The University of Akron
(a component unit of the State of Ohio)

Financial Report

with Supplemental Information

June 30, 2009

Mary Taylor, CPA
Auditor of State

Board of Trustees
University of Akron
302 Buchtel Common
Akron, Ohio 44325-6205

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

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

Robert R. Hinkle, CPA
Chief Deputy Auditor

December 21, 2009

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The University of Akron

Management's Discussion and Analysis
June 30, 2009

The discussion and analysis of The University of Akron's (The University) annual financial performance provides an overall review of The University's financial activities for the fiscal year ended June 30, 2009. This discussion and analysis views The University's financial performance as a whole; readers should also review the financial statements and related notes to the financial statements to enhance their understanding of The University's financial performance.

Using the Annual Financial Report

The annual report consists of this Management's Discussion and Analysis, three separate but interrelated financial statements prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*, and the Report of Independent Auditors. The financial statements are prepared using the accrual basis of accounting, which is similar to the accounting method used by many private sector companies. Under the accrual basis of accounting, revenues are recognized when earned while expenses are recognized when incurred.

The University's financial statements include the *Statements of Net Assets*; *Revenues, Expenses and Changes in Net Assets;* and *Cash Flows*. The financial statements focus on the financial condition, results of operations, and cash flows of The University, as a whole.

The Statement of Net Assets includes all assets and liabilities, with the difference between the two reported as *net assets*. The assets and liabilities are presented in the order of relative liquidity while *net assets* are categorized as *Invested in capital assets, net of related debt*; *Restricted*; or *Unrestricted*. Over time, increases or decreases in *net assets* are an indicator of the improvement or erosion of The University's financial health.

The Statement of Revenues, Expenses, and Changes in Net Assets presents revenues earned and expenses incurred during the year. The revenues and expenses are classified as either operating or nonoperating. The State of Ohio (State) provides significant operating and capital financial resources to The University, which are classified as Nonoperating revenues; therefore, substantial Operating losses are not uncommon for public colleges and universities across Ohio. For the fiscal years ended June 30, 2009, 2008, and 2007, the State provided approximately $119 million, $109 million, and $104 million, respectively, for operating and capital purposes while The University's operating losses were approximately $149 million, $132 million, and $108 million for each of those years.

The Statement of Cash Flows presents information related to cash inflows and outflows summarized within the activities of *operating, noncapital financing, capital and related financing*, and *investing activities*. Cash flows from *operating* activities generally result from the provision of goods or services in the normal course of doing business and are generally the cash effects of transactions that determine *operating income*. Meanwhile, *noncapital financing activities* typically include borrowing and repaying money for purposes other than acquiring, constructing, or improving capital assets.

Conversely, *Capital and related financing activities* generally include acquiring and disposing of capital assets, borrowing and repaying money for acquiring, constructing, or improving capital assets, and paying for capital assets obtained from vendors on credit. The *investing activities* generally relate to making and collecting loans and acquiring and disposing of debt or equity instruments.

The University is considered a discretely presented component unit of the State of Ohio and as such, The University's financial activity is also included within the State of Ohio's Comprehensive Annual Financial Report.

The University has two discretely presented component units that are reported in a separate column on The University's financial statements to emphasize that they are legally separate from The University. The University of Akron Foundation (Foundation) and The University of Akron Research Foundation (Research Foundation) are not-for-profit organizations supporting The University. Since the focus of this discussion is on The University, these component units are not included in the amounts below. These component units are described in greater detail in the financial statements and notes to the financial statements.

Table 1 summarizes The University's Net Assets at June 30, 2009, 2008, and 2007.

Table 1
Net Assets (In Thousands)

	2009	2008	2007
Assets:			
Current assets	$ 130,772	$ 126,276	$ 108,975
Restricted current assets	146,352	175,924	60,417
Noncurrent assets:			
Capital	621,530	551,325	505,418
Other	60,004	87,157	72,013
Total assets	958,658	940,682	746,823
Liabilities:			
Current liabilities	103,072	77,445	66,678
Noncurrent liabilities	430,797	430,593	254,032
Total liabilities	533,869	508,038	320,710
Net assets:			
Invested in capital assets, net of related debt	308,702	286,734	268,202
Restricted:			
Nonexpendable	26,785	30,793	35,426
Expendable	29,472	39,032	46,635
Unrestricted	59,830	76,085	75,850
Total net assets	$ 424,789	$ 432,644	$ 426,113

(Note: Certain prior year amounts have been reclassified to conform to current year presentations.)

Current assets include those highly liquid assets including cash and cash equivalents; investments; accounts, pledges, student notes, and accrued interest receivable; inventories; and prepaid expenses and deferred charges. Current assets increased $4.5 million and $17.3 million during 2009 and 2008, respectively. There were variations among many of the current asset categories, but the principal cause of the changes are from a $4.1 million increase in 2009 within all current cash and investments and a $12.5 million increase in 2008 within pooled investments. Specifically, The University temporarily invested its operating funds, along with the proceeds of debt issues until the proceeds were needed to pay for operating or construction costs. The duration of these investments is short term to ensure their liquidity and immediate availability. During 2009 and 2008, The University also continued its progress toward, and paid costs related to, the Landscape for Learning initiative. The second phase of the New Landscape for Learning campus enhancement initiative includes a new on-campus stadium to replace the Rubber Bowl, the purchase of the Quaker Square properties to be used for residence halls, office space, and academics, and other enhancements to the campus such as residence halls and parking.

Restricted current assets consist of cash, cash equivalents, and investments, which resulted from gifts from friends of The University. In these cases, the donors required that the gifts be used for some particular purpose. Restricted current assets decreased $29.6 million and increased $115.5 million during 2009 and 2008, respectively. The changes are largely attributable to the separate investment of new bond proceeds in 2008 and the near-term payment demands of the Landscape for Learning initiative as discussed previously.

Noncurrent assets consist of endowment investments; pledges and student notes receivable; and capital assets. Noncurrent assets increased $43.1 million and $61.1 million during 2009 and 2008, respectively. While there were variations among the categories, the increases are largely attributable to a $70.2 million and a $45.9 million increase in 2009 and 2008, respectively, within capital assets. The 2009 increase in capital assets was offset by a $10.7 million decrease in endowment investment valuation and a $17.1 million decrease in long-term investments used for the payment demands of the Landscape for Learning initiative.

Current liabilities include all items that mature within one year. The current liabilities include accounts payable; accrued liabilities; accrued interest payable; deferred revenue; deposits; and the short-term portion of long-term liabilities. Current liabilities increased $25.6 million and $10.8 million during 2009 and 2008, respectively. There were variations among many of the current liability categories, but the principal cause of the 2009 increase was a $9.6 million increase in accounts payable and a $6.8 million increase in construction debt and capital lease payments required in the next year. The principal causes of the 2008 increase were a $3.2 million increase in accounts payable and a $4.2 million increase in accrued liabilities.

Noncurrent liabilities consist of refundable federal student loans; long-term debt including capital leases and the sick leave and other postemployment benefit liabilities; and long-term deferred revenue. The most notable change occurred within the long-term liabilities. During 2009, the slight $0.2 million increase was due primarily to payments made on The University's long-term debt being offset by a corresponding increase in the other postemployment benefit liability. During 2008, the $176.5 million increase was due to The University issuing new bonds for the Landscape for Learning initiative and refinancing of the general receipts refunding bonds issued in 2004.

As reflected earlier, net assets represent the difference between assets and liabilities and over time is one indicator of improving or eroding financial health. Net assets are categorized as Invested in capital assets, net of related debt; Restricted; or Unrestricted. Restricted net assets include both expendable and nonexpendable components. During 2009 and 2008, net assets decreased approximately 1.8% and increased approximately 1.5%, respectively, or decreased $7.9 million and increased $6.5 million, respectively.

The University of Akron

Management's Discussion and Analysis
June 30, 2009

Table 2 summarizes The University's Changes in Net Assets for the years ended June 30, 2009, 2008, and 2007.

Table 2
Changes in Net Assets (In Thousands)

	2009	2008	2007
Operating revenues:			
Tuition and fees	$ 176,843	$ 174,643	$ 165,523
Grants and contracts	35,763	34,058	29,082
Sales and services	12,280	12,172	10,707
Auxiliary enterprises	47,905	44,926	41,357
Other operating revenues	1,006	757	450
Total operating revenues	273,797	266,556	247,119
Operating expenses:			
Educational and general:			
Instruction and departmental research	134,676	126,778	115,903
Other educational and general	202,401	187,192	165,043
Auxiliary enterprises	57,345	52,586	46,910
Depreciation and loss on disposal	32,935	32,325	27,034
Total operating expenses	427,357	398,881	354,890
Operating loss	(153,560)	(132,325)	(107,771)
Nonoperating revenues (expenses):			
State appropriations	107,665	99,127	93,992
Federal grants	22,941	18,532	16,669
Gifts and distributions	17,174	20,355	16,375
Other (net)	(15,884)	(8,940)	6,347
Net nonoperating revenues	131,896	129,074	133,383
Gain (loss) before other changes	(21,664)	(3,251)	25,612
Other changes:			
Capital appropriations	11,369	9,861	9,807
Other changes (net)	2,440	(79)	1,254
Total other changes	13,809	9,782	11,061
(Decrease) increase in net assets	(7,855)	6,531	36,673
Net assets:			
Net assets - beginning of year	432,644	426,113	389,440
Net assets - end of year	$ 424,789	$ 432,644	$ 426,113

(Note: Certain prior year amounts have been reclassified to conform to current year presentations.)

The student tuition and fees increased $2.2 million or 1.3% during 2009 and increased $9.1 million or 5.5% during 2008. The observed changes in tuition and fees are attributed to the student headcount, student credit hours taken, and fees charged. The University's total student headcount increased approximately 5% in both 2009 and 2008. Along with headcount, the total student credit hours (or actual courses taken) increased 5% in 2009 and 2008. The University enacted a tuition freeze for the 2009 and 2008 academic years.

In addition to the fees collected, GASB requires the portion of student aid which is provided in the form of reduced tuition to be reported as a reduction of revenue. This reduction, or scholarship allowance, increased $4.8 million to $42.8 million in 2009 and increased $2.3 million to $38 million in 2008. Both increases were a reflection of increased scholarships awarded and other funding opportunities for students.

The combined federal, state, local, and private grants and contracts revenue levels represent The University's continued pursuit of federal, state, local, and private funding for research related activities. Federal revenues represented the largest component of these revenues at $13.5 million and $15 million in 2009 and 2008, respectively, followed by private revenues at $12.1 million and $9.5 million in 2009 and 2008, respectively.

The largest federal sources were the Office of Education (OE) and the National Science Foundation (NSF) with the awards for scholarships and grants. OE provided nearly $5.2 million and $5.3 million during 2009 and 2008, respectively. NSF provided $4.2 million and $3 million during 2009 and 2008, respectively. Meanwhile, large sources of private revenue totaling $4.3 million in 2009 were from three foundations which provided research equipment, new reading initiatives, and theologically-based scientific research. A large private source in 2008 was The Knight Foundation which provided $4.1 million for the University Park Alliance. The University Park Alliance's mission is to revitalize the diverse neighborhoods in a 50-block area immediately surrounding the University of Akron. The state and local revenues consisted of multiple smaller dollar awards.

Sales and services revenue are from certain operations, which provide services to both students and other departments within The University campus. The most significant of these operations was Computer Solutions, which generated sales totaling $3.5 million for 2009 and $4.3 million for 2008.

Auxiliary enterprises revenue is generated from operations which predominantly exist to furnish goods or services to students, faculty, staff, or the general public. These types of activities are intended to be self-supporting in that the revenues generated are intended to cover the costs of providing the services. The University's auxiliary services include the residence halls, student unions, intercollegiate athletics, parking services, Rubber Bowl, E.J. Thomas Performing Arts Hall, telecommunications, and dining facilities.

Auxiliary enterprises revenue increased $3 million and $3.6 million in 2009 and 2008, respectively. The predominant revenues within this area are from dining facilities, residence halls, and parking services. During 2009, the revenues generated from those three areas represented $14.7 million, $16.1 million, and $6.8 million, respectively, or 78.5% of the total $47.9 million revenues. During 2008, the revenues generated from those three areas represented $13.7 million, $15.4 million, and $5.4 million, respectively, or 76.8% of the total $44.9 million revenues.

The state appropriations represent the other most significant revenue source for The University. Together, the state appropriations and student tuition and fees are the predominant resources used to fund The University's daily operations. The state appropriations increased $8.5 million and $5.1 million in 2009 and 2008, respectively. The changes are part of continued shifts in higher education funding over the past few years and are largely attributable to state-level fiscal challenges. While the instructional appropriations increased $8.2 million and $5.6 million in 2009 and 2008, respectively, the other changes during 2009 and 2008 are due to small increases or decreases in funding in other areas such as challenge funding for continuing education.

The State of Ohio also provides capital appropriations to The University. Unlike the operating resources reflected previously, these resources are provided to help with The University's capital needs. The funding is provided through the Ohio Board of Regents (OBOR) based upon certain formulas and a capital plan provided by The University. The capital appropriations increased $1.5 million and $0.3 million in 2009 and 2008, respectively.

The University also records Pell grant awards as nonoperating federal grant revenue. Pell grant revenue increased $4.4 million or 23.8% and $1.9 million or 11.2% during 2009 and 2008, respectively.

The University views continued donor support as a vital ingredient to our continued success. Many student scholarships, capital construction costs, and endowed positions are a result of our very generous contributors. The University receives gifts from a wide array of friends including alumni, the business community, and foundations. Oftentimes, gifts and awards are accompanied by donor restrictions. In those cases, The University maintains a system of internal controls to ensure the gifts are used solely in accordance with the grantor's requirements. For 2009 and 2008, gifts and grants for these purposes and additions to permanent endowments totaled $19.6 million and $20.7 million, respectively.

Investment income, including the unrealized change in fair value of investments, totaled $1.1 million and $3.9 million during 2009 and 2008, respectively. Investment income, net of investment expenses, decreased $15.4 million in 2009 and increased $2.8 million in 2008. The changes are due to overall fluctuations in returns on all investments and a conversion to new investment managers. Those investments were not redeemed; nevertheless, GASB Statement No. 31 requires those investments be reported at fair value for financial statement reporting purposes. Meanwhile, the $2.3 million net increase in 2009 and $10.2 million net decrease in 2008 within net unrealized (depreciation) appreciation on investments occurred because of market conditions as of fiscal year end and the fair value of the investments changing substantially. Once again, those investments were not redeemed, but were adjusted to fair value for financial statement reporting purposes. The University reviewed its investment policies over the past two years and modified its strategies to reduce the portfolio's vulnerability to significant market fluctuations while maintaining certain returns.

The educational and general expenses category is the single largest category of expenses and includes all academic and administrative support salary and benefit related costs. Overall, these expenses increased nearly 7.1% and 11.8% during 2009 and 2008, respectively. The most notable increases during 2009 and 2008 of $7.9 million and $10.9 million, respectively, occurred within instruction and departmental research. Those increases were largely due to increased expenditures for instructional faculty and staff wages and departmental expenses.

Auxiliary enterprises expenses result from those operations, which as previously noted, predominantly furnish goods or services to students, faculty, staff, or the general public. Auxiliary enterprise expenses increased $4.8 million and $5.7 million in 2009 and 2008, respectively. The largest increase during 2009 occurred with residence halls which was a result of the opening of the Quaker Square dorm along with other increases in maintenance costs. The largest increase during 2008 occurred with dining services which opened new retail locations and provided additional services.

Unlike many items that are expensed when purchased, The University capitalizes most long-term assets. The assets are then expensed over estimated useful lives ranging from 3 years for certain equipment to 40 years for buildings. Generally, depreciation expense is predictable from year to year taking into account items, which become fully depreciated during the prior year and capital asset additions and deletions for the current year. Depreciation expense increased $4.1 million and $1.1 million in 2009 and 2008, respectively, due to changing levels of capital asset purchases related to the capital project initiative.

