordingly, the June 30, 2011 consolidated financial statements have been restated and an adjustment has been made to net assets as of July 1, 2010 and June 30, 2011 to correct the error.

As further explained in Note 5, 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 $91,863,930 (22.0 percent of net assets) and $122,369,113 (31.7 percent of net assets) at June 30, 2012 and 2011, 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 8, 2012

The Ohio University Foundation and Subsidiaries

Consolidated Statements of Financial Position
June 30, 2012 and 2011

		2012		Restated 2011
Assets				
Cash and cash equivalents	$	15,756,637	$	23,242,302
Accounts receivable - Net		299,071		323,785
Pledges receivable - Net		16,847,251		15,044,769
Bequests receivable		562,953		931,000
Interest and dividends receivable		127,301		321,331
Prepaid expenses		791,257		784,543
Investments		366,557,508		328,312,929
Cash surrender value - Life insurance policies		1,572,911		1,841,498
Charitable gift annuities		2,426,539		2,475,238
Charitable trusts		16,707,079		17,022,926
Deposits with trustees - Restricted cash		3,547,222		3,198,543
Property and equipment - Net		30,520,718		31,312,185
Other assets		778,893		700,682
Total assets	**$**	**456,495,340**	**$**	**425,511,731**
Liabilities and Net Assets (Deficit)				
Liabilities				
Accounts payable:				
Ohio University	$	1,779,983	$	1,471,860
Trade and other		1,386,480		1,362,840
Deposits held in custody for others		345,969		348,572
Annuities payable		1,967,854		2,060,892
Charitable trusts obligations		3,613,620		3,837,011
Bonds payable		26,750,000		27,490,000
Notes payable		3,034,400		3,261,800
Other liabilities		248,894		95,066
Total liabilities		39,127,200		39,928,041
Net Assets (Deficit)				
Unrestricted		(3,711,995)		(3,386,868)
Temporarily restricted		257,626,404		235,049,441
Permanently restricted		163,453,731		153,921,117
Total net assets (deficit)		417,368,140		385,583,690
Total liabilities and net assets (deficit)	**$**	**456,495,340**	**$**	**425,511,731**

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, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and other support:				
Gifts and contributions	$ 492,734	$ 10,707,575	$ 9,406,919	$ 20,607,228
University support	5,274,285	-	-	5,274,285
Income from investments:				
Interest and dividends	187,465	6,248,896	-	6,436,361
Sold during the year (realized gain)	1,952,519	40,503,059	186,505	42,642,083
Held at year end (unrealized loss)	(1,016,366)	(18,293,819)	(255,067)	(19,565,252)
Revenue from sales, services, and events	373,600	58,362	9,750	441,712
Change in value of split-interest agreements	23,600	(53,193)	(186,321)	(215,914)
Administrative fee income	2,132,253	(2,132,253)	-	-
Other	110,353	218,135	370,828	699,316
Related entity revenue	7,916,499	1,713,554	-	9,630,053
Total revenue and other support	17,446,942	38,970,316	9,532,614	65,949,872
Net assets released from restrictions - Satisfaction of program restrictions:				
Academic support	1,245,982	(1,245,982)	-	-
Alumni relations	35,198	(35,198)	-	-
Fundraising and development	5,305	(5,305)	-	-
Institutional support	1,250,571	(1,250,571)	-	-
Instruction and departmental research	6,267,700	(6,267,700)	-	-
Intercollegiate athletics	869,873	(869,873)	-	-
Public service	425,028	(425,028)	-	-
Research	611,255	(611,255)	-	-
Student aid	3,697,726	(3,697,726)	-	-
Student services	292,961	(292,961)	-	-
Related entity operations	1,691,754	(1,691,754)	-	-
Total net assets released from restrictions	16,393,353	(16,393,353)	-	-
Total revenue, other support, and net assets released from restrictions	33,840,295	22,576,963	9,532,614	65,949,872

Consolidated Statements of Activities (Continued)
Year Ended June 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Expenses:				
Program services:				
Academic support	$ 1,245,982	$ -	$ -	$ 1,245,982
Alumni relations	1,700,118	-	-	1,700,118
Institutional support	1,416,701	-	-	1,416,701
Instruction and departmental research	6,322,737	-	-	6,322,737
Intercollegiate athletics	869,873	-	-	869,873
Public service	425,028	-	-	425,028
Research	843,596	-	-	843,596
Student aid	3,715,891	-	-	3,715,891
Student services	292,961	-	-	292,961
Support services:				
Fundraising and development	7,715,663	-	-	7,715,663
Fund administration	718,784	-	-	718,784
Related entity operations	8,898,088	-	-	8,898,088
Total expenses	34,165,422	-	-	34,165,422
Changes in Net Assets	(325,127)	22,576,963	9,532,614	31,784,450
Net Assets (Deficit) - Beginning of year	(3,386,868)	235,049,441	153,921,117	385,583,690
Net Assets (Deficit) - End of year	**$ (3,711,995)**	**$ 257,626,404**	**$ 163,453,731**	**$ 417,368,140**

Consolidated Statements of Activities
Year Ended June 30, 2011 (Restated)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and other support:				
Gifts and contributions	$ 203,371	$ 22,414,197	$ 5,040,601	$ 27,658,169
University support	4,523,605	-	-	4,523,605
Income from investments:				
Interest and dividends	252,196	3,061,686	-	3,313,882
Sold during the year (realized gain (loss)	518,898	10,809,155	(4,686,345)	6,641,708
Held at year end (unrealized gain (loss)	10,257,594	29,285,578	(355,858)	39,187,314
Revenue from sales, services, and events	251,405	27,851	-	279,256
Change in value of split-interest agreements	(9,902)	760,666	(274,674)	476,090
Administrative fee income	964,069	(964,069)	-	-
Other	90,520	171,393	376,674	638,587
Related entity revenue	6,948,370	1,463,004	-	8,411,374
Total revenue and other support	24,000,126	67,029,461	100,398	91,129,985
Net assets released from restrictions - Satisfaction of program restrictions:				
Academic support	2,539,443	(2,539,443)	-	-
Alumni relations	166,188	(166,188)	-	-
Fundraising and development	4,502	(4,502)	-	-
Institutional support	964,741	(964,741)	-	-
Instruction and departmental research	5,924,436	(5,146,508)	(777,928)	-
Intercollegiate athletics	708,877	(708,877)	-	-
Operation and maintenance of plant	1,114,176	(1,114,176)	-	-
Public service	232,784	(232,784)	-	-
Research	66,975	(66,975)	-	-
Student aid	1,578,555	(1,587,737)	9,182	-
Student services	257,942	(255,330)	(2,612)	-
Related entity operations	1,376,413	(1,376,413)	-	-
Total net assets released from restrictions	14,935,032	(14,163,674)	(771,358)	-
Total revenue, other support, and net assets released from restrictions	38,935,158	52,865,787	(670,960)	91,129,985

Consolidated Statements of Activities (Continued)
Year Ended June 30, 2011 (Restated)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Expenses:				
Program services:				
Academic support	$ 2,539,443	$ -	$ -	$ 2,539,443
Alumni relations	806,240	-	-	806,240
Institutional support	754,745	-	-	754,745
Instruction and departmental research	5,703,819	-	-	5,703,819
Intercollegiate athletics	708,877	-	-	708,877
Operation and maintenance of plant	1,114,176	-	-	1,114,176
Public service	232,784	-	-	232,784
Research	185,813	-	-	185,813
Student aid	1,580,812	-	-	1,580,812
Student services	257,942	-	-	257,942
Support services:				
Fundraising and development	7,363,127	-	-	7,363,127
Fund administration	687,652	-	-	687,652
Related entity operations	8,416,210	-	-	8,416,210
Total expenses	30,351,640	-	-	30,351,640
Changes in Net Assets	8,583,518	52,865,787	(670,960)	60,778,345
Net Assets - Beginning of year				
As previously reported	2,933,270	172,666,202	149,205,873	324,805,345
Adjusted to properly classify endowment	(14,903,656)	9,517,452	5,386,204	-
As restated	(11,970,386)	182,183,654	154,592,077	324,805,345
Net Assets (Deficit) - End of year	**$ (3,386,868)**	**$ 235,049,441**	**$ 153,921,117**	**$ 385,583,690**

