Financial Statements and Report of Independent Certified Public Accountants

The University of Cincinnati Foundation

June 30, 2011 and 2010

Grant Thornton LLP
U.S. member firm of Grant Thornton International Ltd

Dave Yost • Auditor of State

Board of Trustees
The University of Cincinnati Foundation
University Hall
51 Goodman Drive, Suite 100
Cincinnati, Ohio 45221

We have reviewed the *Report Independent Certified Public Accountants* of The University of Cincinnati Foundation, Hamilton County, prepared by Grant Thornton LLP, for the audit period July 1, 2010 through June 30, 2011. 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 Cincinnati Foundation is responsible for compliance with these laws and regulations.

Dave Yost

Dave Yost
Auditor of State

November 28, 2011

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Report of Independent Certified Public Accountants

The Board of Trustees
The University of Cincinnati Foundation

We have audited the accompanying statements of financial position of The University of Cincinnati Foundation (a nonprofit organization) (the "Foundation") as of June 30, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The University of Cincinnati Foundation as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2011 on our consideration of the Foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's 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 audits.

Grant Thornton LLP

Cincinnati, Ohio
October 10, 2011

THE UNIVERSITY OF CINCINNATI FOUNDATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2011 and 2010

	2011	2010
ASSETS		
Cash and cash equivalents	$ 2,256,535	$ 6,077,099
Due from University of Cincinnati	1,147,063	1,029,330
Accrued interest receivable	673,617	776,829
Stock proceeds receivable	4,092	40,624
Prepaid expenses	267,973	136,207
Pledges receivable, net of allowance	52,451,737	64,414,770
Trusts held by others	8,249,515	6,722,470
Cash surrender value of life insurance policies	1,189,553	935,300
Other	5,811	23,651
Investments:		
Cash equivalents	2,625,235	5,685,445
Mutual funds	18,115,088	13,498,590
Common stocks and exchange traded funds	10,431,096	9,210,016
U.S. Government and agency obligations	2,518,785	2,271,053
Corporate bonds	9,967,419	6,143,320
University pooled investments	212,474,420	172,876,158
Total investments	256,132,043	209,684,582
Property and equipment:		
Leasehold improvements, net of accumulated amortization of $798,283 in 2011 and $705,989 in 2010	543,674	659,943
Equipment and automobile, net of accumulated depreciation of $1,802,777 in 2011 and $1,801,468 in 2010	349,674	387,394
	$ 323,271,287	$ 290,888,199
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 325,417	$ 330,947
Accrued liabilities	316,544	186,879
Accrued compensated absences	589,986	528,818
Agency payable	1,666,677	1,254,197
Refundable deposits	1,550,576	562,304
Accrued interest income due to investment pool	219,859	417,475
Present value of annuities payable	7,442,583	6,394,132
TOTAL LIABILITIES	12,111,642	9,674,752
NET ASSETS		
Unrestricted	(18,009,905)	(27,497,267)
Temporarily restricted	89,451,430	83,608,498
Permanently restricted	239,718,120	225,102,216
TOTAL NET ASSETS	311,159,645	281,213,447
	$ 323,271,287	$ 290,888,199

The accompanying notes are an integral part of these financial statements.

THE UNIVERSITY OF CINCINNATI FOUNDATION

STATEMENT OF ACTIVITIES

Year ended June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and other additions:				
Contributions:				
University	$ 554,578	$ 22,707,530	$ 13,300,154	$ 36,562,262
Foundation	-	16,684	-	16,684
University fee	1,074,611	-	-	1,074,611
Assessment fee	12,255,892	-	-	12,255,892
Change in value of split interest agreements	53,189	583,321	943,752	1,580,262
Other income	875	611,066	232,935	844,876
Investment income:				
Dividend and interest income	520,570	8,927,169	46,417	9,494,156
Net unrealized and realized gains	8,761,938	18,342,226	-	27,104,164
Reclassification of contributions pursuant to donor stipulation	1,719,374	(2,051,707)	332,333	-
Net assets released from restrictions - satisfaction of donor restrictions	42,584,877	(42,584,877)	-	-
Total revenues and other additions	67,525,904	6,551,412	14,855,591	88,932,907
Expenses and other deductions:				
Distributions to or for the University of Cincinnati	37,098,165	-	-	37,098,165
Operating expenses	17,059,253	-	-	17,059,253
Assessment fee	3,881,124	-	-	3,881,124
Total expenses	58,038,542	-	-	58,038,542
Change in present value of annuities payable	-	708,480	239,687	948,167
Total expenses and other deductions	58,038,542	708,480	239,687	58,986,709
Change in net assets	9,487,362	5,842,932	14,615,904	29,946,198
Net assets at beginning of year	(27,497,267)	83,608,498	225,102,216	281,213,447
Net assets at end of year	$ (18,009,905)	$ 89,451,430	$ 239,718,120	$ 311,159,645