The University periodically sells or disposes of obsolete capital assets. Unlike many revenue and expense areas, which tend to be predictable among years, the gains or losses from the disposition of capital assets are often a result of management discretion. The University realized losses totaling $1.4 million and $4.9 million during 2009 and 2008, respectively. The 2009 and 2008 losses occurred with the removal of buildings and sale of equipment.

Interest on debt includes the interest incurred during the fiscal year on all debt and capital leases less capitalized interest. Interest expense increased $5.1 million to $16.6 million in 2009 and decreased by $0.2 million to $11.5 million in 2008.

Capital Assets and Long-term Debt Activity

As previously reflected, The University is in the midst of a major capital expansion. The University uses state capital appropriations, internal resources including the proceeds from debt issuances, and gifts and other grants for capital asset expansion throughout the campus. During 2009 and 2008, additions to capital assets approximated $22.6 million and $98 million, respectively, net of construction in progress additions. The capital asset activity is reflected in more thorough detail within Note 5 of the financial statements.

The University's long-term debt principally consists of its general receipts bonds, which totaled $430.6 million in 2009 and $417.4 million in 2008. During 2008, The University issued general receipts bonds and refunding bonds in the amount of $336.1 million. No additional long-term debt was issued during 2009. The University continued to make payments on other outstanding debt for a total of approximately $8.3 million. The long-term debt activity is reflected in more thorough detail within Note 6 of the financial statements.

Factors Impacting Future Periods

The student tuition and fees and state appropriations are the principal revenue sources which support The University's annual operations. For both 2009 and 2008, those two revenue sources alone represented $284.5 million and $273.4 million, respectively, of our total operating and nonoperating revenues while the aggregate remaining operating and nonoperating revenues, excluding the change in the fair value of investments, totaled $149.7 million and $154.2 million, respectively.

The University's ability to maintain or expand existing academic programs and to pursue other initiatives will be directly impacted by these two very important revenue sources plus our ability to manage the dramatically increasing employee benefits and energy costs.

The Northeast Ohio Universities Collaboration Innovation Study Commission has been established as a part of House Bill 699 of Ohio's 126th General Assembly. This legislation stated that the commission "shall develop a plan and may make legislative or other logistical recommendations for the following, with respect to The University of Akron, Cleveland State University, Kent State University, the Northeastern Ohio Universities College of Medicine and Pharmacy, and Youngstown State University." The Commission has submitted its plan and recommendations to the Governor, the Chancellor, and the General Assembly. The future impact of adopting these recommendations is unknown at this time.

On or about January 1, 2010, the University will begin processing certain Lorain County Community College (LCCC) financial data on equipment and applications which are owned by The University or licensed to The University. Additionally, certain LCCC data will also be stored on university equipment. The data processing functions will be performed and managed by university employees. As such, The University will become a service organization as prescribed by Statement on Auditing Standards No. 70 while LCCC will become a user organization.

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Independent Auditor's Report

To the Board of Trustees
University of Akron

We have audited the accompanying statement of net assets of University of Akron (the "University"), a discretely presented component unit of the State of Ohio, and its component units as of June 30, 2009 and 2008 and the related statements of revenue, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. In addition, the basic financial statements were audited in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated October 15, 2009 on our consideration of University of Akron'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 for the year ended June 30, 2009. 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 opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis presented on pages 1 through 7 is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

October 15, 2009
Toledo, Ohio

The University of Akron

Statements of Net Assets

June 30, 2009 and 2008

	The University of Akron		Component Units	
ASSETS	2009	2008	2009	2008
Current assets:				
Cash and cash equivalents	$ 2,507,139	$ 312,121	$ -	$ -
Pooled investments	83,267,693	82,381,761	-	-
Investments held in trust by others	7,137,006	6,063,659	-	-
Accounts receivable, net	27,737,676	27,060,584	1,416,345	955,554
Pledges receivable, net	488,120	515,985	2,983,367	1,459,494
Notes receivable, net	2,104,939	2,049,953	1,803,939	-
Accrued interest receivable	1,086,174	1,586,778	-	-
Inventories	955,044	1,008,369	-	-
Prepaid expenses and deferred charges	5,488,208	5,297,337	30,328	141,490
Deposits	-	-	10,458	10,458
Total current assets	130,771,999	126,276,547	6,244,437	2,566,996
Restricted current assets:				
Cash and cash equivalents	21,525,321	80,589,227	2,264,743	2,167,391
Pooled investments	40,377,697	42,735,327	3,381,488	2,542,705
Other investments	84,448,870	52,599,684	2,684,000	-
Total restricted current assets	146,351,888	175,924,238	8,330,231	4,710,096
Noncurrent assets:				
Endowment investments	42,229,333	52,973,840	110,991,284	153,234,658
Other investments	1,501,410	18,632,300	572,840	560,350
Pledges receivable, net	747,696	955,028	11,551,741	8,363,428
Notes receivable, net	9,900,344	9,015,074	-	-
Prepaid expenses and deferred charges	5,624,937	5,580,533	-	-
Capital assets, net	621,530,206	551,324,885	9,821,198	9,725,818
Total assets	958,657,813	940,682,445	147,511,731	179,161,346
LIABILITIES				
Current liabilities:				
Accounts payable	22,972,995	13,391,693	3,013,411	2,160,652
Accrued liabilities	21,889,323	19,565,246	565,033	369,123
Accrued interest payable	9,210,202	7,230,530	-	-
Deferred revenue	32,022,503	27,326,536	1,774,930	1,106,283
Deposits	1,223,493	987,176	2,709,525	-
Current portion of long-term liabilities	15,753,443	8,944,050	1,804,086	-
Total current liabilities	103,071,959	77,445,231	9,866,985	3,636,058
Noncurrent liabilities:				
Refundable federal student loans	11,768,142	11,834,185	-	-
Actuarial liability for annuity/unitrust agreements	-	-	11,271,563	11,844,733
Long-term liabilities	419,029,128	418,758,732	4,420,914	4,425,000
Total liabilities	533,869,229	508,038,148	25,559,462	19,905,791
NET ASSETS				
Invested in capital assets, net of related debt	308,702,174	286,734,257	6,900,284	6,800,818
Restricted:				
Nonexpendable:				
Endowment	26,785,337	30,793,096	82,693,491	88,317,566
Expendable:				
Current operations	27,029,508	24,068,543	44,099,767	59,726,772
Loans	893,060	578,528	-	-
Capital projects	-	14,384,811	-	-
Debt service	1,549,185	-	-	-
Unrestricted	59,829,320	76,085,062	(11,741,273)	4,410,399
Total net assets	$ 424,788,584	$ 432,644,297	$ 121,952,269	$ 159,255,555

See accompanying notes to financial statements

The University of Akron

Statements of Revenues, Expenses, and Changes in Net Assets

For the Years Ended June 30, 2009 and 2008

	The University of Akron		Component Units	
REVENUES	2009	2008	2009	2008
Operating revenues:				
Student tuition and fees (net of scholarship allowance of $42,830,733 and $37,962,802)	$ 176,842,692	$ 174,643,232	$ -	$ -
Federal grants and contracts	13,533,438	15,093,315	333,324	188,720
State grants and contracts	9,362,808	8,451,158	-	-
Local grants and contracts	757,864	984,290	-	-
Private grants and contracts	12,109,045	9,529,074	3,162,946	2,889,378
Gifts and contributions	-	-	10,120,506	14,516,688
Sales and services	12,280,648	12,171,880	-	-
Auxiliary enterprises	47,904,962	44,926,073	-	-
Other sources	1,005,752	756,771	940,410	684,037
Total operating revenues	273,797,209	266,555,793	14,557,186	18,278,823
EXPENSES				
Operating expenses:				
Educational and general:				
Instruction and departmental research	134,675,648	126,777,449	-	-
Separately budgeted research	21,694,892	18,532,045	2,867,965	2,975,262
Public service	20,182,151	20,279,586	-	-
Academic support	34,607,738	32,223,710	-	-
Student services	13,468,157	12,690,181	-	-
Institutional support	56,854,094	52,260,413	758,077	716,304
Operation and maintenance of plant	27,779,552	26,427,297	-	-
Scholarships and fellowships	27,814,499	24,778,763	-	-
Auxiliary enterprises	57,344,600	52,586,390	-	-
Depreciation	31,538,808	27,443,098	164,214	133,341
Loss on disposal of property	1,397,435	4,882,181	-	-
Total operating expenses	427,357,574	398,881,113	3,790,256	3,824,907
Operating (loss) income	(153,560,365)	(132,325,320)	10,766,930	14,453,916
NONOPERATING REVENUES (EXPENSES)				
State appropriations	107,664,987	99,126,506	-	-
Federal grants	22,940,814	18,532,294	-	-
Gifts	4,907,670	5,984,537	-	-
Investment income (loss), net	1,076,346	3,941,610	(36,639,464)	(9,055,127)
Interest on debt	(16,601,253)	(11,498,093)	(319,905)	(353,797)
Distributions to The University	12,266,850	14,370,669	(12,266,850)	(14,370,669)
Distributions on behalf of The University	-	-	(904,020)	(1,500,368)
Other nonoperating revenues (expenses)	(359,573)	(1,382,807)	229,583	194,959
Net nonoperating revenues (expenses)	131,895,841	129,074,716	(49,900,656)	(25,085,002)
Loss before other changes	(21,664,524)	(3,250,604)	(39,133,726)	(10,631,086)
OTHER CHANGES				
State capital appropriations	11,368,884	9,861,322	-	-
Capital gifts and grants	2,101,033	(370,435)	-	894,815
Additions to permanent endowments	338,894	291,173	1,830,440	5,252,638
Total other changes	13,808,811	9,782,060	1,830,440	6,147,453
Increase (decrease) in net assets	(7,855,713)	6,531,456	(37,303,286)	(4,483,633)
NET ASSETS				
Net assets - beginning of year	432,644,297	426,112,841	159,255,555	163,739,188
Net assets - end of year	$ 424,788,584	$ 432,644,297	$ 121,952,269	$ 159,255,555

See accompanying notes to financial statements

The University of Akron

Statements of Cash Flows

June 30, 2009 and 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$ 192,640,988	$ 173,056,353
Grants and contracts	23,794,427	33,179,887
Auxiliary enterprises	48,038,707	45,364,774
Sales and service of educational activities	12,280,648	12,171,880
Payments to suppliers	(104,511,002)	(102,168,663)
Payments for compensation and benefits	(252,267,709)	(233,748,535)
Payments for scholarships and fellowships	(18,491,832)	(15,553,927)
Loans issued to students	(2,095,003)	(1,953,421)
Collection of loans to students	1,208,179	1,666,205
Other payments	(6,110,832)	(6,108,503)
Net cash used in operating activities	(105,513,429)	(94,093,950)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	107,664,987	99,126,506
Gifts, grants and contracts for other than capital purposes	38,865,359	35,024,665
Private gifts for endowment purposes	412,717	1,193,576
Other payments	(359,573)	(1,382,807)
Net cash provided by noncapital financing activites	146,583,490	133,961,940
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from (payment for) capital debt	1,800,000	336,055,000
Capital appropriations	11,368,884	10,567,874
Capital grants and gifts received	2,719,466	(344,929)
Purchases of capital assets	(101,634,248)	(80,949,629)
Principal paid on capital debt and leases	(9,084,781)	(158,845,686)
Interest paid on capital debt and leases	(24,097,115)	(17,446,956)
Loans issued for capital purposes	(181,000)	-
Collection of loans issued for capital purposes	127,568	123,803
Net cash (used in) provided by capital financing activites	(118,981,226)	89,159,477
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	567,905,693	767,352,128
Interest on investments	(1,701,456)	12,786,863
Purchase of investments	(545,161,960)	(834,203,097)
Net cash provided by (used in) investing activites	21,042,277	(54,064,106)
Net (decrease) increase in cash and cash equivalents	(56,868,888)	74,963,361
Cash and cash equivalents - beginning of the year	80,901,348	5,937,987
Cash and cash equivalents - end of the year	$ 24,032,460	$ 80,901,348

(continued)

The University of Akron

Statements of Cash Flows

June 30, 2009 and 2008

	2009	2008
RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:		
Operating loss	$ (153,560,365)	$ (132,325,320)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation expense	31,538,808	27,443,098
Loss on disposal of property	1,397,435	4,882,181
Changes in assets and liabilities:		
Accounts receivable, net	(1,772,421)	(2,673,221)
Notes receivable, net	(886,824)	(287,216)
Inventories	53,325	(57,304)
Prepaid expenses and deferred charges	249,137	(534,082)
Accounts payable	1,148,331	2,003,496
Accrued liabilities	2,324,077	4,163,781
Deferred revenue	4,695,967	2,125,334
Deposits held for others	236,317	121,474
Sick leave liability	701,626	985,280
OPEB liability	8,314,796	-
Refundable federal student loans	46,362	58,549
Net cash used in operating activities	$ (105,513,429)	$ (94,093,950)

See accompanying notes to financial statements

1. Summary of Significant Accounting and Reporting Policies

Organization

The University of Akron (The University) is a coeducational, degree granting state university which was established by the General Assembly of the State of Ohio (the State) in 1967 by statutory act under Chapter 3359 of the Revised Code of the State of Ohio. The University offers degrees at the undergraduate, masters, and doctoral levels. The University is exempt from federal income taxes under Section 115 of the Internal Revenue Code, except for unrelated business income.

In addition to the main campus, The University operates one branch campus, Wayne College in Orrville, Ohio, and two educational centers, the Medina County University Center in Medina, Ohio, and the Holmes County Higher Education Center in Millersburg, Ohio.

The University, together with Kent State University and Youngstown State University, created a consortium to establish and govern Northeastern Educational Television of Ohio, Inc. (NETO), Channels 45 and 49, Kent, Ohio. The University, along with several partners, have formed the Austen BioInnovation Institute in Akron (ABIA) to develop biomaterial and medical research, education, clinical services and commercialization. These organizations are legally separate from The University; accordingly, their financial activity is not included within the accompanying financial statements, and The University bears no financial liability for these organizations.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Reporting Entity*, as amended by Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, The University's financial statements are included as a discretely presented component unit within the State of Ohio's Consolidated Annual Financial Report. Transactions with the State relate primarily to appropriations, grants from various state agencies, and payments to the State retirement programs for certain University employees.

Furthermore, in accordance with GASB Statement No. 39, two discretely presented component units are reported in a separate column on The University's financial statements to emphasize that they are legally separate from The University. The University of Akron Foundation (Foundation) and The University of Akron Research Foundation (Research Foundation) are not-for-profit organizations supporting The University. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to The University in support of its programs. The Research Foundation promotes, encourages, and provides assistance to the research activities of The University. Financial statements for the Foundation may be obtained by writing to The University of Akron Foundation, 302 Buchtel Common, Akron, Ohio 44325-6220. Financial statements for the Research Foundation may be obtained by writing to The University of Akron Research Foundation, Goodyear Polymer Center, 170 University Circle, Akron, Ohio 44325-2130. Activity of these component units is described in greater detail in Note 11.

Basis of Accounting

The financial statements of The University have been prepared on the accrual basis whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, The University has elected not to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), statements and interpretations issued after November 30, 1989, which do not conflict or contradict GASB pronouncements.

1. Summary of Significant Accounting and Reporting Policies – continued

Measurement Focus and Financial Statement Presentation

The financial statements of the University have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board including Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and GASB No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities (an amendment of GASB No. 34)*. The presentation required by GASB No. 34 and GASB No. 35 provides a comprehensive, entity-wide perspective of the University's assets, liabilities, net assets, revenues, expenses, and changes in net assets and cash flows. It replaces fund groups with net asset groups, and requires the direct method of cash flow presentation.