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

Consolidated Statements of Cash Flows

	Years Ended June 30 2012	2011
Cash Flows from Operating Activities		
Changes in net assets	$ 31,784,450	$ 60,778,345
Adjustments to reconcile changes in net assets to net cash from operating activities:		
Realized investment gains - Net	(42,642,083)	(6,641,708)
Noncash items:		
Depreciation and amortization	1,594,629	1,686,979
Loss on disposition of property	-	444,837
Unrealized investment losses (gains) - Net	19,525,456	(39,195,718)
Decrease in cash surrender value of life insurance policies	268,587	14,848
Contributions of securities	(1,737,030)	(11,902,816)
Contributions restricted for endowment investments	(9,406,919)	(5,040,601)
Changes in current assets and liabilities:		
Decrease in accounts receivable	24,714	168,481
Increase in pledges receivable	(1,802,482)	(2,749,825)
Decrease in bequests receivable	368,047	18,252
(Increase) decrease in interest and dividends receivable	194,030	(127,770)
(Increase) decrease in prepaid expenses	(29,501)	21,033
Increase in other assets	(106,468)	(56,502)
(Decrease) increase in accounts payable	331,763	(921,341)
(Decrease) increase in other liabilities	153,828	(109,017)
(Decrease) increase in deposits held in custody for others	(2,603)	42,512
Net cash used in operating activities	(1,481,582)	(3,570,011)
Cash Flows from Investing Activities		
Purchases of property and equipment	(752,118)	(215,228)
Proceeds from sales of property and equipment	-	2,833,902
Purchases of investments	(206,391,976)	(94,808,994)
Proceeds from sales of investments	193,001,054	95,077,005
(Increase) decrease in restricted cash	(348,679)	137,208
Decrease (increase) in charitable remainder trusts	48,699	(343,498)
Decrease (increase) in investments subject to annuity agreements	315,847	(307,741)
Net cash (used in) provided by investing activities	(14,127,173)	2,372,654
Cash Flows from Financing Activities		
Contributions restricted for endowment investment	9,406,919	5,040,601
Payments on notes and bonds payable	(967,400)	(988,800)
(Decrease) increase in annuity obligations	(93,038)	494,382
Decrease in trust obligations	(223,391)	(414,201)
Net cash provided by financing activities	8,123,090	4,131,982
Net (Decrease) Increase in Cash and Cash Equivalents	(7,485,665)	2,934,625
Cash and Cash Equivalents - Beginning of year	23,242,302	20,307,677
Cash and Cash Equivalents - End of year	**$ 15,756,637**	**$ 23,242,302**
Supplemental Disclosure of Cash Flow Information - Cash paid during the year for interest	**$ 129,455**	**$ 269,309**
Supplemental Disclosure of Noncash Activities - Contributions of securities	**$ 1,737,030**	**$ 11,902,816**

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

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 10).

Another controlled entity, Housing for Ohio, Inc. (Housing), constructed and operates a 182-unit student housing facility in Athens, Ohio (see Note 11). 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 entered into an agreement with the Sugar Bush Foundation (Sugar Bush), an Ohio not-for-profit corporation, in August 2005. Sugar Bush is a supporting 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 nonprofit 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.

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 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 Fritz J. and Dolores H. Russ Holdings LLC. Fritz J. and Dolores H. Russ Holdings LLC is the sole member of 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 revenue 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 and Russ Research Center. 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.

The management companies that operate the Inn and the Russ Research Center are responsible for collection of receivables. Each entity provides a reserve for any estimated uncollectible balances, as appropriate.

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 statements of activities as net assets released from restrictions.

Note 2 - Summary of Significant Accounting Policies

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 9).

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 an assumed inflation rate. The discount rate utilized was 4.99 and 5.01 percent for the years ended June 30, 2012 and 2011, respectively. Amortization of the discounts is included in contribution revenue. 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 5 for the valuation policy for alternative investments.

Note 2 - Summary of Significant Accounting Policies

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 20 to 40 years using the straight-line method. Depreciation and amortization of other property, equipment, and improvements are recorded over periods ranging from 3 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, 2012 and 2011.

Cash - At times, cash may exceed federally insured amounts. The Foundation believes it mitigates risks by depositing cash with major financial institutions. At June 30, 2012, the Foundation held $17,577,806 in cash that was uninsured by the Federal Deposit Insurance Corporation (FDIC).

Cash Equivalents - The Foundation considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents.

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 11), 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.

Note 2 - Summary of Significant Accounting Policies

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. Although methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

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 (recovery) expenses, totaled $127,924 and ($58,638) for the years ended June 30, 2012 and 2011, respectively.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Foundation and to recognize a tax liability if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Foundation and has concluded that as of June 30, 2012 and 2011, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes that it is no longer subject to income tax examinations for years prior to June 30, 2009.

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, 2012 and 2011.

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

The fair values of short-term financial instruments, including cash equivalents and trade accounts receivable and payable, approximate the carrying amounts in the accompanying consolidated financial statements due to the short maturity of such instruments. The fair value of long-term obligations approximates the carrying amounts in the accompanying consolidated financial statements. The carrying value of the debt approximates fair value based on current borrowing rates.

Note 2 - Summary of Significant Accounting Policies

Advertising Costs - Advertising costs of the Inn are included in marketing expenses and are expensed as incurred.

Subsequent Events - The financial statements and related disclosures include evaluation of events up through and including October 8, 2012, 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, 2012 and 2011 are available for the following purposes:

	2012	Restated 2011
Designated:		
Board-designated quasi-endowments	$ -	$ 12,374,420
Board-designated 1804 grants	183,284	678,109
Designated underwater accounts	(290,619)	(205,666)
Subtotal designated	(107,335)	12,846,863
Undesignated:		
The Inn	3,358,564	3,138,383
Housing	(1,555,888)	(2,045,872)
Other	(5,407,336)	(17,326,242)
Subtotal undesignated	(3,604,660)	(16,233,731)
Total unrestricted net assets	$ (3,711,995)	$ (3,386,868)

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 are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions when the restrictions are satisfied either by the passage of time or by actions of the Foundation. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Foundation reports the support as unrestricted.

Note 3 - Net Assets

Temporarily restricted net assets as of June 30, 2012 and 2011 are available for the following purposes:

	2012	Restated 2011
Academic support	$ 12,077,219	$ 12,087,116
Alumni relations	445,761	472,988
Fundraising and development	789,485	983,120
Institutional support	16,876,518	16,206,157
Instruction and departmental research	177,598,567	155,243,792
Intercollegiate athletics	1,923,578	1,734,286
Operation and maintenance of plant	-	395,071
Public service	623,143	533,805
Research	1,835,790	1,444,152
Student aid	44,008,337	44,289,007
Student services	1,448,006	1,659,947
Total	$ 257,626,404	$ 235,049,441

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. Earnings, gains, and losses on restricted net assets are classified as unrestricted unless otherwise restricted by the donor or by applicable state laws.

Note 3 - Net Assets

Permanently restricted net assets as of June 30, 2012 and 2011 are available for the following purposes:

	2012	Restated 2011
Academic support	$ 9,570,274	$ 7,148,037
Alumni relations	405,091	459,028
Fundraising and development	306,856	362,463
Institutional support	4,405,321	4,548,254
Instruction and departmental research	70,095,672	67,450,839
Intercollegiate athletics	1,623,669	1,606,963
Public service	367,518	584,306
Research	3,126,589	612,969
Student aid	70,893,957	68,496,244
Student services	2,658,784	2,652,014
Total	$ 163,453,731	$ 153,921,117

Note 4 - Pledges Receivable

Amounts included in pledges receivable for unconditional promises to give at June 30, 2012 and 2011 are as follows:

At June 30, 2012	Temporarily Restricted	Permanently Restricted	Total
Gross amounts due in:			
Less than one year	$ 4,500,808	$ 4,007,597	$ 8,508,405
One to five years	5,524,406	8,939,497	14,463,903
More than five years	283,900	2,000	285,900
Gross pledges receivable	10,309,114	12,949,094	23,258,208
Less allowance for uncollectible pledges	(2,172,850)	(2,689,823)	(4,862,673)
Less discount to present value	(489,495)	(1,058,789)	(1,548,284)
Total pledges receivable - Net	$ 7,646,769	$ 9,200,482	$ 16,847,251

Note 4 - Pledges Receivable

At June 30, 2011	Temporarily Restricted	Permanently Restricted	Total
Gross amounts due in:			
Less than one year	$ 3,413,954	$ 4,334,303	$ 7,748,257
One to five years	5,141,954	7,624,761	12,766,715
More than five years	376,695	401,638	778,333
Gross pledges receivable	8,932,603	12,360,702	21,293,305
Less allowance for uncollectible pledges	(2,038,025)	(2,820,165)	(4,858,190)
Less discount to present value	(402,935)	(987,411)	(1,390,346)
Total pledges receivable - Net	$ 6,491,643	$ 8,553,126	$ 15,044,769

As of June 30, 2012, the Foundation has approximately $47 million 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 5 - Fair Value Measurements