The accompanying notes are an integral part of this financial statement.

THE UNIVERSITY OF CINCINNATI FOUNDATION

STATEMENT OF ACTIVITIES

Year ended June 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and other additions:				
Contributions:				
University	$ 755,080	$ 38,376,771	$ 8,271,105	$ 47,402,956
Foundation	-	26,713	-	26,713
University fee	852,483	-	-	852,483
Assessment fee	11,801,669	-	-	11,801,669
Change in value of split interest agreements	11,542	394,427	337,740	743,709
Other income	827	1,712,660	67,375	1,780,862
Investment income:				
Dividend and interest income	690,017	8,625,431	83,246	9,398,694
Net unrealized and realized gains	1,673,045	10,765,901	-	12,438,946
Reclassification of contributions pursuant to donor stipulation	453,982	(1,827,815)	1,373,833	-
Net assets released from restrictions - satisfaction of donor restrictions	50,130,367	(50,130,367)	-	-
Total revenues and other additions	66,369,012	7,943,721	10,133,299	84,446,032
Expenses and other deductions:				
Distributions to or for the University of Cincinnati	46,304,384	-	-	46,304,384
Operating expenses	14,595,233	-	-	14,595,233
Assessment fee	3,356,470	-	-	3,356,470
Total expenses	64,256,087	-	-	64,256,087
Change in present value of annuities payable	-	581,431	168,656	750,087
Total expenses and other deductions	64,256,087	581,431	168,656	65,006,174
Change in net assets	2,112,925	7,362,290	9,964,643	19,439,858
Net assets at beginning of year	(29,610,192)	76,246,208	215,137,573	261,773,589
Net assets at end of year	$ (27,497,267)	$ 83,608,498	$ 225,102,216	$ 281,213,447

The accompanying notes are an integral part of this financial statement.

THE UNIVERSITY OF CINCINNATI FOUNDATION

STATEMENTS OF CASH FLOWS

Years ended June 30, 2011 and 2010

	2011	2010
Operating activities:		
Payments to or for the University of Cincinnati	$ (37,038,988)	$ (46,599,980)
University fees, assessment fees and other	10,062,596	11,150,999
Cash paid for compensation	(9,637,351)	(9,443,061)
Cash received for gifts	23,447,950	32,594,577
Investment income available for distribution	8,762,511	8,889,683
Cash paid for operating expenses	(3,747,018)	(3,668,614)
Net cash used in operating activities	(8,150,300)	(7,076,396)
Investing activities:		
Proceeds from sale of investments	36,626,993	25,625,008
Purchase of investments	(54,390,029)	(27,772,365)
Purchase of property and equipment	(97,367)	(135,434)
Net cash used in investing activities	(17,860,403)	(2,282,791)
Financing activities:		
Proceeds from contributions to endowment and similar funds	21,355,281	8,295,535
Investment income restricted for reinvestment	834,858	735,197
Net cash provided by financing activities	22,190,139	9,030,732
Net decrease in cash and cash equivalents	(3,820,564)	(328,455)
Cash and cash equivalents, beginning of year	6,077,099	6,405,554
Cash and cash equivalents, end of year	$ 2,256,535	$ 6,077,099
Reconciliation of change in net assets to net cash used in operating activities:		
Increase in net assets	$ 29,946,198	$ 19,439,858
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Provision for losses on pledges receivable	3,222,414	1,172,929
Depreciation and amortization	251,357	247,468
(Increase) decrease in due from University of Cincinnati	(117,733)	54,314
Decrease in accrued interest receivable	103,212	226,186
Decrease (increase) in stock proceeds receivable	36,532	(36,587)
(Increase) decrease in prepaid expenses	(131,766)	10,226
Decrease (increase) in pledges receivable	7,213,574	(5,544,147)
Increase in cash surrender value of life insurance policies	(254,253)	(87,702)
Decrease in other assets	17,840	7,915
Decrease in accounts payable	(5,530)	(144,001)
Increase in accrued liabilities	129,665	103,235
Increase in accrued compensated absences	61,168	65,224
Increase (decrease) in agency payable	412,480	(736,057)
Increase in refundable deposits	988,272	39,376
Decrease in accrued interest income due to investment pool	(197,616)	(232,463)
Increase in present value of annuities payable	1,048,451	551,217
Contributions to endowment and similar funds	(21,355,281)	(8,295,535)
Change in value of split interest agreements	(1,580,262)	(743,709)
Investment income restricted for reinvestment	(834,858)	(735,197)
Net gain on investments	(27,104,164)	(12,438,946)
Net cash used in operating activities	$ (8,150,300)	$ (7,076,396)