Operating revenues and expenses generally result from providing educational and instructional services in connection with The University's principal ongoing operations. The principal operating revenues include student tuition. The University also recognizes as operating revenue grants classified as exchange transactions and auxiliary activities. Operating expenses include educational costs, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition including State share of instruction are reported as nonoperating revenues and expenses.

The Foundation and the Research Foundation are not-for-profit organizations that report under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. With the exception of necessary presentation adjustments, no modifications have been made to the Foundation's or the Research Foundation's financial information in The University's financial report for these differences.

Cash and Cash Equivalents

Cash and cash equivalents are defined as highly liquid investments with an initial maturity of three months or less when purchased.

Investments

Investments are stated at fair value based on quoted market prices in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The University does not invest in derivatives. Unrealized gains and losses on investments are recorded as a nonoperating revenue or expense on the Statement of Revenues, Expenses, and Changes in Net Assets.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined on the average cost basis.

Pledges Receivable

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

Reclassifications

Certain prior year amounts have been reclassified to conform to current year presentations.

1. Summary of Significant Accounting and Reporting Policies – continued

Capital Assets

Capital assets greater than $5,000 are recorded at cost or, if acquired by gift, at an appraised value at the date of gift. Infrastructure assets are included in the financial statements and are depreciated. Expenditures for construction in progress are capitalized as incurred and depreciated when put into service. Historical collections, including assets that are held for public exhibition, education, or research in furtherance of public service, which are protected and preserved, are not depreciated. Depreciation is computed using the straight-line method, half-year convention, over the estimated useful life of the asset. When capital assets are sold, or otherwise disposed of, the carrying value of such assets and any accumulated depreciation are removed from the asset accounts and any gain or loss on disposal is recognized. The costs of normal maintenance and repairs that do not add to the value of the capital asset or materially extend the capital asset's life are expensed.

Estimated useful lives are as follows:

Classification	Estimated Life
Land improvements	25 years
Buildings	40 years
Infrastructure	20 years
Equipment and furniture	3 to 15 years
Library books	10 years

Capitalization of Interest

The University capitalizes interest on construction projects until substantial completion of the project. Capitalized interest is amortized on the straight-line basis over the estimated useful lives of such assets. The University applies Statement of Financial Accounting Standards No. 62, *Capitalization of Interest Cost in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants*, for its General Receipts Bonds, Series 2004B, and Series 2008 A&B. This statement requires capitalization of interest cost of the borrowings less interest earned on investment of the bond proceeds from the date of the borrowing until the assets constructed from the bond proceeds are ready for their intended use.

Deferred Revenue

Deferred revenue includes tuition and fees relating to summer sessions that are conducted in July and August. Deferred revenue also includes amounts received in advance from grant and contract sponsors that have yet to be earned under the terms of the agreements. The amounts which are deferred are recognized as revenue in the following fiscal year.

Compensated Absences

Staff employees earn vacation at rates specified under State law and upon termination are entitled to a maximum payout of the amount earned in the last three years. Full-time administrators and 12-month faculty earn vacation leave at a rate of 22 days per year, which can be carried over to a maximum accumulation of 44 days with the maximum payable upon termination of employment of 22 days. The University accrued a vacation liability equal to the number of days accrued by each eligible employee up to the maximum allowed by the respective employee group.

All University employees are entitled to a sick leave credit equal to 10 hours for each month of service (earned on a pro rata basis for less than full-time employees). This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee, with 10 or more years of service upon retirement, is limited to one-quarter of the accumulated sick leave with a maximum of 240 hours.

1. Summary of Significant Accounting and Reporting Policies - continued

Endowment and Quasi Endowments

The University's Board of Trustees established an investment policy with the objectives of protecting principal and maximizing total investment return without assuming extraordinary risks. It is the goal of The University to provide spendable income levels that are reasonably stable and sufficient to meet budgetary requirements and to maintain a spending rate, currently established at 5%, which ensures a proper balance between the preservation of corpus and enhancement of the purchasing power of investment earnings.

Scholarship Allowances and Student Aid

Financial aid to students is reported under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid such as loans, funds provided to students as awarded by third parties, and Federal Direct Lending is accounted for as a third party payment (credited to the student's account as if the student made the payment). All other aid is reflected as operating expenses, or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method followed by The University, scholarship allowances are computed by allocating the cash payments to students, excluding payments for services, on the ratio of using aid not considered to be third-party aid to total aid.

Federal Grants and Contracts Revenue

Federal grants and contracts operating revenue consists of sponsored program revenue from federal sources along with student-related grants such as College Work Study and Supplemental Educational Opportunity Grant programs. For the years ended June 30, 2009 and 2008, student-related grants amounted to approximately $3.5 million and $3.4 million, respectively, with the balance of $10.0 million and $11.7 million, respectively, related to sponsored programs.

Accounting Standards

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement establishes standards for the capitalization, amortization and financial reporting of intangible assets, including easements, water rights, timber rights, patents, trademarks, and computer software. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009.

University management has not yet determined the impact that implementation of GASB Statements 51 and 53 will have on The University's financial statements.

1. Summary of Significant Accounting and Reporting Policies - continued

Net Assets

Net assets are classified according to external donor restrictions or availability of assets for satisfaction of University obligations. Nonexpendable restricted net assets are gifts that have been received for endowment purposes. The resources are invested with only the investment income available for purposes established by the donor or, in the case of funds functioning as endowment, by The University. These purposes include loans, scholarships, and departmental support. Expendable restricted net assets represent funds that have been awarded or gifted for specific purposes, funds used for capital projects and debt service, and funds held in federal loan programs.

2. Cash and Investments

Cash

At June 30, 2009 and 2008, the carrying amounts of The University's bank deposits and interest-bearing cash equivalents were $24,032,460 and $80,901,348 as compared to bank balances of $25,135,459 and $82,605,570, respectively. The differences between carrying amounts and bank balances were caused by items in-transit. Of the June 30, 2009 and 2008 bank balances, $19,821,684 and $82,068,477, respectively, was uninsured but collateralized with securities held by the depository bank's and The University's name.

Investments

In accordance with the *Policies of the Board of Trustees of The University*, the types of investments which may be purchased include United States government securities, federal agency securities, common and preferred stocks, obligations of commercial banks including certificates of deposit, repurchase agreements, notes, debentures, banker's acceptances and commercial paper, obligations of corporations, municipal notes and bonds, investment programs offered by The Commonfund and shares of the State Treasury Asset Reserve (STAR Ohio). University policy requires that depository banks pledge collateral for funds on deposit, including certificates of deposit, with a market value at all times at least equal to the uninsured amount of the deposit or instrument. The fair value of investments represents published market quotations.

The U.S. Treasury and agencies securities and corporate bonds were invested through banks that keep the securities in their names in safekeeping accounts at the Federal Reserve Bank. The Commonfund is a nonprofit membership corporation which provides investment management services for its member colleges, universities and independent schools and offers a series of pooled investment funds. STAR Ohio is an investment pool created pursuant to Ohio Statutes and managed by the Treasurer of the State of Ohio. STAR Ohio is not registered with the Securities and Exchange Commission as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30 of each year.

GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements,* as amended by GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, requires certain disclosures related to interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of net assets.

2. Cash and Investments - continued

	2009 Fair Value	2008 Fair Value
Pooled investments:		
Repurchase agreement	$ 556,445	$ 469,198
STAR Ohio	1,742,152	19,738,078
The Commonfund: Short Term Fund	91,686	1,028,357
U.S. agencies	65,581,334	103,881,455
U.S. Treasury	10,713,941	-
Corporate notes	1,971,492	-
Commingled funds	42,988,340	-
Total pooled investments	123,645,390	125,117,088
Endowment investments:		
Marketable securities:		
U.S. Treasury	3,944,794	3,069,382
U.S. agencies	1,930,261	846,961
Common stocks	26,033,246	36,306,849
Preferred stocks	45,428	49,306
U.S. and corporate bonds	10,226,330	12,633,290
The Commonfund:		
Private & Small Cap. Equity	45,942	64,656
Cash surrender value of life insurance	3,332	3,332
Real estate:		
The Commonfund: Endowment Realty	-	64
Total endowment investments	42,229,333	52,973,840
Investments held in trust by others:		
U.S. agencies	7,137,006	6,063,659
Other investments:		
U.S. agencies	81,500,280	71,231,984
Commercial paper	4,450,000	-
Total other investments	85,950,280	71,231,984
Total investments	$ 258,962,009	$ 255,386,571

Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. Credit risk exists when there is a possibility that the issuer or other counterparty to an investment may be unable to fulfill its obligations. Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. At June 30, 2009, The University did not have more than 5% of its fixed income investments in any single issuer. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. At June 30, 2009, The University did not have investments that are subject to foreign currency risk.

To limit exposure to these risks, The University's investment policies set guidelines for maturities based on investment type (short-term or intermediate), limits percentage exposure to a single issuer or market, and requires that a majority of the holdings consist of domestic (U.S.) securities of investment grade (at least rated BBB or BAA) as rated by a nationally recognized statistical rating organization.

2. Cash and Investments - continued

The credit ratings and maturities of The University's interest-bearing investments at June 30, 2009 are as follows:

Investment	Rating (S&P)	Investment maturity (in years) Less than 1	1 to 5	6 to 10	More than 10	Totals
Repurchase Agreement	AAA	$ 556,445	$ -	$ -	$ -	$ 556,445
STAR Ohio	AAA	1,742,152	-	-	-	1,742,152
Commonfund–Short Term Fund	A	60,238	-	-	-	60,238
	BB	27,598	-	-	-	27,598
Total Commonfund–Short Term Fund		87,836	-	-	-	87,836
U.S. agencies	AAA	88,076,980	37,791,230	7,183,430	13,996,550	147,048,190
Commercial paper	AA	5,460,747	-	-	-	5,460,747
	A	955,370	-	-	-	955,370
Total Commercial paper		6,416,117	-	-	-	6,416,117
Commingled funds	AAA	45,983,393	-	-	-	45,983,393
U.S. and corporate bonds	AAA	4,595,047	-	-	-	4,595,047
	AA	922,330	-	-	-	922,330
	A	1,335,744	-	-	-	1,335,744
	BBB	683,356	-	-	-	683,356
	BB	337,317	-	-	-	337,317
	B	189,483	-	-	-	189,483
Total U.S. and corporate bonds		8,063,277	-	-	-	8,063,277
Totals		$ 150,926,200	$ 37,791,230	$ 7,183,430	$ 13,996,550	$ 209,897,410

The credit ratings and maturities of The University's interest-bearing investments at June 30, 2008 are as follows:

Investment	Rating (S&P)	Investment maturity (in years) Less than 1	1 to 5	6 to 10	More than 10	Totals
Repurchase Agreement	AAA	$ 469,198	$ -	$ -	$ -	$ 469,198
STAR Ohio	AAA	19,738,078	-	-	-	19,738,078
Commonfund–Short Term Fund	AAA	267,373	-	-	-	267,373
	AA	123,403	-	-	-	123,403
	A	483,328	-	-	-	483,328
Total Commonfund–Short Term Fund		874,104	-	-	-	874,104
U.S. agencies	AAA	73,854,304	50,809,315	34,624,972	15,672,400	174,960,991
U.S. and corporate bonds	AAA	9,145,006	-	-	-	9,145,006
	AA	1,606,656	-	-	-	1,606,656
	A	679,447	-	-	-	679,447
	BBB	913,365	-	-	-	913,365
	BB	288,816	-	-	-	288,816
Total U.S. and corporate bonds		12,633,290	-	-	-	12,633,290
Totals		$ 107,568,974	$ 50,809,315	$ 34,624,972	$ 15,672,400	$ 208,675,661

3. Accounts and Notes Receivable

Accounts and notes receivable at June 30, 2009 and 2008 consisted of the following:

	2009	2008
Accounts receivable, net:		
Federal, state, local and governments, foundations, and companies, net of allowance for doubtful accounts of $119,807 and $117,577, respectively	$ 14,820,355	$ 15,333,152
Student receivables, net of allowance for doubtful accounts of $18,874,229 and $17,655,047, respectively	11,803,290	11,021,456
Other, net of allowance for doubtful accounts of $582,135 and $482,965, respectively	1,114,031	705,976
Total accounts receivable, net	27,737,676	27,060,584
Notes receivable, net:		
Student notes receivables, net of allowance for doubtful notes of $986,946 and $1,248,843, respectively	11,346,454	10,459,630
Other notes receivable	658,829	605,397
Total notes receivable, net	12,005,283	11,065,027
Accounts and notes receivable, net	$ 39,742,959	$ 38,125,611

4. Pledges Receivable

Unconditional promises to give to The University recorded as pledges receivable at June 30, 2009 and 2008 were as follows:

	2009		2008	
	Pledges Receivable	Current Portion	Pledges Receivable	Current Portion
Total pledges receivable	$ 1,310,952	$ 497,885	$ 1,639,053	$ 543,244
Less: amount estimated to be uncollectible	(24,724)	(9,765)	(77,710)	(27,259)
Less: unamortized discount	(50,412)	-	(90,330)	-
Pledges receivable, net	1,235,816	$ 488,120	1,471,013	$ 515,985
Less: current portion	(488,120)		(515,985)	
Pledges receivable, noncurrent portion	$ 747,696		$ 955,028	

As of June 30, 2009 and 2008, The University has approximately $3,781,000 and $3,463,000, respectively, in numerous outstanding pledges, which are considered to be intentions to give and are contingent upon future events. These pledges are not recorded as pledges receivable because they do not represent unconditional promises to give.