The Foundation's investments include endowed funds, as well as a portion of working capital funds. The Foundation's investment policy provides that the long-term objective of the investment pool is to maximize the real return, or the nominal return less inflation, of the assets over a complete market cycle with emphasis on preserving capital and reducing volatility through prudent diversification. Further, the investment strategy seeks to provide real growth of assets in excess of endowment spending requirements plus inflation. The asset allocation of the Foundation's investments at June 30, 2012 and 2011 is summarized in the following table:

Note 5 - Fair Value Measurements

Fair Value and Cost of Investments at June 30, 2012 and 2011

	June 30, 2012		June 30, 2011	
	Fair Value	Cost	Fair Value	Cost
Fixed-income investments:				
Money market mutual funds	$ 10,791,592	$ 10,791,592	$ 13,894,663	$ 13,894,663
Bonds and bond mutual funds	38,863,601	36,865,330	25,647,394	24,410,003
TIPS mutual funds	12,989,052	11,603,588	15,426,278	14,654,431
Subtotal fixed income	62,644,245	59,260,510	54,968,335	52,959,097
Public equity investments:				
Domestic large-cap equity	89,717,278	77,566,333	69,571,362	59,354,765
Domestic small-cap equity	8,349,008	8,512,989	6,168,429	6,444,861
REITs	713,090	732,708	3,352,514	2,730,131
Developed international equity	80,095,680	80,000,605	56,569,956	48,231,766
Emerging markets international equity	25,576,463	19,404,091	14,700,262	7,467,338
Global equity	-	-	612,958	731,670
Subtotal public equity	204,451,519	186,216,726	150,975,481	124,960,531
Alternative investments:				
Commodities	17,102,473	20,183,777	10,968,983	12,316,733
Absolute return funds	49,180,019	52,407,230	50,500,753	50,660,956
Private equity funds	17,146,101	16,409,797	28,954,097	23,375,185
Private real estate funds	11,474,746	10,046,623	10,705,252	9,194,869
Venture capital funds	4,558,405	3,636,558	3,434,857	3,993,435
Direct private equity investments	-	-	17,805,171	12,119,277
Subtotal alternative investments	99,461,744	102,683,985	122,369,113	111,660,455
Total investments	$ 366,557,508	$ 348,161,221	$ 328,312,929	$ 289,580,083

The Foundation reports investments and split-interest agreements at estimated fair value, in accordance with the fair value hierarchy prescribed by Financial Accounting Standards Board Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures* (formerly SFAS 157). The framework for determining fair value is based on a hierarchy that prioritizes the valuation techniques and inputs used to measure fair value, as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access. The Foundation's Level 1 assets consist primarily of fixed-income or equity mutual funds, publicly traded large- and small-cap stocks, and REITs. Prices for these investments are widely available through major financial reporting services.

Note 5 - Fair Value Measurements

Level 2 - Inputs other than quoted prices that are observable, either directly or indirectly. These may 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. The Foundation's Level 2 assets include government and corporate bonds, as well as commingled money market, bond, and equity funds that are not registered with the Securities and Exchange Commission and do not trade on an exchange.

Level 3 - Inputs that are unobservable, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability. The Foundation's Level 3 assets include allocations to commodities, absolute return funds, private equity, private real estate, and venture capital funds. The Foundation's Level 3 assets also include split-interest agreements that are valued using an actuarial approach.

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 least observable 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. The Foundation's fair value assets and liabilities, by level, at June 30, 2012 and 2011 are summarized in the following tables:

Note 5 - Fair Value Measurements

Assets and Liabilities Measured at Fair Value on the Recurring Basis at June 30, 2012

		Fair Value at Reporting Date Using		
	June 30, 2012	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Fixed-income investments:				
Money market mutual funds	$ 10,791,592	$ 4,708	$ 10,786,884	$ -
Bonds and bond mutual funds	38,863,601	36,239,278	2,624,323	-
TIPS mutual funds	12,989,052	12,989,052	-	-
Subtotal fixed income	62,644,245	49,233,038	13,411,207	-
Public equity investments:				
Domestic large-cap equity	89,717,278	89,717,278	-	-
Domestic small-cap equity	8,349,008	8,349,008	-	-
REITs	713,090	713,090	-	-
Developed international equity	80,095,680	80,095,680	-	-
Emerging markets international equity	25,576,463	14,355,834	11,220,629	-
Subtotal public equity	204,451,519	193,230,890	11,220,629	-
Alternative investments:				
Commodities (1)	17,102,473	7,597,814	-	9,504,659
Absolute return funds (2)	49,180,019	-	-	49,180,019
Private equity funds (3)	17,146,101	-	-	17,146,101
Private real estate funds (4)	11,474,746	-	-	11,474,746
Venture capital funds (5)	4,558,405	-	-	4,558,405
Subtotal alternative investments	99,461,744	7,597,814	-	91,863,930
Total investments	$ 366,557,508	$ 250,061,742	$ 24,631,836	$ 91,863,930
Split-interest Agreements				
Charitable gift annuities	$ 2,426,539	$ 2,058,182	$ 368,357	$ -
Charitable trusts (6)	16,707,079	15,626,806	292,921	787,352
Total split-interest agreements	$ 19,133,618	$ 17,684,988	$ 661,278	$ 787,352
Total fair value measurements	$ 385,691,126	$ 267,746,730	$ 25,293,114	$ 92,651,282

Note 5 - Fair Value Measurements

Assets and Liabilities Measured at Fair Value on the Recurring Basis at June 30, 2011

		Fair Value at Reporting Date Using		
	June 30, 2011	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Fixed-income investments:				
Money market mutual funds	$ 13,894,663	$ 428,461	$ 13,466,202	$ -
Bonds and bond mutual funds (7)	25,647,394	23,223,938	2,248,456	175,000
TIPS mutual funds	15,426,278	15,426,278	-	-
Subtotal fixed income	54,968,335	39,078,677	15,714,658	175,000
Public equity investments:				
Domestic large-cap equity	69,571,362	69,571,362	-	-
Domestic small-cap equity	6,168,429	6,168,429	-	-
REITs	3,352,514	3,352,514	-	-
Developed international equity	56,569,956	56,569,956	-	-
Emerging markets international equity	14,700,262	3,066,849	11,633,413	-
Global equity	612,958	612,958	-	-
Subtotal public equity	150,975,481	139,342,068	11,633,413	-
Alternative investments:				
Commodities (1)	10,968,983	-	-	10,968,983
Absolute return funds (2)	50,500,753	-	-	50,500,753
Private equity funds (3)	28,954,097	-	-	28,954,097
Private real estate funds (4)	10,705,252	-	-	10,705,252
Venture capital funds (5)	3,434,857	-	-	3,434,857
Direct private equity investments (8)	17,805,171	-	-	17,805,171
Subtotal alternative investments	122,369,113	-	-	122,369,113
Total investments	$ 328,312,929	$ 178,420,745	$ 27,348,071	$ 122,544,113
Split-Interest Agreements				
Charitable gift annuities	$ 2,475,238	$ 2,116,345	$ 358,893	$ -
Charitable trusts (6)	17,022,926	15,696,253	621,088	705,585
Total split-interest agreements	$ 19,498,164	$ 17,812,598	$ 979,981	$ 705,585
Total fair value measurements	$ 347,811,093	$ 196,233,343	$ 28,328,052	$ 123,249,698

Note 5 - Fair Value Measurements

(1) Commodities funds investing in areas that offer strong relative performance in rising inflation environments and are broadly diversified across the commodities markets, including futures, options on futures, and forward contracts on exchange-traded agricultural goods, metals, minerals, and energy products.

(2) Hedge funds broadly diversified across managers, investment strategies, and investment venues. Includes both fund investments, as well as fund of funds investments.

(3) Private equity funds broadly diversified across managers, investment stages, geography, industry sectors, and company size. Includes individual fund investments, as well as fund of funds investments.

(4) Private real estate funds broadly diversified across managers, investment strategies, geography, and industry sectors.

(5) Venture capital funds with the objective of investing in early stage business entities and enterprises with a primary focus on medical and information technologies.

(6) Level 3 asset represents the present value of the revenue expected to be received from charitable trusts, where the Foundation does not serve as trustee.

(7) Level 3 investment represents auction rate preferred shares in a closed-end fixed-income fund, which is illiquid and in process of being refinanced by the investment manager.

(8) Includes ownership of stock in a manufacturer of precision sensor measurement equipment. Also includes estimated proceeds from the sale of stock in a privately held manufacturer of genetically engineered and non-engineered tissue cell cultures, to be received at the end of the escrow period.