The accompanying notes are an integral part of these financial statements.

NOTE A – DESCRIPTION OF ORGANIZATION

The University of Cincinnati Foundation (the Foundation) is a not-for-profit organization that operates exclusively for the benefit of the University of Cincinnati (the University). Its principal function is to solicit, receive, hold, invest and administer funds and to make distributions to or for the benefit of the University.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Presentation

The financial statements of the Foundation are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP). Balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Resources for various purposes are classified into net assets classes that are in accordance with activities or objectives specified by donors.

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time.

Permanently restricted – Net assets subject to donor-imposed stipulations that must be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors or by the change of restrictions specified by the donors. In 2011, the Foundation released approximately $42,585,000 in restricted assets ($4,245,000 for operations, maintenance, plant, $15,024,000 for college programs, $3,858,000 for instruction, $4,996,000 for auxiliary, $6,121,000 for scholarship, $2,238,000 for academic support, and $6,103,000 for other). In 2010, the Foundation released approximately $50,130,000 in restricted assets ($5,278,000 for operations, maintenance, plant, $20,900,000 for college programs, $3,970,000 for instruction, $5,605,000 for auxiliary, $5,761,000 for scholarship, $2,708,000 for academic support, and $5,908,000 for other).

Contributions received by the Foundation for the benefit of the University are classified as University contributions on the Statements of Activities. Revenues from sources other than contributions are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Contributions are reported as increases in the appropriate category of net assets. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions recognized on net assets (i.e., the donor-imposed purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as released from restriction from temporarily restricted net assets to unrestricted net assets. The Foundation recognizes temporarily restricted contributions and investment income in which donor-imposed restrictions are met within the same period as temporarily restricted net assets and then

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. Basis of Presentation (continued)

reclassifies the revenue to unrestricted net assets through net assets released from restriction on the accompanying Statements of Activities. If a donor requests a change in purpose or time period for use of funds, the change is recorded as a reclassification of contributions pursuant to donor stipulation on the Statements of Activities. Temporary restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are acquired or placed in service.

Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. Contributions to be received after one year are discounted at a rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue and used in accordance with donor-imposed restrictions, if any, on the contributions.

Allowance is made for uncollectible contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience and other relevant factors. Unconditional promises to give of $10,000 or more, and more than one year old, are evaluated annually for collectability. An appropriate reserve for each pledge is established based on the evaluation. Pledges of this size are not written off without senior management approval. Unconditional promises to give of less than $10,000, expected to be satisfied by multiple payments, are generally completely reserved once twelve months have elapsed from receipt of the last pledge payment. These pledges are written off once the development officer assigned to the donor believes that further collection efforts will not be successful. Finally, unconditional promises to give arising from Telefund and other annual giving programs are generally written off to bad debt expense once the donor has failed to respond to eleven consecutive monthly pledge reminders.

Contributions in the form of charitable gift annuities are recognized as revenue at fair value when received, and an annuity payment liability is recognized at the present value of future cash flows expected to be paid to the donors. Payments made to donors reduce the annuity liability. Adjustments to the annuity liability to reflect changes in the life expectancy of the donor are recognized in the Statements of Activities as a change in present value of annuities payable.