5. Capital Assets

Changes in capital assets during fiscal 2009 were as follows:

	Balance July 1, 2008	Additions/ Transfers	Reductions/ Transfers	Balance June 30, 2009
Nondepreciable capital assets:				
Land	$ 31,865,281	$ 3,900,000	$ -	$ 35,765,281
Historical collections	3,212,652	1,186,800	-	4,399,452
Construction in progress	22,870,945	80,237,044	5,246,606	97,861,383
Total nondepreciable capital assets	57,948,878	85,323,844	5,246,606	138,026,116
Depreciable capital assets:				
Land improvements	43,935,312	1,499,312	70,161	45,364,463
Buildings	643,242,857	2,974,147	-	646,217,004
Infrastructure	14,667,269	689,016	-	15,356,285
Equipment, furniture and books	107,839,486	17,912,903	6,366,169	119,386,220
Total depreciable capital assets	809,684,924	23,075,378	6,436,330	826,323,972
Total capital assets	867,633,802	108,399,222	11,682,936	964,350,088
Less accumulated depreciation:				
Land improvements	20,950,134	1,768,092	70,161	22,648,065
Buildings	221,084,841	18,819,962	-	239,904,803
Infrastructure	5,493,411	721,083	-	6,214,494
Equipment, furniture and books	68,780,531	10,229,672	4,957,683	74,052,520
Total accumulated depreciation	316,308,917	31,538,809	5,027,844	342,819,882
Capital assets, net	$551,324,885	$ 76,860,413	$ 6,655,092	$621,530,206

5. Capital Assets - continued

Changes in capital assets during fiscal 2008 were as follows:

	Balance July 1, 2007	Additions/ Transfers	Reductions/ Transfers	Balance June 30, 2008
Nondepreciable capital assets:				
Land	$ 22,256,622	$ 9,608,659	$ -	$ 31,865,281
Historical collections	3,110,157	102,495	-	3,212,652
Construction in progress	42,680,039	60,442,233	80,251,327	22,870,945
Total nondepreciable capital assets	68,046,818	70,153,387	80,251,327	57,948,878
Depreciable capital assets:				
Land improvements	42,960,247	1,186,740	211,675	43,935,312
Buildings	574,319,586	77,178,261	8,254,990	643,242,857
Infrastructure	12,693,590	1,973,679	-	14,667,269
Equipment, furniture and books	104,803,029	7,998,380	4,961,923	107,839,486
Total depreciable capital assets	734,776,452	88,337,060	13,428,588	809,684,924
Total capital assets	802,823,270	158,490,447	93,679,915	867,633,802
Less accumulated depreciation:				
Land improvements	19,429,534	1,732,275	211,675	20,950,134
Buildings	207,206,801	17,356,695	3,478,655	221,084,841
Infrastructure	4,838,896	654,515	-	5,493,411
Equipment, furniture and books	65,929,971	7,699,613	4,849,053	68,780,531
Total accumulated depreciation	297,405,202	27,443,098	8,539,383	316,308,917
Capital assets, net	$505,418,068	$131,047,349	$ 85,140,532	$551,324,885

6. Long-term Liabilities

Changes in long-term liabilities during fiscal 2009 were as follows:

	Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009	Current Portion
Note payable:					
The University of Akron Foundation, 0.71%	$ -	$ 1,800,000	$ -	$ 1,800,000	$ 1,800,000
Total note payable	-	1,800,000	-	1,800,000	1,800,000

continued

6. Long-term Liabilities - continued

	Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009	Current Portion
Bonds payable:					
General receipts bonds - Series 1999, 4.8 to 5.125%, due serially through 2010	$ 7,070,000	$ -	$ 3,450,000	$ 3,620,000	$ 3,620,000
General receipts bonds - Series 2003A, 1.5% to 5.0%, due serially through 2033	38,680,000	-	650,000	38,030,000	705,000
General receipts bonds - Series 2004B, 2.00% to 5.00%, due serially through 2035	32,440,000	-	675,000	31,765,000	695,000
General receipts refunding bonds - Series 2005, 3.50% to 5.00%, due serially through 2022	21,010,000	-	1,645,000	19,365,000	1,710,000
Deferred amount on refunding - Series 2005 refunding bonds	(725,531)	-	(53,743)	(671,788)	(53,743)
General receipts bonds - Series 2008A&B, 3.0% to 5.0%, due serially through 2038	205,085,000	-	-	205,085,000	-
Deferred amount on refunding - Series 2008A&B bonds	(3,848,072)	-	(129,710)	(3,718,362)	(129,710)
General receipts refunding bonds - Series 2008C1&C2, 3.45%, due serially through 2029	130,970,000	-	1,290,000	129,680,000	1,335,000
Deferred amount on refunding - Series 2008C1&C2 refunding bonds	(13,322,321)	-	(642,071)	(12,680,250)	(642,070)
Total bonds payable	417,359,076	-	6,884,476	410,474,600	7,239,477
Capitalized lease obligations	4,572,634	4,522,624	1,374,781	7,720,477	4,867,868
Sick leave liability	5,771,072	701,626	-	6,472,698	1,846,098
OPEB liability	-	8,314,796	-	8,314,796	-
Totals	$ 427,702,782	$ 15,339,046	$ 8,259,257	$ 434,782,571	$ 15,753,443
Less: current portion				(15,753,443)	
Long-term liabilities				$ 419,029,128	

Changes in long-term liabilities during fiscal 2008 were as follows:

	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008	Current Portion
Notes payable:					
General receipts rental note - Series 2003A, 6.628% (imputed), due serially through 2034	$ 39,480,000	$ -	$ 39,480,000	$ -	$ -
General receipts rental note - Series 2003B, 8.923% (imputed), due serially through 2018	7,095,000	-	7,095,000	-	-
Unamortized discount, Series 2003A	(22,595,000)	-	(22,595,000)	-	-
Unamortized discount, Series 2003B	(2,395,000)	-	(2,395,000)	-	-
Total notes payable	21,585,000	-	21,585,000	-	-

continued

6. Long-term Liabilities - continued

	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008	Current Portion
Bonds payable:					
General receipts bonds - Series 1997A, 3.65% to 6.0%, due serially through 2022	$ 1,420,000	$ -	$ 1,420,000	$ -	$ -
General receipts bonds - Series 1999, 4.8 to 5.125%, due serially through 2010	10,345,000	-	3,275,000	7,070,000	3,450,000
General receipts bonds - Series 2003A, 1.5% to 5.0%, due serially through 2033	40,235,000	-	1,555,000	38,680,000	650,000
General receipts refunding bonds - Series 2004, 3.465%, due serially through 2029	129,660,000	-	129,660,000	-	-
Deferred amount on refunding - Series 2004 refunding bonds	(13,965,026)	-	(13,965,026)	-	-
General receipts bonds - Series 2004B, 2.00% to 5.00%, due serially through 2035	33,100,000	-	660,000	32,440,000	675,000
General receipts refunding bonds - Series 2005, 3.50% to 5.00%, due serially through 2022	21,155,000	-	145,000	21,010,000	1,645,000
Deferred amount on refunding - Series 2005 refunding bonds	(779,274)	-	(53,743)	(725,531)	(53,743)
General receipts bonds - Series 2008A&B, 3.0% to 5.0%, due serially through 2038	-	205,085,000	-	205,085,000	-
Deferred amount on refunding - Series 2008A&B bonds	-	(3,848,072)	-	(3,848,072)	(129,710)
General receipts refunding bonds - Series 2008C1&C2, 3.45%, due serially through 2029	-	130,970,000	-	130,970,000	1,290,000
Deferred amount on refunding - Series 2008C1&C2 refunding bonds	-	(13,322,321)	-	(13,322,321)	(642,070)
Total bonds payable	221,170,700	318,884,607	122,696,231	417,359,076	6,884,477
Capitalized lease obligations	4,622,485	495,835	545,686	4,572,634	336,875
Sick leave liability	4,785,792	986,506	1,226	5,771,072	1,722,698
Totals	$ 252,163,977	$ 320,366,948	$ 144,828,143	$ 427,702,782	$ 8,944,050
Less: current portion				(8,944,050)	
Long-term liabilities				$ 418,758,732	

The general receipts bonds and the general receipts refunding bonds are payable from and secured by a first pledge and lien on the general receipts of The University, excluding state appropriations.

6. Long-term Liabilities - continued

During 2007, the Foundation obtained a $5,000,000 revolving line of credit with National City Bank. Interest on the revolver is at a fluctuating rate of LIBOR plus 0.40 percent per annum. At June 30, 2009, interest on the revolver was at 0.71 percent. Borrowings outstanding under this agreement at June 30, 2009 were $1,800,000. There were no borrowings outstanding under this agreement at June 30, 2008. The Foundation is not required to pay a fee on the unused line of credit. The line of credit agreement is set to expire January 2, 2012. The proceeds from the line of credit were transferred to The University during the year to provide funding for real estate acquisitions. There are no specified repayment terms for the note although The University agreed to reimburse the Foundation for any interest incurred on the revolver. The entire amount outstanding as of June 30, 2009 was considered a current liability on The University's financial statements.

In February and March 2008, respectively, The University issued $90.9 million of General Receipts Bonds, Series 2008A and $114.2 million of General Receipts Bonds, Series 2008B. These bonds are being used to provide funding for campus capital improvements and to defease the General Receipts Rental Notes, Series 2003A and Series 2003B which guaranteed The University's obligation to pay rent under a master lease to Akron Student Housing Associates, LLC (ASHA). The University defeased the rental notes by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds issued by ASHA. Accordingly, the trust account assets and the liability for the defeased notes are not included in The University's financial statements. On June 30, 2009 and 2008, respectively, $37.7 and $38.5 million of outstanding ASHA bonds and the related notes are considered defeased.

In March 2004, The University entered into a swap agreement, known as General Receipts Refunding Bonds, Series 2004, with Bear Stearns Financial Products (Bear Stearns has subsequently been acquired by J.P. Morgan Chase). Then in April 2008, The University refunded the Series 2004 bonds with a new issue to change the insurer on the bonds. The swap with Bear Stearns is to hedge $131 million of The University's General Receipts Refunding Bonds, Series 2008 C1&C2. The swap agreement converts the Series 2008 C1&C2 Bonds variable interest rate to a fixed rate of 3.465%, settled on the first day of January and July. The variable interest is paid monthly on the first day of each month. The University is exposed to variances in the interest paid on the variable portion of the bonds which is based on market rates and the reimbursement of the variable interest which is based on a percentage of the one-month London LIBOR rates. This variance could be favorable or unfavorable to The University. The debt service requirements to maturity for these bonds, as presented in this note, are based on that fixed rate. The total amounts paid related to the swap agreements for the years ended June 30, 2009 and 2008 are approximately $588,000 and $325,000, respectively. These amounts are included as an adjustment to other nonoperating expenses in the statement of revenues, expenses, and changes in net assets.

At June 30, 2009 and 2008, respectively, the swap has a positive fair value of $12,860,425 and $6,190,987. As the swap has a positive fair value, The University would owe J.P. Morgan Chase if the swap agreement were terminated. The occurrence of a credit event with respect to The University, defined as a reduction in the long-term bond rating to less than Aaa by Moody's Investors Service, Inc. or AAA by Fitch Ratings, Inc., could result in termination of the swap agreement. Subsequently, on December 19, 2008, Standard & Poor's downgraded The University's liquidity provider, Dexia, to an A rating. On February 21, 2009, Moody's downgraded Dexia to an A1 rating. As of June 30, 2009 and 2008, the bonds have not been downgraded, so no termination event has occurred. There are no scheduled termination events.

Interest expense, net of interest income, related to the borrowings was capitalized as part of the cost of construction. At June 30, 2008, interest on borrowings for the Series 2004B bonds was $1,474,069 and earnings on the proceeds were $173,681 resulting in net capitalized interest of $1,300,388. There was no capitalized interest recorded for the Series 2004B bonds at June 30, 2009. At June 30, 2009 and 2008, interest on borrowings for the Series 2008A&B bonds was $6,562,203 and $3,295,053, respectively, and earnings on the proceeds were $10,852,845 and $632,421, respectively. Substantial completion on outstanding projects was determined to be 16.0% and 0.0% in 2009 and 2008, resulting in net capitalized interest of $5,512,251 and $2,662,632, respectively.

6. Long-term Liabilities - continued

The aggregate annual principal maturities for the Foundation note, general receipt bonds, and general receipt refunding bonds for fiscal years subsequent to June 30, 2009 are as follows:

Fiscal Year:	Principal	Interest	Total
2010	$ 9,039,477	$ 19,222,200	$ 28,261,677
2011	11,434,476	18,843,024	30,277,500
2012	11,359,477	18,422,549	29,782,026
2013	11,229,476	17,995,122	29,224,598
2014	11,714,476	17,555,253	29,269,729
2015-2019	65,887,383	80,168,740	146,056,123
2020-2024	79,651,740	63,644,714	143,296,454
2025-2029	95,187,250	43,793,405	138,980,655
2030-2034	66,426,449	21,578,108	88,004,557
2035-2038	50,344,396	5,553,855	55,898,251
	$ 412,274,600	$ 306,776,970	$ 719,051,570

The University's capital leased assets consist of a chilled water tank, property, and duplicating or other equipment. Future minimum lease payments as of June 30, 2009 under all capital leases with an initial or remaining noncancelable lease term in excess of one year, along with the present value of net minimum capital lease payments, are as follows by major class:

Fiscal Year:	Building	Equipment	Land	Total
2010	$ 3,593,507	$ 1,444,962	$ 85,042	$ 5,123,511
2011	-	1,309,509	85,042	1,394,551
2012	-	911,847	85,042	996,889
2013	-	761,210	85,042	846,252
2014	-	-	35,433	35,433
Total minimum lease payments	3,593,507	4,427,528	375,601	8,396,636
Less amount representing interest	(21,141)	(594,957)	(60,061)	(676,159)
Present value of net minimum capital lease payments	$ 3,572,366	$ 3,832,571	$ 315,540	$ 7,720,477

The University leases certain office facilities, computers, and equipment under operating leases. Total rental expense under operating leases during the years ended June 30, 2009 and 2008 amounted to approximately $2,466,000 and $1,858,000, respectively.

The University's bookstore facilities and operations and certain food operations are leased to outside operators. These leases provide for annual rental receipts of approximately $584,000 and contingent rentals based upon gross sales. Contingent rentals earned in fiscal 2009 and 2008 totaled approximately $353,000 and $229,000, respectively. During fiscal 2009 and 2008, The University also received rental receipts approximating $1,691,000 and $587,000, respectively, from renting various other campus facilities under the terms of operating lease agreements.

7. State Support

The University is a State-assisted institution of higher education, which receives a student-based State share of instruction (appropriation) from the State. This State share of instruction is determined annually based upon a formula devised by the State. In addition to the State share of instruction, the State also provides certain capital funding and assistance for major academic facilities. The capital funding is provided through the Ohio Board of Regents (OBR) from revenue bond proceeds issued by the Ohio Public Facilities Commission (OPFC). The capital assets are transferred from the OBR to The University upon completion. Costs incurred during construction are included in construction in progress.

University facilities are not pledged as collateral for the revenue bonds. Instead, the bonds are supported by a pledge of monies in the Higher Education Bond Service Fund established in the custody of The Treasurer of State. If sufficient monies are not available from this fund, a pledge exists to assess a special student fee uniformly applicable to students in state-assisted institutions of higher education throughout the State.

As a result of the above described financial assistance provided by the State to The University, outstanding debt issued by OPFC is not included within The University's financial statements. In addition, appropriations by the State's General Assembly to the Board of Regents for payment of debt service are not reflected as appropriation revenue received by The University, and the related debt service payments are not recorded in The University's accounts.

The Ohio Board of Regents adopts a two-year operating budget that includes line items to fund infrastructure investments for higher education. The Capital Component program is an appropriation line item in the Ohio Board of Regents operating budget. The program was designed to add flexibility to the capital funding process and to provide incentives for the efficient use of state capital funding provided to higher education institutions. The Capital Component constitutes a reform of capital funding for higher education as part of the capital funding policy adopted in 1997. This new capital funding policy provided state-assisted institutions of higher education with the annual debt service equivalent of capital appropriations that the institution otherwise could have received via the new formula-based higher education capital budget. The formula is driven by considering existing space shortages on campus, student enrollments, and other campus activities (i.e. non-credit activities, community service functions and research). Thus, if the formula allocation exceeds the amount requested, 10% of the difference is paid to the institution for 15 years in the form of Excess Capital Component Allocation (Capital Component). The University intends to use this Capital Component toward funding the debt service obligation of the Series 1999, 2003A, and 2004B Bond Issues.

8. Employee Benefit Plans

Retirement Plans

Employee retirement benefits are available for substantially all employees under contributory retirement plans administered by the State Teachers Retirement System (STRS), the School Employees Retirement System (SERS), and the law enforcement division of the Ohio Public Employees Retirement System (OPERS-LE). These retirement programs are statewide, cost-sharing, multiple-employer defined benefit plans. STRS, SERS, and OPERS-LE provide retirement and disability benefits, annual cost of living adjustments, and death benefits for plan members and beneficiaries. Authority to establish and amend benefits is provided by State statute per Chapter 3307 of the Ohio Revised Code (ORC).

Each retirement system issues stand-alone Comprehensive Annual Financial Reports that may be obtained by contacting:

State Teachers Retirement System
275 E. Broad Street
Columbus, Ohio 43215-3371
(888) 227-7877
www.strsoh.org

School Employees Retirement System
300 East Broad Street, Suite 100
Columbus, Ohio 43215-3746
(800) 878-5853
www.ohsers.org

Ohio Public Employees Retirement System
277 East Town Street
Columbus, Ohio 43215-4642
(800) 222-7377
www.opers.org

8. Employee Benefit Plans - continued

The ORC provides statutory authority for employee and employer contributions. The contribution rates on covered payroll and The University's contributions to each system are:

	Employee Contribution Rate	Employer Contribution Rate	The University's contributions For the years ended 6/30 2009	2008	2007
STRS	10.0%	14.00%	$ 11,422,714	$ 10,670,459	$ 10,175,165
SERS	10.0%	14.00%	8,574,481	8,012,230	7,491,065
OPERS-LE	10.1%	17.40%	431,651	360,584	303,854
			$ 20,428,846	$ 19,043,273	$ 17,970,084

The University's contributions are equal to the required contributions for each year.