Investments are reported as Level 3 assets if the valuation is based on significant unobservable inputs. Often, these assets trade infrequently, or not at all. For some Level 3 assets, both observable and unobservable inputs may be used to determine fair value. As a result, the unrealized gains and losses presented in the tables below may include changes in fair value that were attributable to both observable and unobservable inputs.

The Foundation's policy is to recognize transfers between levels of the fair value hierarchy as of the beginning of the reporting period. For the fiscal years ended June 30, 2012 and June 30, 2011, there were no transfers between levels of the fair value hierarchy.

Additional information on the changes in Level 3 assets is summarized in the table below as of June 30, 2012 and 2011:

Note 5 - Fair Value Measurements

Changes in Level 3 Assets Measured at Fair Value on a Recurring Basis for the Year Ended June 30, 2012

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)			
		Fixed Income	Alternative Investments	
	Total Level 3 Investments	Bond Mutual Funds	Commodities	Absolute Return Funds
Beginning balance	$ 122,544,113	$ 175,000	$ 10,968,983	$ 50,500,753
Gains (losses) included in changes in net assets:				
Realized gains (losses)	37,597,817	-	(2,785)	1,849,206
Unrealized losses	(13,855,823)	-	(1,426,010)	(3,169,940)
Total gains (losses)	23,741,994	-	(1,428,795)	(1,320,734)
Purchases and sales:				
Purchases	4,055,414	-	113,201	-
Sales	(58,477,591)	(175,000)	(148,730)	-
Total purchases and sales	(54,422,177)	(175,000)	(35,529)	-
Ending balance	$ 91,863,930	$ -	$ 9,504,659	$ 49,180,019

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) (Continued)			
	Alternative Investments (Continued)			
	Private Equity Funds	Private Real Estate Funds	Venture Capital Funds	Direct Private Equity Investments
Beginning balance	$ 28,954,097	$ 10,705,252	$ 3,434,857	$ 17,805,171
Gains (losses) included in changes in net assets:				
Realized gains	3,604,193	120,237	-	32,026,966
Unrealized (losses) gains	(4,958,280)	(96,123)	1,480,424	(5,685,894)
Total (losses) gains	(1,354,087)	24,114	1,480,424	26,341,072
Purchases and sales:				
Purchases	1,877,152	1,865,061	200,000	-
Sales	(12,331,061)	(1,119,681)	(556,876)	(44,146,243)
Total purchases and sales	(10,453,909)	745,380	(356,876)	(44,146,243)
Ending balance	$ 17,146,101	$ 11,474,746	$ 4,558,405	$ -

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) (Continued)
	Split-interest Agreements
	Charitable Trust Assets
Beginning balance	$ 705,585
Change in value of split-interest agreements included in changes in net assets:	
Change in actuarial estimate	81,767
Total change in value	81,767
Ending balance	$ 787,352

Note 5 - Fair Value Measurements

Changes in Level 3 Assets Measured at Fair Value on a Recurring Basis for the Year Ended June 30, 2011

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)			
		Fixed Income	Alternative Investments	
	Total Level 3 Investments	Bond Mutual Funds	Commodities	Absolute Return Funds
Beginning balance	$ 99,973,403	$ 175,000	$ 8,305,151	$ 46,868,395
Gains (losses) included in changes in net assets:				
Realized gains (losses)	1,840,065	-	(2,120)	-
Unrealized gains	10,866,123	-	2,662,320	3,632,358
Total gains	12,706,188	-	2,660,200	3,632,358
Purchases and sales:				
Purchases	3,361,190	-	44,034	-
Contributions	11,651,246	-	-	-
Sales	(5,147,914)	-	(40,402)	-
Total purchases and sales	9,864,522	-	3,632	-
Ending balance	$ 122,544,113	$ 175,000	$ 10,968,983	$ 50,500,753

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) (Continued)			
	Alternative Investments (Continued)			
	Private Equity Funds	Private Real Estate Funds	Venture Capital Funds	Direct Private Equity Investments
Beginning balance	$ 27,422,472	$ 8,375,982	$ 2,618,032	$ 6,208,371
Gains (losses) included in changes in net assets:				
Realized gains	1,808,652	20,307	13,226	-
Unrealized gains	2,511,187	1,371,987	688,271	-
Total gains	4,319,839	1,392,294	701,497	-
Purchases and sales:				
Purchases	1,402,110	1,740,046	175,000	-
Contributions	-	54,446	-	11,596,800
Sales	(4,190,324)	(857,516)	(59,672)	-
Total purchases and sales	(2,788,214)	936,976	115,328	11,596,800
Ending balance	$ 28,954,097	$ 10,705,252	$ 3,434,857	$ 17,805,171

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) (Continued)
	Split-interest Agreements
	Charitable Trust Assets
Beginning balance	$ 871,520
Change in value of split-interest agreements included in changes in net assets:	
Change in actuarial estimate	(165,935)
Total change in value	(165,935)
Ending balance	$ 705,585

Note 5 - Fair Value Measurements

An amendment to ASC 820 released in September 2009 permits the Foundation to use the net asset value (NAV), as a practical expedient, to estimate the fair value of an investment fund. Although the Foundation considers all available data in reporting the fair value of investments, the NAV, or its equivalent, is used as the primary valuation input for some Level 2 and most Level 3 assets.

The following table provides additional information regarding the fair value, liquidity, and unfunded commitment for investments where the NAV was used as a practical expedient.

Level 2 and Level 3 Investments Reported at Net Asset Value at June 30, 2012

	Fair Value	Redemption Frequency	Redemption Notice Period	Estimated Termination Date (Fiscal Year)	Unfunded Commitment
Fixed-income investments:					
Money market mutual funds (Level 2)	$ 10,786,884	daily	none	not applicable	$ -
Bonds and bond mutual funds (Level 2)	1,270,038	daily	1 day	not applicable	-
Bonds and bond mutual funds (Level 3)	-				-
Subtotal fixed income	12,056,922				-
Public equity investments:					
Emerging markets international equity mutual funds (Level 2)	11,220,629	monthly	30 days	not applicable	-
Subtotal public equity	11,220,629				-
Alternative investments:					
Commodities (Level 3)	9,504,659	monthly	10 - 30 days	not applicable	-
Absolute return funds (Level 3)	49,180,019	quarterly	60 - 95 days	not applicable	-
Private equity funds (Level 3)	17,146,101	not liquid	not liquid	2012 - 2021	8,223,776
Private real estate funds (Level 3)	11,474,746	not liquid	not liquid	2012 - 2018	757,575
Venture capital funds (Level 3)	4,558,405	not liquid	not liquid	2012 - 2014	815,082
Direct private equity investments (Level 3)	-				-
Subtotal alternative investments	91,863,930				9,796,433
Total investments	$ 115,141,481				$ 9,796,433

Note 5 - Fair Value Measurements

Level 2 and Level 3 Investments Reported at Net Asset Value at June 30, 2011

	Fair Value	Redemption Frequency	Redemption Notice Period	Estimated Termination Date (Fiscal Year)	Unfunded Commitment
Fixed-income investments:					
Money market funds (Level 2)	$ 13,466,202	daily	none	not applicable	$ -
Bonds and bond mutual funds (Level 2)	1,176,634	daily	1 day	not applicable	-
Bonds and bond mutual funds (Level 3)	175,000	not liquid	not liquid	not liquid	-
Subtotal fixed income	14,817,836				-
Public equity investments:					
Emerging markets international equity mutual funds (Level 2)	11,633,413	monthly	30 days	not applicable	-
Subtotal public equity	11,633,413				-
Alternative investments:					
Commodities (Level 3)	10,968,983	monthly	10 - 30 days	not applicable	-
Absolute return funds (Level 3)	50,500,753	quarterly	60 - 65 days	not applicable	-
Private equity funds (Level 3)	28,954,097	not liquid	not liquid	2012 - 2018	5,575,425
Private real estate funds (Level 3)	10,705,252	not liquid	not liquid	2012 - 2018	3,590,237
Venture capital funds (Level 3)	3,434,857	not liquid	not liquid	2012 - 2014	1,015,082
Direct private equity investments (Level 3)	17,805,171	not liquid	not liquid	2012	-
Subtotal alternative investments	122,369,113				10,180,744
Total investments	$ 148,820,362				$ 10,180,744

Note 6 - 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. Certain quasi-endowments have been created with unrestricted funds, while others have been created with gifts that were temporarily restricted by the donor for the benefit of a particular college within the university. Both types of quasi-endowments have been included in the following schedules because both have been invested to provide income for a long, but unspecified period in accordance with board-imposed restrictions. 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 6 - Donor- and Board-restricted Endowments