2. Cash Equivalents

Cash equivalents consist principally of overnight funds, money market securities and certificates of deposit. As of June 30, 2011 and 2010, approximately $1,794,000 and $11,627,000 respectively, of cash and cash equivalents are in excess of federally insured limits. The overnight funds are collateralized by U.S. government backed securities. Cash equivalents are carried at amortized cost, and mature in 90 days or less.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Investment Securities

The Foundation's investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

4. Property and Equipment

Property and equipment are recorded at cost (or fair market value in the case of a gift) less accumulated depreciation and amortization. The estimated useful lives are principally four years for automobile and computer equipment, five years for office equipment, and ten years for software. All assets are depreciated/amortized using the straight-line method over the estimated useful lives of the assets.

5. Agency Transactions

The Foundation has received funds whereby the Foundation is named as the trustee of the related assets. The gift arrangements direct the Foundation to distribute portions of the related assets to other charitable organizations when restrictions are met. A portion of the assets will benefit the Foundation. The amount of assets that are due to other third party organizations is recorded as a payable of approximately $1,667,000 and $1,254,000 at June 30, 2011 and 2010, respectively.

6. Income Taxes

The Foundation is a not-for-profit organization as defined under Section 501(c)(3) of the Internal Revenue Code and, as such, is exempt from federal income taxes.

The Foundation adopted the provisions of FASB Accounting Standards Codification ("ASC") 740, *Income Taxes*, on July 1, 2009, as it relates to uncertain tax positions. Adoption of ASC 740 had no effect on the accompanying financial statements. The Foundation evaluates its uncertain tax positions as to whether it is more likely than not a tax position could be sustained in the event of an audit by the applicable taxing authority. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements, and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. Open tax years for the Foundation include 2011, 2010 and 2009.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of contributions, revenues, gains, and expenses during the reporting period. Actual results could differ from those estimates.

8. Risks and Uncertainties

The Foundation holds a variety of investments, the underlying securities of which are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the value of investment securities would occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

9. Fair Value Measurements

Fair value is generally determined based on quoted market prices in active markets for identical assets or liabilities. If quoted market prices are not available, the Foundation uses valuation techniques that place greater reliance on observable inputs and less reliance on unobservable inputs. In measuring fair value, the Foundation may make adjustments for risks and uncertainties, if a market participant would include such an adjustment in its pricing.

10. Reclassifications

Certain amounts in the 2010 financial statements have been reclassified to conform with the 2011 presentation.

NOTE C – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30 are restricted for the following purposes:

	2011	2010
Capital projects	$ 10,131,524	$ 13,370,042
College programs	25,979,977	23,464,253
Instruction	8,546,466	5,735,922
Scholarships	18,778,176	15,797,644
Academic support	4,500,114	4,473,384
Auxiliary	4,331,847	5,464,557
Research	7,026,575	8,789,824
Annuity and life income funds	4,764,068	3,123,335
Other	5,392,683	3,389,537
Total temporarily restricted net assets	$ 89,451,430	$ 83,608,498

NOTE C – TEMPORARILY RESTRICTED NET ASSETS (continued)

Endowment funds included in temporarily restricted net assets are $55,514,218 and $43,865,915 as of June 30, 2011 and 2010, respectively.

NOTE D – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets as of June 30 are restricted for the following purposes:

	2011	2010
College programs	$ 113,243,104	$ 105,640,862
Instruction	24,055,087	24,494,355
Scholarships	46,739,577	43,250,900
Academic support	30,674,343	27,673,121
Auxiliary	7,683,415	7,116,752
Research	11,486,646	11,585,896
Annuity and life income funds	1,942,904	1,456,552
Other	3,893,044	3,883,778
Total permanently restricted net assets	$ 239,718,120	$ 225,102,216

Endowment funds included in permanently restricted net assets are $206,682,483 and $186,132,303 as of June 30, 2011 and 2010, respectively.