Other Postretirement Employee Benefits

STRS provides comprehensive health care benefits to retirees and their dependents. Coverage includes hospitalization, physician fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. All benefit recipients and sponsored dependents are eligible for health care coverage. Pursuant to the ORC, STRS Board has discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium. The ORC grants authority to STRS to provide health care coverage to benefit recipients, spouses, and dependents. By Ohio law, the cost of the coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For fiscal year ended June 30, 2008, benefits are funded on a pay-as-you-go basis through an allocation of employer contributions equal to 1% of covered payroll to a Health Care Stabilization Fund from which health care benefits are paid. The balance in the Health Care Stabilization Fund was $3.7 billion at June 30, 2008, the latest available information. For the year ended June 30, 2008, the net health care costs paid by STRS were $288.9 million and there were 126,506 eligible benefit recipients.

The ORC gives SERS the discretionary authority to provide postretirement health care to retirees and their dependents. Coverage is made available to service retirees, with ten or more years of qualifying service credit, disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status. After the allocation for basic benefits, the remainder of the employer's 14% contribution is allocated to providing health care benefits. At June 30, 2009, the allocation rate is 4.91%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2009, the minimum compensation level was established at $35,800. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2009, the actuarially required allocation was .75%. The amount of employer contributions for the year ended June 30, 2009 was $459,344, which equaled the required contributions for the year.

8. Employee Benefit Plans - continued

The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through their contributions to OPERS. OPERS provides retirement, disability, and survivor benefits as well as post-retirement health care coverage. Coverage includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare premiums. A portion of the employer contribution is set aside to fund the health care benefits. The portion of employer contributions for all employers allocated to health care was 7.00% in 2008. OPERS health care benefits are advanced-funded on an actuarially determined basis. The actuarial value of the retirement system's net assets available for other post-employment benefits was $12.8 billion as of December 31, 2007. At that date the actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were $29.8 billion and $17.0 billion, respectively. The number of active contributing participants was 364,076.

The University also provides certain health care benefits for dependents of retired employees and life insurance benefits for retired employees. Substantially all of The University's employees hired prior to 1992 may become eligible for those benefits if they reach normal retirement age while working for The University. This is a single employer defined benefit plan administered by The University. The University has no obligation to make contributions in advance of when the premiums are due for payment, therefore this plan is financed on a "pay-as-you-go" basis. During fiscal 2009, 2008, and 2007, the cost of dependent health care and retiree life insurance benefits, recognized as expense when claims and premiums were paid, totaled approximately $1,545,000, $1,349,000 and $1,552,000, respectively. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The University has estimated the cost of providing retiree health care benefits through an actuarial valuation as of July 1, 2008. In this actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.0 percent discount rate, an annual healthcare cost trend rate of 9 percent initially, reduced by 0.5 percent decrements per year to an ultimate rate of 5.0 percent after by FY 2017, and a 2.0 percent salary increase. The amortization of the unfunded actuarial accrued liability (UAAL) of $144.8 million is based on a level dollar amount. The remaining amortization period at June 30, 2009 was 30 years. Pursuant to this actuarial valuation, The University recorded $8,314,796 for future OPEB obligation as a liability due in more than one year during fiscal year 2009. No liability was recorded in fiscal year 2008.

Alternative Retirement Plan

In 1997, the State approved an Alternative Retirement Plan (ARP) for full-time academic and administrative employees which allows new employees and those with less than five years of service to opt out of STRS and SERS and contribute to one of the ARPs formed as Section 401(a) defined contribution plans. In 2005, this legislation was amended to include all full-time college employees as of August 2005. The legislation, as amended, requires employees to contribute to the ARPs at the same rates as previously stated for STRS and SERS employee contributions. The employer contributes 3.50% of their 14.00% STRS employer contribution to STRS. For SERS, no funding is contributed to SERS if hired before August 2005, and 6.00% of their 14.00% is contributed to SERS if hired after August 2005. The employer contribution rate is based on independent actuarial studies. The University's contributions for ARP employees for the years ended June 30, 2009, 2008, and 2007 were $4,005,949, $3,524,506, and $3,334,750, respectively, equal to the required contributions for each year. The ARPs do not provide postretirement benefits other than pension and death benefits.

9. Litigation, Commitments, and Contingencies

The University has been named as a defendant in a number of suits alleging various matters. It is the opinion of The University's management that disposition of the pending matters will not have a material adverse effect on the financial statements.

In addition to purchasing insurance to cover potential losses from certain litigation, The University participates in two risk pools, along with other State universities, for commercial property coverage and commercial casualty coverage. Each university contributes on a basis equal to their percentage of the total insurable value of the pool. Future contributions will be adjusted based upon each university's loss history. Each university has a base deductible of $100,000 for each pool. For commercial property coverage, the next $250,000 of any one claim is the responsibility of the pool, which has a total annual aggregate limit of $700,000. The commercial property insurer is liable for the amount of any claim in excess of $350,000, or $100,000 in the event the pool has reached its annual aggregate. For commercial casualty coverage, the next $900,000 of any one claim is the responsibility of the pool. The University purchases a $4,000,000 liability insurance policy that sits over top of the pool.

The University receives grants and contracts from certain federal and state agencies to fund research and other activities. The federal grants are audited annually in accordance with Office of Management and Budget Circular A-133. Federal agencies also may conduct additional audits under federal law or regulations or may arrange for funding the cost of such additional audits by independent auditing firms. The state grants are subject to review and audit by the grantor agencies or their designee. Such federal or state audits could lead to a request for reimbursement by the grantor agency for expenditures disallowed under the terms of the grant. No significant costs have been questioned to date, and management believes that any disallowance or adjustment of such costs would not have a material adverse effect on the financial statements.

The University has been appropriated $41.8 million from the State for buildings and renovations, of which $16.7 million has been expended as of June 30, 2009. In addition, as of June 30, 2009, University construction projects will cost an estimated $86.3 million to complete with 95.3%, or $82.2 million, funded from bond proceeds.

The University, as part of its commitment to the Austen BioInnovation Institute in Akron, must make annual capital contributions of $800,000 through fiscal year 2013. This commitment must consist of not less than $400,000 in cash with the balance made in in-kind capital contributions as approved by the other partners.

10. Subsequent Event

On or about January 1, 2010, The University will begin processing certain Lorain County Community College (LCCC) financial data on equipment and applications which are owned by The University or licensed to The University. Additionally, certain LCCC data will also be stored on university equipment.

The data processing functions will be performed and managed by university employees. As such, The University will become a service organization as prescribed by Statement on Auditing Standards No. 70 while LCCC will become a user organization.

11. Component units

Details of the component units' net assets at June 30, 2009 and 2008 are as follows:

	2009			2008		
	Foundation	Research Foundation	Totals	Foundation	Research Foundation	Totals
Assets						
Current assets:						
Accounts receivable, net	$ 654,500	$ 761,845	$ 1,416,345	$ 203,572	$ 751,982	$ 955,554
Pledges receivable, net	2,983,367	-	2,983,367	1,459,494	-	1,459,494
Notes receivable	1,803,939	-	1,803,939	-	-	-
Prepaid expenses and deferred charges	-	30,328	30,328	-	141,490	141,490
Deposits	-	10,458	10,458	-	10,458	10,458
Total current assets	5,441,806	802,631	6,244,437	1,663,066	903,930	2,566,996
Restricted current assets:						
Cash and cash equivalents	-	2,264,743	2,264,743	-	2,167,391	2,167,391
Pooled investments	-	3,381,488	3,381,488	-	2,542,705	2,542,705
Other investments	2,684,000	-	2,684,000	-	-	-
Total restricted current assets	2,684,000	5,646,231	8,330,231	-	4,710,096	4,710,096
Noncurrent assets:						
Endowment investments	110,991,284	-	110,991,284	153,234,658	-	153,234,658
Other investments	-	572,840	572,840	-	560,350	560,350
Pledges receivable, net	11,551,741	-	11,551,741	8,363,428	-	8,363,428
Capital assets, net	5,761,850	4,059,348	9,821,198	5,761,850	3,963,968	9,725,818
Total assets	136,430,681	11,081,050	147,511,731	169,023,002	10,138,344	179,161,346
Liabilities						
Current liabilities:						
Accounts payable	1,110,623	1,902,788	3,013,411	882,783	1,277,869	2,160,652
Accrued liabilities	68,835	496,198	565,033	95,285	273,838	369,123
Deferred revenue	30,000	1,744,930	1,774,930	30,000	1,076,283	1,106,283
Deposits	2,709,525	-	2,709,525	-	-	-
Current portion of long-term liabilities	1,800,000	4,086	1,804,086	-	-	-
Total current liabilities	5,718,983	4,148,002	9,866,985	1,008,068	2,627,990	3,636,058
Noncurrent liabilities:						
Actuarial liability for annuity/unitrust agreements	11,271,563	-	11,271,563	11,844,733	-	11,844,733
Long-term liabilities	1,500,000	2,920,914	4,420,914	1,500,000	2,925,000	4,425,000
Total liabilities	18,490,546	7,068,916	25,559,462	14,352,801	5,552,990	19,905,791
Net assets						
Invested in capital assets, net	5,761,850	1,138,434	6,900,284	5,761,850	1,038,968	6,800,818
Restricted:						
Nonexpendable	82,693,491	-	82,693,491	88,317,566	-	88,317,566
Expendable	44,099,767	-	44,099,767	59,726,772	-	59,726,772
Unrestricted	(14,614,973)	2,873,700	(11,741,273)	864,013	3,546,386	4,410,399
Total net assets	$ 117,940,135	$ 4,012,134	$ 121,952,269	$ 154,670,201	$ 4,585,354	$ 159,255,555

11. Component units - continued

Details of the component units' revenues, expenses, and changes in net assets at June 30, 2009 and 2008 are as follows:

	2009			2008		
	Foundation	Research Foundation	Totals	Foundation	Research Foundation	Totals
Revenues						
Operating revenues:						
Federal grants and contracts	$ -	$ 333,324	$ 333,324	$ -	$ 188,720	$ 188,720
Private grants and contracts	-	3,162,946	3,162,946	-	2,889,378	2,889,378
Gifts and contributions	10,120,506	-	10,120,506	14,516,688	-	14,516,688
Other sources	-	940,410	940,410	-	684,037	684,037
Total operating revenues	10,120,506	4,436,680	14,557,186	14,516,688	3,762,135	18,278,823
Expenses						
Operating expenses:						
Educational and general:						
Separately budgeted research	-	2,867,965	2,867,965	-	2,975,262	2,975,262
Institutional support	758,077	-	758,077	716,304	-	716,304
Depreciation	-	164,214	164,214	1,651	131,690	133,341
Total operating expenses	758,077	3,032,179	3,790,256	717,955	3,106,952	3,824,907
Operating income	9,362,429	1,404,501	10,766,930	13,798,733	655,183	14,453,916
Nonoperating revenues (expenses)						
Investment income, net	(36,296,890)	(342,574)	(36,639,464)	(8,945,286)	(109,841)	(9,055,127)
Interest on debt	-	(319,905)	(319,905)	-	(353,797)	(353,797)
Distributions to The University	(10,851,972)	(1,414,878)	(12,266,850)	(12,892,054)	(1,478,615)	(14,370,669)
Distributions on behalf of The University	(904,020)	-	(904,020)	(1,500,368)	-	(1,500,368)
Other nonoperating revenues	129,947	99,636	229,583	113,840	81,119	194,959
Net nonoperating expenses	(47,922,935)	(1,977,721)	(49,900,656)	(23,223,868)	(1,861,134)	(25,085,002)
Loss before other changes	(38,560,506)	(573,220)	(39,133,726)	(9,425,135)	(1,205,951)	(10,631,086)
Other changes						
Capital gifts and grants	-	-	-	-	894,815	894,815
Additions to permanent endowments	1,830,440	-	1,830,440	5,252,638	-	5,252,638
Decrease in net assets	(36,730,066)	(573,220)	(37,303,286)	(4,172,497)	(311,136)	(4,483,633)
Net assets – beginning of year	154,670,201	4,585,354	159,255,555	158,842,698	4,896,490	163,739,188
Net assets – end of year	$ 117,940,135	$ 4,012,134	$ 121,952,269	$ 154,670,201	$ 4,585,354	$ 159,255,555

Supplemental Information

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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*

To the Board of Trustees
The University of Akron

We have audited the financial statements of The University of Akron, a component unit of the State of Ohio, as of and for the year ended June 30, 2009, which collectively comprise The University of Akron's basic financial statements, and have issued our report thereon dated October 15, 2009. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered The University of Akron's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions 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 control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

To the Board of Trustees
The University of Akron

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The University of Akron's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of the The University of Akron in a separate letter dated October 15, 2009.

This report is intended solely for the information and use of management, the board of trustees, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

October 15, 2009

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Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Board of Trustees
The University of Akron

Compliance

We have audited the compliance of The University of Akron with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2009. The major federal programs of The University of Akron are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of The University of Akron's management. Our responsibility is to express an opinion on The University of Akron's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The University of Akron's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on The University of Akron's compliance with those requirements.

In our opinion, The University of Akron complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-l33 and which are described in the accompanying schedule of findings and questioned costs as items 2009-1, 2009-2, and 2009-3.

To the Board of Trustees
The University of Akron

Internal Control Over Compliance

The management of The University of Akron is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered The University of Akron's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

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

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal controls. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2009-1, 2009-2, and 2009-3 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be a material weakness.