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 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 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

Note 6 - Donor- and Board-restricted Endowments

Endowment Net Asset Composition by Type of Fund as of June 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment	$ (290,619)	$ 103,175,081	$ 152,083,400	$ 254,967,862
Board-designated (quasi) endowment created with donor-restricted funds	-	92,247,195	-	92,247,195
Board-designated (quasi) endowment created with unrestricted funds	-	-	-	-
Total funds	$ (290,619)	$ 195,422,276	$ 152,083,400	$ 347,215,057

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Market value - Beginning of the year	$ 12,168,755	$ 167,992,691	$ 142,078,701	$ 322,240,147
Net realized and unrealized gains and losses and investment income	(670,534)	28,550,828	(68,562)	27,811,732
Contributions	-	-	10,073,261	10,073,261
Spending policy transfer	-	(142,494)	-	(142,494)
Transfers (from) to board-designated endowments	(11,788,840)	1,153,504	-	(10,635,336)
Administrative fee	-	(2,132,253)	-	(2,132,253)
Market value - End of the year	$ (290,619)	$ 195,422,276	$ 152,083,400	$ 347,215,057

Note 6 - Donor- and Board-restricted Endowments

Restated Endowment Net Asset Composition by Type of Fund as of June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment	$ (205,666)	$ 76,874,443	$ 142,078,701	$ 218,747,478
Board-designated (quasi) endowment created with donor-restricted funds	-	91,118,248	-	91,118,248
Board-designated (quasi) endowment created with unrestricted funds	12,374,421	-	-	12,374,421
Total funds	$ 12,168,755	$ 167,992,691	$ 142,078,701	$ 322,240,147

Restated Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Market value - Beginning of the year				
As previously reported	$ 1,110,883	$ 112,808,747	$ 137,891,194	$ 251,810,824
Adjustment to properly classify endowment	-	9,517,452	5,386,204	14,903,656
As restated	1,110,883	122,326,199	143,277,398	266,714,480
Net realized and unrealized gains and losses and investment income	10,978,769	42,750,814	(5,008,872)	48,720,711
Contributions	-	-	4,600,175	4,600,175
Spending policy transfer	(377,843)	(7,996,499)	(800,000)	(9,174,342)
Transfers to board - designated endowments	529,166	11,876,246	10,000	12,415,412
Administrative fee	(72,220)	(964,069)	-	(1,036,289)
Market value - End of the year	$ 12,168,755	$ 167,992,691	$ 142,078,701	$ 322,240,147

Note 6 - Donor- and Board-restricted Endowments

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. These funds are known as "underwater accounts." In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were $290,619 and $205,666 as of June 30, 2012 and 2011, respectively. These deficiencies resulted from unfavorable market fluctuations and allowable distributions made over time.

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 7.7 percent annually, gross of investment management fees of approximately 1 percent. 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 - For the fiscal year ended June 30, 2012, the Foundation's spending policy stipulated that 5 percent of a three-year moving average of the market value of the endowment was available to spend, with 1 percent of the amount being set aside to support the Foundation's administrative expenses. The spending rate applied to all endowment accounts except underwater accounts, where spending was limited to 1 percent of a three-year moving average of the market value. 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 the endowment to grow at an average of 1.7 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 6 - Donor- and Board-restricted Endowments

Additionally, during the fiscal year ended June 30, 2012, the Foundation moved the date of the spending policy transfer from June 30 to July 1, which is the date that the board appropriates the funds for spending. The decline in spending policy transfer, as included in the endowment tables above, is reflective of this change in process and is not indicative of an overall decline in available funding.

Note 7 - Property and Equipment

As of June 30, 2012 and 2011, property and equipment are as follows:

	2012	2011
Land	$ 2,455,998	$ 2,455,841
Land improvements	780,105	683,258
Building and building improvements	39,821,131	39,336,797
Furnishings, fixtures, and equipment	4,898,374	4,815,715
Subtotal	47,955,608	47,291,611
Less accumulated depreciation and amortization	(17,434,890)	(15,979,426)
Property and equipment - Net	$ 30,520,718	$ 31,312,185

Total depreciation expense of $1,543,586 and $1,635,935 was recorded in fiscal years 2012 and 2011, respectively.

Note 8 - Support from Ohio University

During 2012 and 2011, the University paid certain payroll costs amounting to $5,274,285 and $4,470,240 and additional costs of $0 and $53,365, 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 9 - 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. The amount of the contribution is the difference between the asset and liability and is recorded as contribution revenue. The Foundation uses the Internal Revenue Service (IRS) discount rate, or Applicable Federal Rate, to determine net present value of the liability. This rate is published monthly and represents the annual rate of return that the IRS assumes the gift assets will earn during the gift term. The discount rate for each charitable gift annuity is established at the beginning of the agreement. The discount rate applied to gift annuities held at June 30, 2012 and 2011 ranged from 2.0 to 9.4 percent.

Charitable Remainder Trusts - Under charitable remainder trust agreements, the Foundation serves as the remainderman and 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 Foundation uses the IRS discount rate, or Applicable Federal Rate, to determine net present value of the liability. This rate is published monthly and represents the annual rate of return that the IRS assumes the gift assets will earn during the gift term. The discount rate for each charitable remainder trust is established at the beginning of the agreement. The discount rate applied to charitable remainder trusts held at June 30, 2012 and 2011 ranged from 3.4 to 8.2 percent.

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 9 - Split-interest Agreements

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 are 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 the net present value of the income stream, will be recorded for the trust. The Foundation uses the IRS discount rate, or Applicable Federal Rate, to determine net present value of the income stream. This rate is published monthly and represents the annual rate of return that the IRS assumes the gift assets will earn during the gift term. The discount rate for each charitable lead trust is established at the beginning of the agreement. The discount rate applied to the lead trusts held at June 30, 2012 and 2011 ranged from 1.05 to 5.00 percent.

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 from which an income stream is provided. The income stream is paid to the donor and/or the donor-designated beneficiaries, and 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 and 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 the 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 statements of financial position or the consolidated statements of activities if the trust is held by a third-party trustee.

Note 10 - 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 University employees, alumni, and guests. As a significant portion of the Inn's revenue 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, 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, 2012 and 2011 are summarized below:

	2012	2011
Revenue	$ 4,457,098	$ 4,228,160
Operating and general expenses	3,567,486	3,457,896
Depreciation and amortization	536,105	552,058
Interest expense - Net	45,198	134,960
Provision for income taxes	127,924	(58,638)
Total expenses	4,276,713	4,086,276
Net income	180,385	141,884
Unrealized gains	39,796	8,404
Change in net assets	$ 220,181	$ 150,288

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 2012 and 2011, base management fees incurred by the Inn with respect to the Manager were $100,000 per year and incentive fees were $97,489 and $75,841, respectively.

Note 10 - Inn-Ohio of Athens, Inc.

The Inn's alternative minimum tax credit carryforwards were approximately $0 at June 30, 2012 and $46,000 at June 30, 2011.

Debt Obligations - Long-term debt of the Inn as of June 30, 2012 and June 30, 2011 consists of the following:

	2012	2011
Term loan - Principal due through June 2021, interest at 3.31 percent through June 2016 and adjusted thereafter	$ 2,824,400	$ 3,051,800
Less current portion of long-term debt	(242,000)	(227,400)
Total	$ 2,582,400	$ 2,824,400

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 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.

Maturities of long-term debt at June 30, 2012 are set forth in the following schedule:

Years Ending June 30	Amount
2013	$ 242,000
2014	257,400
2015	273,800
2016	291,300
2017	291,300
Thereafter	1,468,600
Total	$ 2,824,400

The fair value of the debt obligations approximates the carrying value at June 30, 2012 and 2011.

Note 11 - 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.

Operations - Housing's operations for the years ended June 30, 2012 and 2011 are summarized below:

	2012	2011
Revenue	$ 3,419,605	$ 2,720,210
Operating and general expenses	1,360,555	1,177,081
Depreciation and amortization	786,069	862,941
Interest expense and bond fees	704,817	658,484
Tax and insurance	78,180	263,419
Total expenses	2,929,621	2,961,925
Change in net assets	$ 489,984	$ (241,715)

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 rates for the years ended June 30, 2012 and 2011 were 0.14 percent and 0.25 percent, respectively, and the actual interest rates at June 30, 2012 and 2011 were 0.20 and 0.10 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 revenue of University Courtyard Apartments and related assets. The Foundation has made no additional pledge of assets or revenue to the 2000 Bonds, which are nonrecourse to the Foundation.

Note 11 - Housing for Ohio, Inc.