NOTE E – PLEDGES RECEIVABLE

Contributors to the Foundation have made unconditional pledges totaling approximately $68,041,000 and $82,920,000 as of June 30, 2011 and 2010, respectively. For payments that extend beyond one year, these pledges receivable have been discounted at rates ranging from 1.8% to 6.0% to a net present value of approximately $54,758,000 and $67,082,000 as of June 30, 2011 and 2010, respectively. As of June 30, the unpaid pledges are due as follows:

	2011	2010
Less than one year	$ 19,839,663	$ 27,017,704
One to five years	18,013,374	20,767,952
More than five years	16,904,700	19,296,114
	54,757,737	67,081,770
Less allowance for uncollectible pledges	(2,306,000)	(2,667,000)
	$ 52,451,737	$ 64,414,770

Amounts due from irrevocable bequests, which are unconditional promises to give, as of June 30, 2011 and 2010 of approximately $14,409,000 and $15,426,000, respectively, are included in the total amount of unconditional pledges due in more than five years.

NOTE E – PLEDGES RECEIVABLE (continued)

Twenty donors currently have outstanding conditional pledges to the Foundation. As of June 30, 2011, the conditions were not substantially met, therefore, the net present value of the pledges is not included in the carrying amount of pledges receivable. The net present value of the conditional pledges approximated $10,563,000 as of June 30, 2011. There were eighteen donors with outstanding conditional pledges as of June 30, 2010. The net present value of the conditional pledges at June 30, 2010 was approximately $12,276,000.

NOTE F – INVESTMENTS

In July 2002, the Foundation combined its pooled investment securities with the investment pool of the University. This action was taken to maximize investment diversification and realize economies of scale with respect to costs of managing the investments. The Foundation continues to serve as trustee for these assets. The Foundation maintains individual records of each fund included in the transfer of assets to the investment pool of the University. Each fund subscribes to, or disposes of, units in the pool at the unit market value at the end of each quarter. Income is allocated to each fund in the pool based on units of participation. As of June 30, 2011 and 2010, the University is holding approximately $831,000 and $1,740,000, respectively, that is to be invested in the University investment pool. These amounts are recorded as cash equivalents in the Statements of Financial Position.

The Foundation also manages other investments, which amounted to approximately $42,826,000 and $35,069,000 as of June 30, 2011 and 2010, respectively. These funds represent separately invested endowments, temporary cash investments, and split-interest trusts where the Foundation is the remainderman.

The following presents investments held by the Foundation as of June 30, 2011 and 2010:

	2011 Market Value	2011 Cost	2010 Market Value	2010 Cost
Cash equivalents	$ 2,625,235	$ 2,625,235	$ 5,685,445	$ 5,685,445
U.S. Government and agency obligations	2,518,785	2,457,561	2,271,053	2,168,994
Corporate bonds	9,967,419	9,927,686	6,143,320	5,957,913
Mutual funds	18,115,088	16,784,056	13,498,590	14,453,904
Common stocks and exchange traded funds	10,431,096	8,911,311	9,210,016	9,344,248
University pooled investments	212,474,420	234,062,720	172,876,158	217,050,287
Total	$ 256,132,043	$ 274,768,569	$ 209,684,582	$ 254,660,791

NOTE F – INVESTMENTS (continued)

The number of units in the University investment pool owned by the Foundation totaled 2,534,507 and 2,235,849, which represents 29% and 27% share of the University investment pool, as of June 30, 2011 and 2010, respectively. The University pool holds primarily common stock, mutual funds, and corporate and government fixed income obligations, which are stated at fair value as determined by market prices. In addition, the pool invests in loans to certain not-for-profit entities for the purpose of developing residential and commercial facilities near the University's main campus. These loans are secured by mortgages, some of which are subordinated to external financing arrangements, on parcels of land purchased by these not-for-profit entities for development. Certain investments in the University investment pool are stated at fair value, as provided by the investment managers. Audited financial statements of the underlying investments in the University investment pool as of June 30, 2011 and 2010, are used as a basis for fair value when available. When not available, the fair value is based upon financial information as of an interim date, adjusted for cash receipts, cash disbursements and other distributions made through June 30, 2011 and 2010. The Foundation believes that the carrying value of these investments is a reasonable estimate of fair value at June 30, 2011 and 2010. Certain underlying investments in the University investment pool are not readily marketable; therefore, the estimated values of these investments are subject to certain risks. As a result, the fair value of the University pooled investments could differ from the value that may have been determined had a market for certain investments in the University investment pool existed.