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

This report is intended solely for the information and use of management, the board of trustees, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

October 15, 2009

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2009

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog Federal Domestic Assistance	Pass Through Entity Identifying Number	Federal Expenditures
Student Financial Aid Cluster			
Department of Education:			
Direct programs:			
Federal Pell Grant Program	84.063		$ 21,921,417
Federal Supplemental Educational Opportunity Grant	84.007		1,395,781
Federal College Work-Study	84.033		1,119,963
Federal Perkins Loans	84.038		1,709,480
Academic Competitive Grants (ACG)	84.375		757,016
National Science and Mathematics Access to Retain Talent (SMART) Grants	84.376		262,380
Total Department of Education			27,166,037
Department of Health and Human Services:			
Direct program:			
Nursing Student Loans	93.364		213,629
Total Student Financial Aid Cluster			**27,379,666**
Research and Development			
Research and Development Cluster			
Department of Agriculture:			
Direct program:			
Initiative for Future Agriculture and Food Systems	10.302		(2)
Department of Commerce:			
Direct programs:			
Center for Sponsored Coastal Ocean Research, Coastal Ocean Program	11.478		52,800
NIST-Measurement and Engineering Research and Standards	11.609		399
Pass-through program:			
Ohio State University-Sea Grant Support	11.417	NA06OAR4170020	58,148
Total Department of Commerce			111,347
Department of Defense:			
Direct programs:			
Office of Naval Reasearch-Basic and Applied Scientific Research	12.300		62,945
United States Army-Basic Scientific Research	12.431		96,064
USAF-Air Force Defense Research Sciences Program	12.800		401,010
Pass-through programs:			
UARF-Office of Naval Reasearch-Basic and Applied Scientific Research	12.300	N68335-08-C-0298	10,605
UARF-Office of Naval Reasearch-Basic and Applied Scientific Research	12.300	N00014-08-M-0325	1,028
UARF-United States Army-Basic Scientific Research	12.431	W911QY-08-C-0085	83,843
UARF-United States Army-Basic Scientific Research	12.431	S690000034	16,771
Universal Technology Corporation-United States Army-Basic Scientific Research	12.431	S690000034	54,614
UARF-Air Force Defense Research Sciences Program	12.800	F33615-03-D-5408	50,516
UARF-Air Force Defense Research Sciences Program	12.800	F33615-03-D-5421	23,551
UARF-Air Force Defense Research Sciences Program	12.800	FA9550-09-C-0095	992
Universal Technology Corporation-Air Force Defense Research Sciences Program	12.800	F33615-02-D-2299	38,737
Case Western Reserve University-Air Force Defense Research Sciences Program	12.800	F49620-03-1-0128	(180)
Air Force Research Laboratory/Dayton Area Graduate Studies Institute-Air Force Defense Research Sciences Program	12.800		75,573
Mandaree Enterprise-Air Force Defense Research Sciences Program	12.800	FA8501-06-D-0001	224,362
Total Department of Defense			1,140,431

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2009

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog Federal Domestic Assistance	Pass Through Entity Identifying Number	Federal Expenditures
Department of Housing and Urban Development:			
Pass-through program:			
AMHA-Demolition and Revitalization of Severely Distressed Public Housing	14.866		$ 49,655
Department of the Interior:			
Pass-through program:			
Ohio University-US Geological Survey-Research and Data Acquisition	15.808	01-CRA0025	3,832
Department of Justice:			
Direct program:			
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560		67,282
Pass-through programs:			
Summit County-Comprehensive Approaches to Sex Offender Management	16.203	2004-WP-BX-0003	5,193
City of Mansfield-State and Local Law Enforcement Assistance Discretionary Grants Program	16.580		8,936
Community Partnership/Summit County-Drug Free Communities Support Program Grants	16.729	2003-ND-FX-0156	19,005
Total Department of Justice			100,416
Department of Transportation:			
Direct programs:			
Highway Training and Education	20.215		21,292
University Transportation Centers-Research and Innovation Technology Administration	20.760		165,765
Pass-through program:			
Auburn University/University of Tennessee-Biobased Transportation Research	20.761	DTOS59-07-G-00050	19,561
Total Department of Transportation			206,618
National Aeronautics and Space Administration:			
Direct program:			
Technology transfer	43.002		1,504,262
Pass-through programs:			
UARF-Technology Transfer	43.002	NAS3-99155	8,674
UARF-Technology Transfer	43.002	NNC09BA06B	8,697
Alphaport-NASA Safety Center-Technology Transfer	43.002	NNS06BA06B	5,839
Clark Atlanta University-Technology Transfer	43.002	NCC3-1044	55,187
Brown University-Technology Transfer	43.002	NNX07AO07A	42,162
Total National Aeronautics and Space Administration			1,624,821
National Foundation of Arts and the Humanities:			
Direct program:			
Promotion of the Humanities	45.161		125,451

See Notes to Schedule of Expenditures of Federal Awards.

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2009

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog Federal Domestic Assistance	Pass Through Entity Identifying Number	Federal Expenditures
National Science Foundation:			
Direct programs:			
Engineering Grants	47.041		$ 575,025
Mathematical and Physical Sciences	47.049		2,499,754
Geosciences	47.050		182,621
Computer and Information Science and Engineering	47.070		77,061
Biological Sciences	47.074		702,693
Social, Behavioral, and Economic Sciences	47.075		118,376
Educational and Human Resources	47.076		262,395
ARRA-Trans-NSF Recovery Act Research Support	47.082		10,657
Pass-through programs:			
University of Dayton-Engineering Grants	47.041	CMS-0609077	52,983
UARF-Engineering Grants	47.041	IIP-0822914	157,356
UARF-Engineering Grants	47.041	IIP-0740059	2,357
The Ohio State University Research Foundation-Engineering Grants	47.041	EEC-0425626	16,808
University of Nebraska-Engineering Grants	47.041	DMI-0600733	41,071
The Ohio State University Research Foundation-Mathematical and Physical Sciences	47.049	CHE-0526864	102,600
The Ohio State University Research Foundation-Mathematical and Physical Sciences	47.049	CHE-05322560	9,241
University of Virginia-Educational and Human Resources	47.076	DUE-0717820	15,295
North Carolina State-Educational and Human Resources	47.076	DUE-0914404	648
The Ohio State University Research Foundation-	47.080	OCI-0753287	1,564
Total National Science Foundation			4,828,505
Department of Energy:			
Direct programs:			
Department of Energy	81.000		95,259
Office of Science Financial Assistance Program	81.049		786
Renewable Energy Research and Development	81.087		320,524
Fossil Energy Research and Development	81.089		128,571
Pass-through program:			
Arizona State University	81.000	DE-FG36-06G016029/A00	76,798
Total Department of Energy			621,938
Department of Education:			
Direct program:			
National Institute on Disability and Rehabilitational Research	84.133A		18,621
Department of Health and Human Services:			
Direct programs:			
Centers for Disease Control	93.000		2,215
Nurse Anesthetist Traineeships	93.124		9,379
Mental Health Research Grants	93.242		167,770
Advanced Education Nursing Grant Program	93.358		56,006
Nursing Research	93.361		563,971
Academic Research Enhancement Award	93.390		41,673
Heart and Vascular Diseases Research	93.837		419,779
Diabetes, Endocrinology and Metabolism Research	93.847		32,172
Biomedical Research and Research Training	93.859		158,611

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2009

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog Federal Domestic Assistance	Pass Through Entity Identifying Number	Federal Expenditures
Pass-through programs:			
Benjamin Rose Institute-Alzheimer's Disease Demonstration Grants to States	93.051	90A10004-01 (AI)	$ 11,868
Pregnancy Support Center-Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	90FE0055	34,321
Community Health-SAMHSA-Projects of Regional and National Significance	93.243	1 H79 TI17371-01	24,524
ADASBCC-SAMHSA-Project of Regional and National Significance	93.243	H79TI16543-01	80,423
City of Cleveland-Project of Regional and National Significance	93.243	1H79TI019946-01	9,415
ODADAS/SAMHSA-Substance Abuse and Mental Health Services-Access to Recovery	93.275		30,608
Summit Co. Family and Children First Council-Temporary Assitance for Needy Families	93.558		53,114
Ohio Dept. of Jobs and Family Services-Foster Care Title IV-E	93.658		13,921
UARF-Heart and Vascular Diseases Research	93.837	1 R41 HL077984-01	4,422
Washington University-Allergy, Immunology and Transplantation Research	93.855	1 R01 AI067856-01	83,284
ODADAS-Block Grants for Prevention and Treatment of Substance Abuse	93.959		103,833
Total Department of Health and Human Services			1,901,309
Total Research and Development Cluster			**10,732,942**
Child Nutrition Cluster			
Department of Agriculture:			
Pass-through programs:			
Ohio Department of Education-Summer Food Service Program for Children	10.559		14,561
Firestone Endowment-Summer Food Service Program for Children	10.559		4,404
Total Child Nutrition Cluster			**18,965**
Highway Planning and Construction Cluster			
Pass-through programs:			
Ohio Department of Transportation-Highway Planning and Construction	20.205		158,795
Ohio Department of Transportation-Highway Planning and Construction	20.205	E051106	79,873
Ohio Department of Transportation-Highway Planning and Construction	20.205	E070070	22,178
Ohio Department of Transportation-Highway Planning and Construction	20.205	E080077	38,857
Ohio Department of Transportation-Highway Planning and Construction	20.205	E081158	32,199
UARF-Highway Planning and Construction	20.205		15,641
Total Highway Planning and Construction Cluster			**347,543**
TRIO Cluster			
Department of Education:			
Direct programs:			
TRIO Talent Search	84.044A		424,050
TRIO Upward Bound	84.047A		488,364
TRIO Upward Bound Math/Science	84.047M		306,434
TRIO McNair Post Baccalaureate Achievement	84.217A		193,351
Total TRIO Cluster			**1,412,199**
Other Programs			
Instruction			
Department of Defense:			
Pass-through program:			
State of Ohio-National Guard Military Operations and Maintenance (O&M) Projects	12.401		21,650

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog Federal Domestic Assistance	Pass Through Entity Identifying Number	Federal Expenditures
Department of Labor:			
Direct program:			
Employment and Training Administration Pilots, Demonstrations, and Research Projects	17.261		$ 133,742
National Science Foundation:			
Direct program:			
Education and Human Resources	47.076		(1,111)
Pass-through programs:			
The Ohio State University Research Foundation-Education and Human Resources	47.076	HRD-0331560	19,410
SENSOR Summer Institute-Education and Human Resources	47.076		310
Total National Science Foundation			18,609
Department of Education:			
Direct programs:			
Fund for the Improvement of Postsecondary Education	84.116Z		49,116
Special Education-Personnel Development to Improve Services and Results for Children With Disabilities	84.325K		178,633
Pass-through programs:			
Kent State University-Special Education-Personnel Preparation to Improve Services and Results for Children with Disabilities	84.325	H325D030008	18,009
Ohio Board of Regents-Improving Teacher Quality State Grants	84.367		63,685
Total Department of Education			309,443
Department of Health and Human Services:			
Pass-through program:			
Ohio Department of Job & Family Services-Foster Care Title IV-E	93.658		69,560
Corporation for National and Community Service:			
Pass-through program:			
Otterbein College-Learn and Serve American Higher Education	94.005	06LHHOH0001	7,163
Total Instruction			**560,167**
Public Service			
Department of Agriculture:			
Pass-through program:			
Center for Child Development-Child and Adult Care Food Program	10.558		31,162
Department of Defense:			
Direct program:			
Army ROTC	12.000		159
Department of Housing and Urban Development:			
Direct program:			
Community Outreach Partnership Center Program	14.511	COPC-OH-04-607	2,643

See Notes to Schedule of Expenditures of Federal Awards.

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2009

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog Federal Domestic Assistance	Pass Through Entity Identifying Number	Federal Expenditures
Department of Justice:			
Pass-through program:			
City of Akron-Byrne State and Local Law Enforcement Assistance Discretionary Grants	16.580	2007-DD-BX-0680	$ 39,983
Department of State:			
Direct program:			
Department of State	19.000		369,048
Appalachian Regional Commission:			
Pass-through program:			
Ohio Department of Development-Appalachian Area Development	23.002		8,382
National Foundation of Arts and the Humanities:			
Direct program:			
Promotion of the Arts	45.024		10,000
Department of Education:			
Direct program:			
Fund for the Improvement of Education	84.215K		40,060
Pass-through programs:			
Ohio Department of Education	84.000		67,743
Ohio Department of Education -Vocational Education Basic Grants to States	84.048		15,832
Akron Public Schools-Fund for the Improvement of Education	84.215X	U215X050001	877
Summit Co. Educational Service Center-Fund for the Improvement of Education	84.215X	U215X080287	95,776
Ohio Department of Education-Tech Prep Education	84.243		169,222
Cleveland State University/Ohio Dept of Education-Reading First State Grants	84.357	062950-RSSI-03/AS4036/ CSP#0A03034	1,335,376
Ohio Board Regents-Improving Teacher Quality State Grants	84.367		5
Total Department of Education			1,724,891
Department of Health and Human Services:			
Pass-through programs:			
Holmes County-Temporary Assistance for Needy Families	93.558		25,491
Summit County Job & Family Services-Temporary Assistance for Needy Families	93.558		24,535
Akron Public Schools/Summit County-Temporary Assistance for Needy Families	93.558		19,306
ODADAS-Block Grants for Prevention and Treatment of Substance Abuse	93.959		24,382
Total Department of Health and Human Services			93,714
Corporation for National and Community Service:			
Pass-through program:			
Corporation for National and Community Service-Learn and Serve America Higher Educ.	94.006	03ACH-K729-04-A147	66,162
Department of Homeland Security:			
Pass-through program:			
Ohio Emergency Management Agency-State Domestic Preparedness Equipment Support	97.063		-
Total Public Service			**2,346,144**

See Notes to Schedule of Expenditures of Federal Awards.

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2009

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Catalog Federal Domestic Assistance	Pass Through Entity Identifying Number	Federal Expenditures
Academic Support			
National Endowment for the Humanities:			
Direct program:			
Promotion of the Humanities, Division of Preservation and Access	45.149		$ 1,144
Total Other Programs			**2,907,455**
Total Expenditures of Federal Awards			**$ 42,798,770**

Note 1 - Significant Accounting Policies

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the University and is presented on the same basis of accounting as the basic financial statements. Grant revenues are recorded for financial reporting purposes when the University has expended the funds in accordance with the grant agreement. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Facilities and Administrative Costs

The University recovers facilities and administrative costs by means of predetermined rates. The predetermined rates are a result of negotiated agreements with the U.S. Department of Health and Human Services. The predetermined rates are 48.5 percent for on-campus research and 26 percent for off-campus research through June 30, 2011.

Note 2 - Subrecipient Awards

Certain funds are passed through to subgrantee organizations by the University. Expenditures incurred by the subgrantees and reimbursed by the University are presented in the Schedule. During the year ended June 30, 2009, the University disbursed funds to subrecipients in the amount of $1,302,515. Subrecipient amounts are as follows:

CFDA	CFDA Description	Amount
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants	$ 27,280
19.000	Department of State	51,867
20.205	Ohio Department of Transportation-Highway Planning and Construction	49,196
20.760	University Transportation Centers-Research and Innovation Technology Administration	70,198
43.002	National Aeronautics and Space Administration - Technology transfer	585,963
47.041	National Science Foundation - Engineering Grants	18,700
47.076	National Science Foundation - Educational and Human Resources	36,027
84.133A	National Institute on Disability and Rehabilitational Research	16,112
84.325K	Special Education-Personnel Development to Improve Services and Results for Children With Disabilities	97,905
84.357	Cleveland State University/Ohio Dept of Education-Reading First State Grants	159,937
93.242	Mental Health Research Grants	13,955
93.361	Nursing Research	138,687
93.859	Biomedical Research and Research Training	17,969
93.959	ODADAS-Block Grants for Prevention and Treatment of Substance Abuse	18,719
	Total subrecipients	**$ 1,302,515**

The University is also the subrecipient of federal funds which have been subject to testing and are reported as expenditures and listed separately as pass-through programs.

Note 3 - Loans Outstanding

The following schedule represents total loans advanced to students by the University and balances outstanding for the Perkins and Nursing Loan Programs for the year ended June 30, 2009:

Cluster/Program Title	CFDA Number	Advances	Amount Outstanding
Perkins Loan Program	84.038	$ 1,709,408	$ 11,764,357
Nursing Student Loan Program	93.364	213,629	1,169,780

Note 4 - Federal Family Education Loan Program

During the year ended June 30, 2009, the University processed applications for the following loan amounts under the Federal Family Education Loan Program which includes Stafford Loans, Unsubsidized Stafford Loans, and Parent Plus Loans for Undergraduate Students.

	CFDA Number	Advances
Federal Family Education Loan Program	84.032	$ 125,173,205

Note 5 - Reconciliation

The following schedule is a reconciliation of total expenditures as shown on the Schedule to the revenue shown as federal grants and contracts on the statement of revenues, expenses, and changes in net assets (the "Statement"), which is included as part of the University's financial statements:

Expenditures per the Schedule	$ 42,798,770
Pell, ACG, and SMART grants	(22,940,813)
Perkins Loan funds excluded from federal grants on the Statement	(1,709,480)
Nursing Loan funds excluded from federal grants on the Statement	(213,629)
State grants	(841,417)
Local grants	(351,285)
Private grants	(3,080,192)
Sales	(31,162)
Federal purchased service contracts	99,284
Indirect costs excluded from federal grants on Statement	996
Change in deferred revenue from federal grants	(197,634)
Federal grants and contracts as shown on the Statement	$ 13,533,438

Current restricted funds derived from appropriations, gifts, or grants may be used only to meet current expenditures for the purposes specifically identified by sponsoring agencies. The appropriations, gifts, or grants are recognized as revenue in the University's external financial statements as expended. Therefore, expenditures per the Schedule agree with federal grants and contracts revenue on the Statement, except as noted above.