Principal payments for the bonded debt for the years subsequent to June 30, 2012 are summarized as follows:

Years Ending June 30	Principal
2013	$ 780,000
2014	820,000
2015	865,000
2016	910,000
2017	960,000
Thereafter	22,415,000
Total	$ 26,750,000

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 was $26,157 during each of the years ended June 30, 2012 and 2011.

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 significant to the consolidated financial statements. In March 2012, the Organization was notified by a financial institution that the developer had listed the remaining installment payments as collateral on a loan with that financial institution. The notification advised that all subsequent payments were to be made to that financial institution. Although a payment was due June 1, 2012, the Organization is in the process of negotiating a settlement of all payments with the financial institution. In addition to this payment, the original agreement anticipated installment payments of $70,000 on June 1, 2013 and June 1, 2014.

Note 12 - Restatement

During the fiscal year ended June 30, 2012, the Foundation discovered that an estate gift received in 1979 had been classified as an unrestricted gift, rather than a true endowment as stipulated by the donor's last will and testament. Since inception of the gift, these funds had been treated as a board-designated (quasi) endowment, with certain principal withdrawals occurring periodically over the life of the gift.

A prior-period adjustment was recorded to properly classify this gift as a true endowment. This action had no net effect on the Foundation's total financial position. However, the adjustment increased permanently restricted net assets by an amount equal to the gift's historic value, increased temporarily restricted net assets by an amount equal to the gift's accumulated market appreciation since inception, and reduced unrestricted net assets by a like amount.

As of July 1, 2010, the adjustment reduced unrestricted net assets by $14.9 million, increased temporarily restricted net assets by $9.5 million, and increased permanently restricted net assets by $5.4 million. For the year ended June 30, 2011, the adjustment reduced the change in unrestricted net assets by $2.1 million, increased the change in temporarily restricted net assets by $2.1 million, and had no effect on the change in permanently restricted net assets. As of June 30, 2011, the adjustment reduced unrestricted net assets by $17.0 million, increased temporarily restricted net assets by $11.6 million, and increased permanently restricted net assets by $5.4 million. Changes to the statement of financial position and statement of activities as of and for the year ended June 30, 2011 are detailed below:

Note 12 - Restatement

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net Assets - Beginning of year				
As previously presented	$ 2,933,270	$ 172,666,202	$ 149,205,873	$ 324,805,345
Adjustment to properly classify endowment	(14,903,656)	9,517,452	5,386,204	-
As restated	(11,970,386)	182,183,654	154,592,077	324,805,345
Revenue and other support				
Interest and dividends				
As previously presented	303,830	3,010,052	-	3,313,882
Adjustment to properly classify endowment	(51,634)	51,634	-	-
As restated	252,196	3,061,686	-	3,313,882
Sold during the year (realized gain (loss))				
As previously presented	625,096	10,702,957	(4,686,345)	6,641,708
Adjustment to properly classify endowment	(106,198)	106,198	-	-
As restated	518,898	10,809,155	(4,686,345)	6,641,708
Held at year end (unrealized gain (loss))				
As previously presented	12,354,732	27,188,440	(355,858)	39,187,314
Adjustment to properly classify endowment	(2,097,138)	2,097,138	-	-
As restated	10,257,594	29,285,578	(355,858)	39,187,314
Administrative fee income				
As previously presented	807,340	(807,340)	-	-
Adjustment to properly classify endowment	156,729	(156,729)	-	-
As restated	964,069	(964,069)	-	-
Change in Net Assets				
As previously presented	10,681,759	50,767,546	(670,960)	60,778,345
Adjustment to properly classify endowment	(2,098,241)	2,098,241	-	-
As restated	8,583,518	52,865,787	(670,960)	60,778,345
Net Assets - End of year				
As previously presented	13,615,029	223,433,748	148,534,913	385,583,690
Adjustment to properly classify endowment	(17,001,897)	11,615,693	5,386,204	-
As restated	$ (3,386,868)	$ 235,049,441	$ 153,921,117	$ 385,583,690

Supplemental Information

The Ohio University Foundation and Subsidiaries

Consolidating Schedule of Financial Position
June 30, 2012

	The Foundation	The Inn	Housing	Supporting Organization	Russ LLCs	Eliminations	Total
Assets							
Cash and cash equivalents	$ 12,390,546	$ 1,255,642	$ 1,300,214	$ -	$ 810,235	$ -	$ 15,756,637
Accounts receivable - Net	128,794	42,005	7,277	-	120,995	-	299,071
Pledges receivable - Net	16,847,251	-	-	-	-	-	16,847,251
Bequests receivable	562,953	-	-	-	-	-	562,953
Interest and dividends receivable	127,301	-	-	-	-	-	127,301
Prepaid expenses	12,409	15,938	762,910	-	-	-	791,257
Investments	361,353,876	1,268,184	-	5,203,632	-	(1,268,184)	366,557,508
Investment in Inn-Ohio of Athens, Inc.	3,358,564	-	-	-	-	(3,358,564)	-
Cash surrender value - Life insurance policies	1,572,911	-	-	-	-	-	1,572,911
Charitable gift annuities	2,426,539	-	-	-	-	-	2,426,539
Charitable trusts	16,707,079	-	-	-	-	-	16,707,079
Deposits with trustees - Restricted cash	-	-	3,547,222	-	-	-	3,547,222
Property and equipment - Net	888,799	4,092,280	19,562,205	-	5,977,434	-	30,520,718
Other assets	-	211,791	567,102	-	-	-	778,893
Total assets	**$ 416,377,022**	**$ 6,885,840**	**$ 25,746,930**	**$ 5,203,632**	**$ 6,908,664**	**$ (4,626,748)**	**$ 456,495,340**
Liabilities and Net Assets (Deficit)							
Liabilities:							
Accounts payable - Ohio University	$ 1,762,292	$ -	$ -	$ -	$ 17,691	$ -	$ 1,779,983
Accounts payable - Trade	343,539	539,590	191,642	-	311,709	-	1,386,480
Deposits held in custody for others	1,499,262	-	65,568	-	49,323	(1,268,184)	345,969
Annuities payable	1,967,854	-	-	-	-	-	1,967,854
Charitable trusts obligations	3,613,620	-	-	-	-	-	3,613,620
Bonds payable	-	-	26,750,000	-	-	-	26,750,000
Notes payable	-	2,824,400	210,000	-	-	-	3,034,400
Other liabilities	-	163,286	85,608	-	-	-	248,894
Total liabilities	9,186,567	3,527,276	27,302,818	-	378,723	(1,268,184)	39,127,200
Net assets (deficit):							
Unrestricted	(2,156,107)	-	(1,555,888)	-	-	-	(3,711,995)
Temporarily restricted	245,892,831	-	-	5,203,632	6,529,941	-	257,626,404
Permanently restricted	163,453,731	-	-	-	-	-	163,453,731
Total net assets (deficit)	407,190,455	-	(1,555,888)	5,203,632	6,529,941	-	417,368,140
Stockholders' equity:							
Common stock	-	3,429,182	-	-	-	(3,429,182)	-
Additional paid-in capital	-	4,140,455	-	-	-	(4,140,455)	-
Retained earnings	-	(4,211,073)	-	-	-	4,211,073	-
Total stockholders' equity	-	3,358,564	-	-	-	(3,358,564)	-
Total liabilities and net assets (deficit)	**$ 416,377,022**	**$ 6,885,840**	**$ 25,746,930**	**$ 5,203,632**	**$ 6,908,664**	**$ (4,626,748)**	**$ 456,495,340**

Consolidating Schedule of Activities
Year Ended June 30, 2012

	Unrestricted	The Inn	Housing	Total Unrestricted	Temporarily Restricted	Supporting Organization	Russ LLCs	Total Temporarily Restricted	Total Permanently Restricted	Eliminations	Total
Revenue and Other Support											
Gifts and contributions	$ 492,734	$ -	$ -	$ 492,734	$ 10,697,575	$ 10,000	$ -	$ 10,707,575	$ 9,406,919	$ -	$ 20,607,228
University support	5,274,285	-	-	5,274,285	-	-	-	-	-	-	5,274,285
Income from investments:											
Interest and dividends	187,465	-	-	187,465	6,187,401	61,495	-	6,248,896	-	-	6,436,361
Sold during the year (realized gain (loss))	1,952,519	-	-	1,952,519	41,017,255	(514,196)	-	40,503,059	186,505	-	42,642,083
Held at year end (unrealized (loss) gain)	(1,016,366)	-	-	(1,016,366)	(18,692,557)	398,738	-	(18,293,819)	(255,067)	-	(19,565,252)
Revenue from sales, services, and events	373,600	-	-	373,600	58,362	-	-	58,362	9,750	-	441,712
Change in value of split-interest agreements	23,600	-	-	23,600	(53,193)	-	-	(53,193)	(186,321)	-	(215,914)
Administrative fee income	2,132,253	-	-	2,132,253	(2,132,253)	-	-	(2,132,253)	-	-	-
Other	110,353	-	-	110,353	218,135	-	-	218,135	370,828	-	699,316
Related entity revenue	220,181	4,496,894	3,419,605	8,136,680	500,080	-	1,713,554	2,213,634	-	(720,261)	9,630,053
Total revenue and other support	9,750,624	4,496,894	3,419,605	17,667,123	37,800,805	(43,963)	1,713,554	39,470,396	9,532,614	(720,261)	65,949,872
Net assets released from restrictions -											
Satisfaction of program restrictions:											
Academic support	1,245,982	-	-	1,245,982	(1,245,982)	-	-	(1,245,982)	-	-	-
Alumni relations	35,198	-	-	35,198	(35,198)	-	-	(35,198)	-	-	-
Fundraising and development	5,305	-	-	5,305	(5,305)	-	-	(5,305)	-	-	-
Institutional support	1,250,571	-	-	1,250,571	(1,250,571)	-	-	(1,250,571)	-	-	-
Instruction and departmental research	6,267,700	-	-	6,267,700	(6,267,700)	-	-	(6,267,700)	-	-	-
Intercollegiate athletics	869,873	-	-	869,873	(869,873)	-	-	(869,873)	-	-	-
Public service	425,028	-	-	425,028	(425,028)	-	-	(425,028)	-	-	-
Research	611,255	-	-	611,255	(611,255)	-	-	(611,255)	-	-	-
Student aid	3,697,726	-	-	3,697,726	(3,697,726)	-	-	(3,697,726)	-	-	-
Student services	292,961	-	-	292,961	(292,961)	-	-	(292,961)	-	-	-
Related entity operations	1,691,754	-	-	1,691,754	-	(250,080)	(1,941,754)	(2,191,834)	-	500,080	-
Total net assets released from restrictions	16,393,353	-	-	16,393,353	(14,701,599)	(250,080)	(1,941,754)	(16,893,433)	-	500,080	-
Total revenue, other support, and net assets released from restrictions	26,143,977	4,496,894	3,419,605	34,060,476	23,099,206	(294,043)	(228,200)	22,576,963	9,532,614	(220,181)	65,949,872

The Ohio University Foundation and Subsidiaries

Consolidating Schedule of Activities (Continued)
Year Ended June 30, 2012

	Unrestricted	The Inn	Housing	Total Unrestricted	Temporarily Restricted	Supporting Organization	Russ LLCs	Temporarily Restricted	Permanently Restricted	Eliminations	Total
Expenses											
Program services:											
Academic support	$ 1,245,982	$ -	$ -	$ 1,245,982	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,245,982
Alumni relations	1,700,118	-	-	1,700,118	-	-	-	-	-	-	1,700,118
Institutional support	1,416,701	-	-	1,416,701	-	-	-	-	-	-	1,416,701
Instruction and departmental research	6,322,737	-	-	6,322,737	-	-	-	-	-	-	6,322,737
Intercollegiate athletics	869,873	-	-	869,873	-	-	-	-	-	-	869,873
Public service	425,028	-	-	425,028	-	-	-	-	-	-	425,028
Research	843,596	-	-	843,596	-	-	-	-	-	-	843,596
Student aid	3,715,891	-	-	3,715,891	-	-	-	-	-	-	3,715,891
Student services	292,961	-	-	292,961	-	-	-	-	-	-	292,961
Support services:											
Fundraising and development	7,715,663	-	-	7,715,663	-	-	-	-	-	-	7,715,663
Fund administration	718,784	-	-	718,784	-	-	-	-	-	-	718,784
Related entity operations	1,691,754	4,276,713	2,929,621	8,898,088	-	-	-	-	-	-	8,898,088
Total expenses	26,959,088	4,276,713	2,929,621	34,165,422	-	-	-	-	-	-	34,165,422
Changes in Net Assets	(815,111)	220,181	489,984	(104,946)	23,099,206	(294,043)	(228,200)	22,576,963	9,532,614	(220,181)	31,784,450
Net Assets (Deficit) - Beginning of year											
As previously reported	15,660,901	3,138,383	(2,045,872)	16,753,412	211,177,932	5,497,675	6,758,141	223,433,748	148,534,913	(3,138,383)	385,583,690
Adjusted to properly classify endowment	(17,001,897)	-	-	(17,001,897)	11,615,693	-	-	11,615,693	5,386,204	-	-
As restated	(1,340,996)	3,138,383	(2,045,872)	(248,485)	222,793,625	5,497,675	6,758,141	235,049,441	153,921,117	(3,138,383)	385,583,690
Net Assets (Deficit) - End of year	**$ (2,156,107)**	**$ 3,358,564**	**$ (1,555,888)**	**$ (353,431)**	**$ 245,892,831**	**$ 5,203,632**	**$ 6,529,941**	**$ 257,626,404**	**$ 163,453,731**	**$ (3,358,564)**	**$ 417,368,140**

Consolidating Schedule of Cash Flows
Year Ended June 30, 2012

	The Foundation	The Inn	Housing	Supporting Organization	Russ LLCs	Total
Cash Flows From Operating Activities						
Changes in net assets	$ 31,596,528	$ 220,181	$ 489,984	$ (294,043)	$ (228,200)	$ 31,784,450
Adjustments to reconcile changes in net assets to net cash from operating activities:						
Realized investment (gains) losses - Net	(43,156,279)	-	-	514,196	-	(42,642,083)
Noncash items:						
Depreciation and amortization	11,859	536,106	786,069	-	260,595	1,594,629
Unrealized investment losses (gains) - Net	19,963,990	(39,796)	-	(398,738)	-	19,525,456
Decrease in cash surrender value of life insurance policies	268,587	-	-	-	-	268,587
Contributions of securities	(1,737,030)	-	-	-	-	(1,737,030)
Contributions restricted for endowment investment	(9,406,919)	-	-	-	-	(9,406,919)
Changes in current assets and liabilities:						
Decrease (increase) in accounts receivable	8,835	16,920	(2,602)	-	1,561	24,714
Increase in pledges receivable	(1,802,482)	-	-	-	-	(1,802,482)
Decrease in bequests receivable	368,047	-	-	-	-	368,047
Decrease in interest and dividends receivable	194,030	-	-	-	-	194,030
Increase in prepaid expenses	(10,409)	(1,374)	(17,718)	-	-	(29,501)
(Increase) decrease in other assets	-	(145,790)	39,322	-	-	(106,468)
Increase (decrease) in accounts payable	426,956	59,974	(1,669)	-	(153,498)	331,763
Increase (decrease) in other liabilities	-	160,450	(6,622)	-	-	153,828
Increase (decrease) in deposits held in custody for others	6,232	-	(8,772)	-	(63)	(2,603)
Net cash (used in) provided by operating activities	(3,268,055)	806,671	1,277,992	(178,585)	(119,605)	(1,481,582)
Cash Flows From Investing Activities						
Purchases of property and equipment	-	(229,495)	(85,612)	-	(437,011)	(752,118)
Purchases of investments	(206,230,122)	(53,542)	-	(108,312)	-	(206,391,976)
Proceeds from sales of investments	192,712,369	1,788	-	286,897	-	193,001,054
Increase in restricted cash	-	-	(348,679)	-	-	(348,679)
Decrease in investments subject to annuity agreements	48,699	-	-	-	-	48,699
Decrease in charitable remainder trusts	315,847	-	-	-	-	315,847
Net cash (used in) provided by investing activities	(13,153,207)	(281,249)	(434,291)	178,585	(437,011)	(14,127,173)
Cash Flows from Financing Activities						
Contributions restricted for endowment investment	9,406,919	-	-	-	-	9,406,919
Payments on notes and bonds payable	-	(227,400)	(740,000)	-	-	(967,400)
Decrease in annuity obligations	(93,038)	-	-	-	-	(93,038)
Decrease in trust obligations	(223,391)	-	-	-	-	(223,391)
Net cash provided by (used in) financing activities	9,090,490	(227,400)	(740,000)	-	-	8,123,090
Net (Decrease) Increase in Cash and Cash Equivalents	(7,330,772)	298,022	103,701	-	(556,616)	(7,485,665)
Cash and Cash Equivalents - Beginning of year	19,721,318	957,620	1,196,513	-	1,366,851	23,242,302
Cash and Cash Equivalents - End of year	**$ 12,390,546**	**$ 1,255,642**	**$ 1,300,214**	**$ -**	**$ 810,235**	**$ 15,756,637**

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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, 2012 and the related consolidated statements of activities and cash flows for the year then ended and have issued our report thereon dated October 8, 2012 (which report expresses an unqualified opinion and includes an emphasis of matter paragraph regarding the restatement of net assets and the valuation of alternative investments). 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

Management of the Foundation is responsible for establishing and maintaining an effective 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.