Note 6 - Adjustments and Transfers

As allowable and in accordance with federal regulations issued by the U.S. Department of Education, the University transferred $142,821 of Federal Work Study (FWS) Program (84.003) award funds to the Federal Supplemental Education Opportunity Grant (SEOG) Program (84.007) for the 2008-2009 award year.

In addition, the University carried forward $59,846 of the 2008-2009 SEOG award to the 2009-2010 award year. The University also carried forward $126,351 of the 2008-2009 FWS award to the 2009-2010 award year. The University spent $125,618 and $94,598 of carried forward FWS and FSEOG funds, respectively, from the 2007-2008 award year during the 2008-2009 award year.

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ____ Yes __X__ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ____ Yes __X__ None reported

Noncompliance material to financial statements noted? ____ Yes __X__ No

Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? ____ Yes __X__ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? __X__ Yes ____ None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? __X__ Yes ____ No

Identification of major program(s):

CFDA Number(s)	Name of Federal Program or Cluster
84.063, 84.007, 84.033, 84.038 84.375, 84.376, 84.032, 93.364	Student Financial Aid Cluster
84.357	Cleveland State University/Ohio Dept of Education - Reading First State Grants

Dollar threshold used to distinguish between type A and type B programs: $1,283,963

Auditee qualified as low-risk auditee? __X__ Yes ____ No

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

Reference Number	Findings
2009-1	**Program Name** - Student Financial Aid Cluster - 84.032

Finding Type - Noncompliance/Significant Deficiency

Criteria - As required under Section 34 CFR 682.610, changes in a student's status are required to be reported to the National Student Loan Data System (NSLDS) within 30 days of the status change or included in a student status confirmation report sent to NSLDS within 60 days of the status change.

Condition - The University did not report student status changes within the required timeframe.

Questioned Costs - None

Context - Of the 26 students selected for status change testing, one student did not have a status change reported in a timely manner. There were also discrepancies noted between the effective date of the status change reported to the Federal Clearinghouse and the date of the actual status change for four students who officially withdrew during the spring 2009 semester.

Cause and Effect - The Office of Institutional Research transmits student enrollment data to the Federal Clearinghouse approximately 30 days after the start of each semester and then again every 30 days succeeding the initial transmission. However, during the summer 2008 semester, student enrollment data was transmitted once 30 days after the start of the semester and once 30 days after the end of the semester. This schedule did not allow for the timely reporting of student status changes during the summer 2008 semester.

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
2009-1 (Continued)	**Recommendation** - We recommend that the Office of Institutional Research change its current reporting schedule during the summer semester to mirror the reporting schedule for the fall and spring semesters. **Views of Responsible Officials and Planned Corrective Actions** - Management agrees with the finding and will take the following corrective action. Institutional Research will amend its reporting schedule to the Federal Clearinghouse during the summer term to mirror that of the fall and spring semesters, i.e. 30 days after the start of the summer term, and every 30 days after the initial transmission. The Office of Student Financial Aid will communicate "unofficial withdrawals" to Institutional Research on the date that the "unofficial withdrawal" is determined, so that it can be reported to the Federal Clearinghouse on the next reporting date.

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
2009-2	**Program Name** - Student Financial Aid Cluster - 84.032

Finding Type - Noncompliance/Significant Deficiency

Criteria - As required in Section 34 CFR 668.22(a)(3)(i), when a recipient of a Title IV grant or loan withdraws from an institution during a payment period in which the recipient began attendance, the institution must determine the amount of the Title IV grant or loan assistance that the student earned as of the student's withdrawal date. If the total amount of Title IV grant or loan assistance that the recipient earned is less than the amount of Title IV grant or loan assistance that was disbursed to the student as of the date of the institution's determination that the student withdrew, then the difference between these amounts must be returned to the respective Title IV programs.

Condition - The incorrect amount of Title IV funds was returned to the Title IV program.

Questioned Costs - $250

Context - Of the 27 return of Title IV fund calculations selected for testing, the incorrect amount of subsidized loan funds was returned by the University on behalf of one student.

Cause and Effect - Return of Title IV fund calculations are performed manually upon notification that a student has withdrawn from the University. In this case, the return of Title IV fund calculation was performed correctly, but the student financial aid officer inadvertently requested $2,000 of subsidized loan funds to be returned rather than the correct amount calculated of $1,750.

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
2009-2 (Continued)	**Recommendation** - We recommend that a second individual in the Student Financial Aid office review all return of Title IV calculations for accuracy. Once the Title IV funds are returned and the transaction is recorded on the student's account, the Student Financial Aid office should retain a copy of the student account detail and attach it to the return of Title IV calculation to ensure the correct amount was returned. **Views of Responsible Officials and Planned Corrective Actions** - Management agrees with the finding and believes that the issue is not systemic, but was a clerical error. The return of title IV calculation initially done for the student was correct, however, the error was made when returning Title IV funds to the lender. Assistant/associate director level staff will review return of Title IV calculations prior to funds being returned. This finding is mitigated by the fact that restitution of the $250 error has been made to the student.

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
2009-3	**Program Name** - Student Financial Aid Cluster - 84.032

Finding Type - Noncompliance/Significant Deficiency

Criteria - As required in 34 CFR Section 682.604(h), if the school learns that the borrower will receive or has received financial aid for the period of enrollment for which the loan was made that exceeds the amount of assistance for which the student is eligible, the school shall reduce or eliminate the overaward. The institution should direct the lender to revise the amount of aid disbursed or return to the lender any portion of the disbursement for which the student is ineligible. In addition, the institution should provide the lender with a written statement explaining the return of funds.

Condition - Unsubsidized loan funds were returned to the lender in excess of the overaward for one student.

Questioned Costs - $2,669

Context - Of the 27 students selected for testing, one student had unsubsidized loan funds returned in excess of unmet need.

Cause and Effect - When the student's financial aid package was originally calculated, it did not include the National SMART grant award of $2,000 per semester. In February 2009, it was determined the student was eligible for the National SMART grant and it was disbursed to the student's account for both the fall and spring semesters. However, the receipt of the National SMART grant resulted in an overaward of financial aid of $1,331. Instead of returning the portion of the loan that created the overaward, the entire unsubsidized loan of $4,000 was returned to the lender.

Recommendation - We recommend that eligibility for all grants be reviewed to ensure students receive all financial aid available to them. The institution should review the calculations for potential overawards to ensure the student's financial aid package is administered appropriately.

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
2009-3 (Continued)	**Views of Responsible Officials and Planned Corrective Actions** - Management agrees with the finding and believes that the issue was the result of human error. When the $4,000 SMART grant award was added to the student's aid package, an assumption was made by the staff member that the student had previously been packaged up to his/her full cost of attendance. This resulted in the return of the $4,000 unsubsidized student loan to avoid an overaward. The institution will review the overaward calculation process with staff members to ensure that federal regulations governing this process are adhered to. The student in question has been e-mailed to determine if the student wishes to borrow the amount that was returned in error ($2,669). No response has been received as of this date.

Reference Number	Findings
2008-1	**Finding Type** - Significant deficiency **Criteria** - Investments are currently reconciled by the treasury office and they prepare journal entries that are sent to accounting. Accounting reviews the journal entries and posts them. However, there is no independent review of the reconciliation process. **Condition** - The University does not have an independent review performed on its investment reconciliation. **Cause/Effect** - No errors were found relating to this condition. **Status** - The University implemented a review process for the investment reconciliations.
2008-2	**Finding Type** - Significant deficiency **Criteria** - During the audit, we noted an entry of approximately $600,000 related to investment income on 2008 bond investment funds. This represents additional income to the University. Controls in place did not identify this error. **Condition** - The University does not have an independent review performed on this reconciliation. **Cause/Effect** - An approximately $600,000 adjustment was made to increase investment income. **Status** - The controller's office incorporated the recording of bond proceed investment accrued interest into the year-end closing processes as recommended by the auditors.

Reference Number	Findings
2008-3	**Program Name** - Student Financial Aid Cluster - 84.032, 84.038, and 93.364

Finding Type - Noncompliance/Significant deficiency - Special tests and provisions.

Criteria - 34 CFR 668.165(a) requires the institution to notify the student or parent of date and amount as well as the right to cancel all or portion of loan no earlier than 30 days before and no later than 30 days after crediting student's account.

Condition - Upon notification from the University and confirmed during our testing, we noted students or parents were not being notified earlier than 30 days before and no later than 30 days after crediting student's account.

Questioned Costs - None

Context - Out of 27 students tested, 27 students were not notified within 30 days prior or after crediting the student's account.

Cause and Effect - The student financial aid office does not send out notification letters or electronic communication regarding posting aid to students' accounts.

Status - The student financial aid office has implemented a policy to notify students by e-mail once a loan is disbursed to their account. The e-mail will give them the option of canceling all or a portion of their loan and instructions to contact the Financial Aid Office and/or returning loan proceeds to the Student Accounts Office. For parent PLUS loans, a letter is mailed at time of disbursement to the parent giving them the option of canceling all or a portion of the loan, as well as instructions on whom to contact.

The University of Akron
National Collegiate Athletics Association

Report on the Application of Agreed-upon Procedures
Related to NCAA Bylaw 6.2.3
June 30, 2009

The University of Akron
National Collegiate Athletics Association Report

Contents

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Independent Accountants' Report on the Application of Agreed-upon Procedures

Dr. Luis M. Proenza
President
The University of Akron
Akron, OH 44325

We have performed the procedures enumerated below, which were agreed to by the president of The University of Akron (the "University"), solely to assist you in evaluating whether the accompanying intercollegiate athletics program statement of revenues and expenditures of The University of Akron is in compliance with the National Collegiate Athletics Association (NCAA) Bylaw 6.2.3 for Division I for the year ended June 30, 2009. The University of Akron's management is responsible for the statement of revenue and expenditures (the "statement") and the statement's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Agreed-upon Procedures Related to the Statement of Revenues and Expenditures

The procedures that we performed and our results are as follows:

Internal Control Structure

A. In preparation for our procedures related to the University's internal control structure, we met with the Associate Athletic Director and inquired about the general control environment over intercollegiate athletic finances, the level of control consciousness in the University, the competence of personnel, and the protection of records and equipment; we obtained and inspected the audited financial statements for the year ended June 30, 2009 and any additional reports regarding internal controls and any corrective action taken in response to comments concerning the internal control structure; and we obtained and inspected any documentation of the accounting systems and procedures unique to the intercollegiate athletics department. We then performed the following procedures:

1) We selected three cash disbursements indicated as relating to the intercollegiate athletics program and obtained any available evidence documenting the following related to those disbursements:

   - Approval by the director of intercollegiate athletics
   - Receipt of goods or services
   - Agreement of underlying purchase order or request for payment

2) We selected three athletic department employees and obtained available evidence of approval of such individuals' gross pay, recalculated their net pay using the deduction amounts in the payroll register, compared net pay amounts to the related canceled check, and compared the net pay amounts to the related entries to the University's general ledger system.

3) We selected three athletic department cash receipts and compared the following to those receipts:

   - Remittance advices or copies of checks
   - Deposits made to the business office

4) We selected three games and tested the ticket collection receipting process by comparing the total receipts for such games to the reconciliation and documentation of the related cash deposit amount with the bank.

Result: We selected two football games and one men's basketball game during the year and compared the total receipts for such events, as documented by the University's ticket reconciliation procedures, to documentation of the related cash deposit amount with the bank. We found no discrepancies between the receipts for each event and the related cash deposit amount with the bank.

Capital Expenditure Survey and Related Debt

B. In preparation for our procedures related to the capital expenditure survey, we obtained the capital expenditure survey for the reporting period prepared by management; we obtained the University's policies and procedures for acquiring, approving, depreciating, and disposing of intercollegiate athletics-related assets; and we obtained repayment schedules for all outstanding intercollegiate athletics debt maintained by the University during the reporting period. We then performed the following procedures:

1) **Procedure:** We agreed the data provided on the capital expenditure survey to the University's general ledger and disclosed additions, deletions, and book values in the report.

   Result: We obtained the capital expenditure survey for the reporting period and agreed the data to the University's general ledger.

2) **Procedure:** We recalculated the annual maturities (consisting of principal and interest) provided in the schedules obtained. We then agreed the total annual maturities to supporting documentation and the University's general ledger, as applicable and disclosed in the report.

   Result: We recalculated the annual maturities and agreed to supporting documentation and the University's general ledger.

Statement of Revenues and Expenditures

C. **Procedure:** We obtained the intercollegiate athletics program statement of revenues and expenditures for the reporting period prepared by management and agreed all amounts back to the University's general ledger.

   Result: We obtained the intercollegiate athletics program statement of revenues and expenditures for the year ended June 30, 2009 as prepared by management. We recalculated the amounts on the statement, compared the amounts on the statement to management's worksheets supporting the preparation of the statement, and agreed the amounts on such worksheets to the University's general ledger and found them to be in agreement.

Revenues

D. **Revenue Procedures:**

1) Ticket Sales

Procedure: We compared tickets sold during the reporting period, complimentary tickets provided during the reporting period, and unsold tickets to the related revenue reported by the University in the statement and related attendance figures and recalculated totals. We compared and agreed the revenue category reported in the statement during the reporting period to supporting schedules provided by the University. We compared and agreed a sample of three revenue receipts obtained from the above revenue supporting schedules to supporting documentation. We compared the revenue account to prior period amounts and budget estimates. We obtained and documented any significant variations exceeding 10 percent or more.

Result: We compared and agreed tickets sold during the reporting period, complimentary tickets provided during the reporting period, and unsold tickets to the related revenue reported by the University in the statement and related attendance figures and recalculated totals. We also agreed the ticket reconciliation to the cash amount deposited with the bank. We compared and agreed revenue receipts to bank deposit slips. We compared the revenue account to prior period amounts and budget estimates. We obtained and documented any significant variations exceeding 10 percent or more. We obtained and documented a significant variation from the prior year exceeding 10 percent or more for football ticket sales. It was noted by management that the decrease from the prior year is attributed to games in the prior year that brought in additional revenue such as the game at the Cleveland Browns stadium and the home game against Kent State University. Also, management attributed low attendance at a few games in the current year due to bad weather, weeknight games, and a 4-8 record for the 2007-2008 season.

2) Guarantees

Procedure: We selected a sample of three settlement reports for away games during the reporting period and agreed each selection to the University's general ledger and/or the statement. We selected a sample of three contractual agreements pertaining to revenues derived from guaranteed contests during the reporting period and compared and agreed each selection to the University's general ledger and/or the statement, and recalculated totals. We compared and agreed the revenue category reported in the statement during the reporting period to supporting schedules provided by the University. We compared and agreed a sample of three revenue receipts obtained from the above revenue supporting schedules to supporting documentation. We compared the revenue account to prior period amounts and budget estimates. We obtained and documented any significant variations exceeding 10 percent or more.

Result: We selected three away football games settlement reports during the reporting period and agreed each selection to the University's general ledger. For those same games, we received the contractual agreements pertaining to revenues derived from guaranteed contests during the reporting period and compared and agreed each selection to the University's general ledger, and recalculated totals. We compared and agreed the revenue category in the statement during the reporting period to the supporting schedule provided by the University. We compared and agreed revenue receipts to bank deposit slips. We compared the revenue account to prior period amounts and budget estimates. We obtained and documented any significant variations exceeding 10 percent or more. We obtained and documented a significant variation from the prior year exceeding 10 percent or more for football guarantees. It was noted by management that the increase from the prior year is attributed to large guarantees in the current year from the University of Akron's three non-conference games against Syracuse University, the University of Wisconsin, and Army.