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, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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 Foundation's consolidated financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness (Finding 2012-1).

To the Board of Trustees
The Ohio University Foundation
and Subsidiaries

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*.

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

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 8, 2012

Reference Number	Findings
2012-1	**Finding Type** - Material weakness

Criteria - Endowments and the related earnings on endowments should be recorded and restricted in accordance with the donor's last will and testament.

Condition - The Foundation originally recorded a true endowment received in 1979 as an unrestricted quasi-endowment. As a result, since the endowment was received, portions of the corpus of the endowment had been spent, which was not in accordance with the donor's last will and testament.

Context - The Foundation management identified the error in the current year and performed an analysis to determine what the value of the endowment should have been at June 30, 2012, 2011, and 2010. A prior-period adjustment was recorded to properly classify this gift as a true endowment. This action had no net effect on the Foundation's total financial position. As of July 1, 2010, the adjustment reduced unrestricted net assets by \$14.9 million, increased temporarily restricted net assets by \$9.5 million, and increased permanently restricted net assets by \$5.4 million.

Cause - At the time of the donation, the Foundation did not properly review and record the endowment as a permanently restricted endowment.

Effect or Potential Effect - The action had no net effect on the Foundation's total financial position. However, as a result of not initially recording the endowment properly, part of the endowment corpus was spent, which was not in accordance with the donor's last will and testament. Moreover, since the issue was identified by management in the current year, the July 1, 2010 and June 30, 2011 net assets had to be restated.

Recommendation - We suggest that management implement a review process to ensure that contributions are properly recorded in accordance with the donor's restrictions. We acknowledge that management has already implemented a process to address this issue.

Reference Number	Findings
2012-1 (Continued)	**Views of Responsible Officials and Planned Corrective Actions** - Management believes the Foundation's current processes will prevent the recurrence of errors similar to the one that occurred in 1979. The Foundation's current practices require that documentation of donor intent be submitted for review and consideration at the time the gift is processed. Gift processing staff review and analyze available documentation to determine appropriate accounting treatment before recording routine donations to existing accounts. Gifts with insufficient documentation to determine donor intent are placed in a holding account until adequate information is obtained. Management-level accounting staff provide oversight and expertise as gifts are being processed. Additionally, management-level accounting staff play an active role in approving and establishing new Foundation accounts, thereby increasing the likelihood that new funds are established in accordance with a donor's documented restriction.

Russ Research Center LLC

(an Ohio limited liability company and a wholly owned subsidiary of Fritz J. and Dolores H. Russ Holdings LLC)

Financial Report

June 30, 2012 and 2011

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Russ Research Center LLC

Contents

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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 and a wholly owned subsidiary of Fritz J. and Dolores H. Russ Holdings LLC, as of June 30, 2012 and 2011 and the related statements of operations, member's equity, and cash flows for the years then ended. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 basic financial statements referred to above present fairly, in all material respects, the financial position of the Company as of June 30, 2012 and 2011 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 8, 2012 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 audits.

Plante & Moran, PLLC

October 8, 2012

Russ Research Center LLC

Balance Sheet

	June 30, 2012	June 30, 2011
Assets		
Cash	$ 810,235	$ 1,366,852
Accounts receivable	113,360	66,200
Property - Less accumulated depreciation (Note 3)	5,355,434	5,179,018
Total assets	**$ 6,279,029**	**$ 6,612,070**
Liabilities and Member's Equity		
Liabilities		
Accounts payable and accrued liabilities	$ 311,709	$ 187,261
Tenant security deposits	49,323	49,386
Distribution payable	-	250,000
Total liabilities	361,032	486,647
Member's Equity	5,917,997	6,125,423
Total liabilities and member's equity	**$ 6,279,029**	**$ 6,612,070**

Statement of Operations

	Year Ended June 30, 2012	Year Ended June 30, 2011
Revenue		
Rental income	$ 1,713,059	$ 1,634,403
Interest income	495	381
Total revenue	1,713,554	1,634,784
Expenses		
Real estate taxes	101,611	101,894
Security and inspections	32,881	23,928
Repairs and maintenance	650,738	367,138
Utilities	376,449	443,670
Professional fees	100,537	65,892
Administrative expenses	103,060	35,566
Depreciation expense	260,595	248,393
Management fees	45,109	44,296
Total expenses	1,670,980	1,330,777
Net Income	**$ 42,574**	**$ 304,007**

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

Statement of Member's Equity

Balance - June 30, 2010	$ 6,071,416
Net income	304,007
Member distributions	(250,000)
Balance - June 30, 2011	6,125,423
Net income	42,574
Member distributions	(250,000)
Balance - June 30, 2012	**$ 5,917,997**

Statement of Cash Flows

	Year Ended June 30, 2012	Year Ended June 30, 2011
Cash Flows from Operating Activities		
Net income	$ 42,574	$ 304,007
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	260,595	248,393
Changes in assets and liabilities that (used) provided cash:		
Accounts receivable	(47,160)	(41,888)
Accounts payable and accrued liabilities	124,448	(51,206)
Tenant security deposits	(63)	4,098
Net cash provided by operating activities	380,394	463,404
Cash Flows from Investing Activities - Purchase of property	(437,011)	-
Cash Flows from Financing Activities - Member distributions paid	(500,000)	(700,000)
Net Decrease in Cash	(556,617)	(236,596)
Cash - Beginning of year	1,366,852	1,603,448
Cash - End of year	**$ 810,235**	**$ 1,366,852**

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 located in Beavercreek, Ohio. 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.

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 revenue 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.

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, 2012 and 2011.

Property - Property 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, 2012 and 2011.

Recognition of Revenue - Rental income is recognized when rent becomes due 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 balance sheet. 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 will be 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. The member is taxed individually on its 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. With few exceptions, the Company is no longer subject to tax examinations by tax authorities for years before June 30, 2009.

Subsequent Events - The financial statements and related disclosures include evaluation of events up through and including October 8, 2012, which is the date the financial statements were available to be issued.

Note 3 - Property

A summary of property at June 30 is as follows:

	2012	2011	Depreciable Life - Years
Land	$ 832,300	$ 832,300	-
Buildings and improvements	5,387,678	4,967,700	20 years
Computer equipment	17,033	-	5 years
Total property	6,237,011	5,800,000	
Less accumulated depreciation	881,577	620,982	

Depreciation expense totaled $260,595 and $248,393 for the years ended June 30, 2012 and 2011, respectively. Substantially all of the land and buildings are for rent.

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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 the Board of Directors
Russ Research Center LLC
Athens, Ohio

We have audited the financial statements of Russ Research Center LLC (the "Company"), an Ohio limited liability company, as of and for the years ended June 30, 2012 and 2011 and have issued our report thereon dated October 8, 2012. 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

Management of the Company is responsible for establishing and maintaining an effective 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 entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency in internal control over financial reporting (Finding 2012-1). 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.

To the Board of Directors
Russ Research Center LLC

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*.

The Company's response to the findings 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.

We also noted certain matters that we have reported to management of the Company in a separate letter dated October 8, 2012.

This report is intended solely for the information and use of the board of trustees 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

October 8, 2012

Reference Number	Findings
2012-1	**Finding Type** - Significant deficiency

Criteria - The Company's bank statements should be reconciled to the general ledger balance on a monthly basis.

Condition - The Company's records provided during the audit showed an unreconciled balance between the June 30, 2012 bank statement and the general ledger. The reconciliation is prepared by the property manager of the Company.

Context - The amount of the unreconciled balance was $7,247.

Cause - The property manager posted four transactions to the incorrect period, causing the general ledger cash balance to be misstated. The Company did not perform a year-end reconciliation between the bank statement and the general ledger, which would have caught the discrepancy.

Effect or Potential Effect - As a result of not performing the reconciliation, cash could be misstated and transactions could be reported in the wrong period and not identified in a timely manner.

Recommendation - We suggest that the property manager appoint staff to perform monthly reconciliations of all cash accounts, followed by a thorough review by the Company to verify that all transactions are properly recorded.

Views of Responsible Officials and Planned Corrective Actions - The Company will work with the property manager to ensure that cash is reconciled to the general ledger balance on a monthly basis.

Dave Yost • Auditor of State

OHIO UNIVERSITY FOUNDATION

ATHENS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 10, 2013

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