3) Contributions

Procedure: We compared the revenue account to prior period amounts and budget estimates. We obtained and documented an understanding of any significant variations exceeding 10 percent or more. We obtained supporting documentation for each contribution of monies, goods, or services received directly by an intercollegiate athletics program for any affiliated or outside organization, agency, or group of individuals that constitute 10 percent or more of all contributions received for intercollegiate athletics during the reporting periods. We disclosed the source and dollar value of these contributions in the report. We compared and agreed the revenue category reported in the statement during the reporting period to supporting schedules provided by the University. We compared and agreed a sample of three revenue receipts obtained from the above revenue supporting schedules to supporting documentation. We compared the revenue account to prior period amounts and budget estimates. We obtained and documented any significant variations exceeding 10 percent or more.

Result: We compared each major contribution revenue account to prior period amounts and budget estimates. We obtained supporting documentation for any significant variations (over 10 percent). We obtained and documented a significant variation from the prior year exceeding 10 percent or more for football contributions. It was noted by management that the decrease from the prior year is attributed to large individual contributions in the prior year to be used for summer school athletic scholarships. We agreed the amount to supporting documentation, including the copies of the checks, for contributions comprising greater than 10 percent of the total annual contributions received by the program from outside organizations, agency, or group of individuals. We noted one contribution which met this criteria was attributable to a donation from the University of Akron Foundation. We obtained a summary of significant additions and noted that there were no significant additions to restricted funds or endowment and plant funds related to intercollegiate athletics. We compared and agreed revenue receipts to bank deposit slips.

4) Other

Procedure: We will agree a sample of three operating revenue receipts obtained from the above operating revenue supporting schedules to supporting documentation. We compared the revenue account to prior period amounts and budget estimates. We obtained and documented an understanding of any significant variations exceeding 10 percent or more.

Result: We compared three operating revenue receipts obtained from the above operating revenues to supporting schedules and documentation. We compared each major contribution revenue account to prior period amounts and budget estimates. We obtained supporting documentation for any significant variations (over 10 percent). We obtained and documented a significant variation from the prior year exceeding 10 percent or more for student fees, direct institutional support, and other revenue. It was noted by management that the increase in student fees was a result of increased enrollment as well as an increase in the number of credit hours taken which is used to calculate student fees. The decrease in direct institutional support was due to Athletics having a deficit in the prior year and in need of University direct support. The decrease in other revenue was due to less facilities rentals as well as less transferred from sports camps.

Expenditures

E. **Expenditure Procedures:**

1) Athletic Student Aid

Procedure: We selected a sample of 25 students from the listing of University student aid recipients during the reporting period. We obtained individual student account detail for each selection and compared total aid allocated from the related aid award letter to the student's account and recalculated totals. We compared and agreed the expense category reported in the statement during the reporting period to supporting schedules provided by the University. We compared and agreed a sample of three expenses obtained from the above expense supporting schedules to supporting documentation. We compared and agreed the expense account to prior period amounts and budget estimates. We obtained and documented any significant variations exceeding 10 percent or more.

Result: We obtained individual student account detail for each selection and compared total aid allocated from the related aid award letter to the student's account and recalculated totals. We compared and agreed the expense category reported in the statement during the reporting period to the supporting schedule provided by the University. We compared and agreed revenue receipts to bank deposit slips. We compared the revenue account to prior period amounts and budget estimates. We obtained and documented a significant variation from budget estimates exceeding 10 percent or more for basketball, track, and swimming athletic student aid. It was noted by management that the decrease from budget estimates to actual expenses was attributed to a decrease in the number of athletes that are from out of state.

2) Coaching Salaries, Benefits, and Bonuses Paid by the University and Related Entities

Procedure: We obtained a listing of coaches employed by the University and related entities during the reporting period. We selected a sample of 10 coaches' contracts that included football, and men's and women's basketball from the above listing. We compared and agreed the financial terms and conditions of each selection to the related coaching salaries, benefits, and bonuses recorded by the University and related entities in the statement during the reporting period. We obtained and inspected W-2s, 1099s, etc. for each selection. We compared and agreed related W-2s, 1099s, etc. to the related coaching salaries, benefits, and bonuses paid by the University and related entities expense recorded by the University in the statement during the reporting period, and recalculated totals. We compared and agreed the expense category reported in the statement during the reporting period to supporting schedules provided by the University. We compared and agreed a sample of three expenses obtained from the above expense supporting schedules to supporting documentation. We compared and agreed the expense account to prior period amounts and budget estimates. We obtained and documented any significant variations exceeding 10 percent or more.

Result: We selected a sample of 10 contracts which included the head football coach, head men's basketball coach, and the head women's basketball coach. We compared and agreed the financial terms and conditions of each selection to the related coaching salaries, benefits, and bonuses recorded by the University and related entities in the statement during the reporting period. We obtained and inspected W-2s for each selection. We compared and agreed the related W-2s to the related coaching salaries, benefits, and bonuses paid by the University and the related expense recorded by the University in the statement during the reporting period, and recalculated totals. We compared and agreed the expense category reported in the statement during the reporting period to supporting schedules provided by the University. We compared and agreed revenue receipts to bank deposit slips. We compared the revenue account to prior period amounts and budget estimates and obtained and documented any significant variations exceeding 10 percent or more. We obtained and documented a significant variation from the prior year exceeding 10 percent or more for coaching salaries for football, men's basketball, and other sports. It was noted by management that the coaching salaries for football increased because they were compared to other MAC schools and increased to be comparable. This was also the case for men's basketball coaching salaries, but there was also an increase due to bonuses for making the NCAA tournament. The increase in coaching salaries for other sports was due to Title IX where increased funds were distributed to other sports for enhanced gender equity.

3) Team Travel

Procedure: We obtained the University's team travel policies. We compared and agreed to existing institutional- and NCAA-related policies. We compared and agreed the expense category reported in the statement during the reporting period to supporting schedules provided by the University. We compared and agreed a sample of three expenses obtained from the above expense supporting schedules to supporting documentation. We compared and agreed the expense account to prior period amounts and budget estimates. We obtained and documented any significant variations exceeding 10 percent or more.

Result: We obtained the University's team travel policies. We compared and agreed to existing institutional- and NCAA-related policies. We compared and agreed the expense category reported in the statement during the reporting period to supporting schedules provided by the University. We compared and agreed revenue receipts to bank deposit slips. We compared the revenue account to prior period amounts and budget estimates. We obtained and documented any significant variations exceeding 10 percent or more. We obtained and documented a significant variation from the prior year exceeding 10 percent or more for football team travel. It was noted by management that the increase from the prior year is attributed to having three charter air flights in the current year compared to only one charter air flight in the prior year.

4) Other

Procedure: We will agree a sample of three operating expense disbursements obtained from the above operating expense supporting schedules to supporting documentation.

Result: We compared three operating expense disbursements obtained from the above operating expenses to supporting schedules and documentation.

Affiliated and Outside Organizations

F. **Procedure:** We inquired of management as to whether it has identified any affiliated and outside organizations that meet any of the following criteria:

1) Booster organizations established by or on behalf of an intercollegiate athletics program

2) Independent or affiliated foundations or other organizations that have as a principal purpose, generating or maintaining of grants-in-aid or scholarships funds, gifts, endowments or other monies, goods, or services to be used entirely or in part by the intercollegiate athletics program

3) Alumni organizations that have as one of their principal purposes the generating of monies, goods, or services for or on behalf of an intercollegiate athletics program and that contribute monies, goods, or services directly to an intercollegiate athletics program, booster group, or independent or affiliated foundation as previously noted

We obtained documentation on the University's practices and procedures for monitoring the internal controls in place and financial activities of these organizations. We tested the procedures for gathering information on the nature and extent of affiliated and outside organization activity for or on behalf of the University's intercollegiate athletics program.

Result: We inquired of management as to whether it had identified any affiliated or outside organizations that meet the above criteria, which included the Zip Athletic Club and the Varsity "A" Association. We obtained documentation on the University's practices and procedures for monitoring the internal controls in place and financial activities of these organizations. We compared the outside organizations identified to the activities recorded in the University's financial statements and to the intercollegiate athletics program statement of revenues and expenditures. The University of Akron Foundation confirmed that the financial activities of the affiliated and outside organizations listed below were recorded on the books of the University of Akron Foundation and are not included in either the statement of revenues and expenditures for intercollegiate athletics programs or the books of the University.

Dr. Luis M. Proenza
President
The University of Akron

Organization	Beginning Cash Balance	Cash Receipts	Contributions to or on behalf of Program	Other	Ending Cash Balance
Zip Athletic Club	$ 407,799	$ 410,338	$ (367,177)	$ -	$ 450,960
Varsity "A" Association	77,725	25,851	(11,650)	(14,450)	77,476
Total All Funds	$ 485,524	$ 436,189	$ (378,827)	$ (14,450)	$ 528,436

G. **Procedure:** For expenses on or on behalf of intercollegiate athletic programs by affiliated and outside organizations not under the University's accounting control, we obtained those organizations' financial statements for the reporting period. We agreed the amounts reported to the organizations' general ledgers or confirmed the revenue and expenses directly with the responsible officials of the organizations. We obtained a summary of revenue and expenses for or on behalf of the organizations and have included it with this report. We obtained and reviewed audited financial statements of the organizations and any additional reports regarding internal controls and any corrective action taken in response to comments concerning the control environment that were provided to us by management. We performed the following supplemental procedures:

1) We compared and agreed a sample of three operating revenue categories reported in each organization's statement during the reporting period to supporting schedules provided by the organization.

2) We compared and agreed a sample of three operating revenue receipts obtained from the above operating revenue schedule to supporting documentation.

3) We compared and agreed each operating expense category reported in the organization's statement during the reporting period to supporting schedules provided by the organization.

4) We compared and agreed a sample of three operating expenses obtained from the above operating expense supporting schedules to supporting documentation.

5) We directly confirmed cash balances recorded at the end of the reporting period by each organization and compared to the related year-end bank reconciliation(s).

6) We obtained and inspected minutes of the organizations' governing bodies during the reporting period and select a sample of three financial transactions discussed in the minutes.

7) We selected a sample of three financial transactions discussed in the minutes and compared and agreed each selection to the organizations' accounting records, as applicable.

Dr. Luis M. Proenza
President
The University of Akron

8) We obtained the documented internal controls in place surrounding revenues and expenses related to each organization.

Result: We inquired of management as to whether it had identified any affiliated or outside organizations that are not under the University's accounting control. They identified no affiliated or outside organizations not under the University's accounting control.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on the accompanying intercollegiate athletics program statement of revenues and expenditures. Accordingly, we do not express such an opinion. If we had performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of The University of Akron's management and the National Collegiate Athletics Association and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

November 9, 2009

The University of Akron
National Collegiate Athletics Association Report

Intercollegiate Athletics Program Statement of Revenues and Expenditures
Year Ended June 30, 2009

	Men's Football	Men's Basketball	Women's Basketball	Other Sports	Non-Program Specific	Total
Operating Revenues						
Ticket Sales	$ 293,224	$ 285,324	$ 8,591	$ 41,834	$ 37,556	$ 666,529
Student Fees	-	-	-	-	15,624,017	15,624,017
Guarantees	1,150,000	36,808	400	7,000	-	1,194,208
Contributions	81,279	61,311	8,996	73,190	313,673	538,449
Direct State or Other Governmental Support	1,402	-	-	-	17,377	18,779
NCAA/Conference Distributions Including All Tournament Revenues	-	5,000	-	-	949,340	954,340
Program Sales, Concessions, Novelty Sales, and Parking	-	-	-	-	197,125	197,125
Royalties, Advertisements, and Sponsorships	-	-	-	-	447,732	447,732
Sports Camp Revenues	55,220	62,355	17,943	216,927	21,188	373,633
Endowment and Investment Income	29,389	28,212	3,024	40,378	128,474	229,477
Other	22,266	21,682	530	78,056	303,475	426,009
Total operating revenues	1,632,780	500,692	39,484	457,385	18,039,957	20,670,298
Operating Expenditures						
Athletic Student Aid	2,189,542	350,597	308,027	2,458,766	194,792	5,501,724
Guarantees	150,000	167,500	3,000	15,000	130,000	465,500
Coaching Salaries, etc. (by Institution)	1,108,629	688,830	326,211	1,915,084	-	4,038,754
Support Staff/Administrative Salaries, Benefits, and Bonuses Paid by the University and Related Entities	211,742	70,738	74,249	65,144	2,948,002	3,369,875
Recruiting	187,845	72,117	74,354	209,337	112,084	655,737
Team Travel	418,547	182,062	86,725	660,792	78,177	1,426,303
Equipment, Uniforms, and Supplies	288,836	53,276	63,977	388,679	572,867	1,367,635
Game Expenses	163,696	129,052	56,371	88,105	1,218	438,442
Fund-raising, Marketing, and Promotion	17,110	3,455	1,931	2,510	143,750	168,756
Sports Camp Expenses	19,027	23,269	14,196	122,823	20,200	199,515
Direct Facilities, Maintenance, and Rental	26,267	11,417	6,161	49,393	187,980	281,218
Spirit Groups	-	-	-	-	64,241	64,241
Medical Expenses and Medical Insurance	-	1,453	300	1,905	197,369	201,027
Memberships and Dues	1,020	3,250	-	3,560	123,469	131,299
Other Operating Expenses	283,127	150,310	112,961	229,023	1,038,666	1,814,087
Total operating expenditures	5,065,388	1,907,326	1,128,463	6,210,121	5,812,815	20,124,113
Excess of Revenues Over (Under) Expenditures	**$ (3,432,608)**	**$ (1,406,634)**	**$ (1,088,979)**	**$ (5,752,736)**	**$ 12,227,142**	**$ 546,185**

Note 1 - Contributions

Individual contributions of monies, goods, or services received directly by The University of Akron's (the "University") intercollegiate athletics program from any affiliated or outside organization, agency, or individuals (e.g., contributions by corporate sponsors) that constitute 10 percent or more of all contributions received for intercollegiate athletics during the year ended June 30, 2009 are as follows:

Source of Funds, Goods, and Services	Value
The University of Akron Foundation	$ 43,423

Note 2 - Intercollegiate Athletics-related Assets

Property and equipment greater than $5,000 are recorded at cost or, if donated, the fair value at the time of donation. Expenditures for maintenance and repairs are charged to current expenditures as incurred. Depreciation is computed using the straight-line method, half-year convention, over the estimated useful life of the asset. No depreciation is recorded on land. Expenditures for major renewals and betterments that extend the useful lives of the assets are capitalized. Estimated useful lives range from 5-40 years, depending on classification.

The current year capitalized additions and deletions to facilities during the year ended June 30, 2009 are as follows:

	Current Year Additions	Current Year Deletions
Football athletics facilities	$ -	$ -
Basketball athletics facilities	-	-
Other athletics facilities	-	-
Total athletics facilities	$ -	$ -
Other institutional facilities	$ 3,663,163	$ -

Note 2 - Intercollegiate Athletics-related Assets (Continued)

The total estimated book values of property, plant, and equipment, net of depreciation, of the University as of the year ended June 30, 2009 are as follows:

	Estimated Book Value
Athletics - Related property, plant, and equipment balance	$ 53,590,618
University's total property, plant, and equipment balance	$ 621,530,206

Note 3 - Intercollegiate Athletics-related Debt

The annual debt service and debt outstanding for the University as of the year ended June 30, 2009 are as follows:

	Annual Debt Service	Debt Outstanding
Athletics - Related facilities	$ 766,585	$ 12,825,464
University's total	$ 6,884,476	$ 434,782,571

The repayment schedule for all outstanding intercollegiate athletics debt maintained by the University as of June 30, 2009 is as follows:

2010	$ 220,515
2011	245,412
2012	266,753
2013	291,650
2014	316,546
Thereafter	11,484,588
Total	$ 12,825,464

Mary Taylor, CPA
Auditor of State

UNIVERSITY OF AKRON

SUMMIT COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
JANUARY 5, 2010

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