The underlying investments that comprise the University investment pool as of June 30, 2011 and 2010 are as follows:

	2011	2010
U.S. equity securities	24%	25%
International equity securities	19	17
Fixed income securities	27	29
Private equity capital	11	10
Hedge funds	6	6
Real estate and community development	13	13
Total	100%	100%

NOTE G – ENDOWMENT FUNDS

Endowment assets are invested in a manner consistent with statutory fiduciary responsibilities and policies adopted by the Foundation's Board of Trustees. The primary objective is to produce long-term real growth in assets, net of administrative and investment fees, by generating a total endowment rate of return which is greater than the spending rate plus the Consumer Price Index. Strategies to achieve the primary objective at a prudent level of risk include: (a) diversification of assets among various classes; (b) diversification of investment styles within asset class: and (c) ongoing review of investment manager performance with respect to rate of return, adherence to investment style and compliance with investment guidelines.

NOTE G – ENDOWMENT FUNDS (continued)

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) was passed into law by the State of Ohio in December 2008 with an effective date of June 1, 2009 and adopted by the Foundation as of June 30, 2009.

The Foundation's endowment pool and separately invested endowment funds include donor restricted endowment funds, funds designated by the Board of Trustees for reinvestment in the endowment funds, and investment income on the endowment funds that have been appropriated for expenditure. As required by US GAAP, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the absence or existence of donor imposed restrictions.

The Board of Trustees has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with the Foundation's interpretation of UPMIFA, investment income and appreciation/depreciation earned on investments held in the permanently restricted endowment funds are credited to either unrestricted or temporarily restricted net assets, unless otherwise stipulated by the donor. Financial assets are to be invested in a manner consistent with statutory fiduciary responsibilities and policies adopted by the Foundation's Board of Trustees.

There are approximately 840 and 810 endowment funds, at June 30, 2011 and 2010, respectively. As of June 30, 2011 and 2010, the fair value of these funds collectively was $26,027,898 and $34,604,178 less than the original gift amounts, respectively. Of that amount, as of June 30, 2011 and 2010, approximately $24,729,490 and $33,181,589, respectively, relates to donor restricted gifts, and the remainder relates to board designated gifts also held in the endowment pool or invested separately.

The Foundation has adopted a spending rate policy that limits the distribution of endowment income. The spending rate is 5% of the moving average market value for the twelve-quarter period ended each December. Earnings above the spend rate limit are reinvested in the endowment fund for the purposes of promoting endowment fund growth. During 2011 and 2010, income earned in the investment pool was less than the amount allocated for expenditure by approximately $7,632,000 and $8,232,000, respectively. This shortfall was funded by cumulative capital gains in the investment pool for the years ended June 30, 2011 and 2010.

NOTE G – ENDOWMENT FUNDS (continued)

The endowment net asset composition by type of fund as of June 30, 2011, was as follows:

	2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ 2,723,829	$ 55,514,218	$ 206,682,483	$ 264,920,530
Board designated endowment funds	(24,634,655)	-	-	(24,634,655)
Total	$ (21,910,826)	$ 55,514,218	$ 206,682,483	$ 240,285,875

The change in endowment fund net assets for the year ended June 30, 2011, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ (30,985,047)	$ 43,865,915	$ 186,132,303	$ 199,013,171
Investment return:				
Investment income	520,570	8,694,937	20,254	9,235,761
Net realized/unrealized gain	8,931,164	10,147,889	-	19,079,053
Total investment return	9,451,734	18,842,826	20,254	28,314,814
Contributions and other transfers	150,000	2,457,560	18,897,721	21,505,281
Appropriation of endowment assets for expenditure	(566,371)	(10,511,417)	(159,038)	(11,236,826)
Other changes:				
Other income	-	358,077	1,257,810	1,615,887
Income reinvestment	38,858	501,257	533,433	1,073,548
Endowment net assets, end of year	$ (21,910,826)	$ 55,514,218	$ 206,682,483	$ 240,285,875

NOTE G – ENDOWMENT FUNDS (continued)

The endowment net asset composition by type of fund as of June 30, 2010 was as follows:

	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ 2,498,278	$ 43,865,915	$ 186,132,303	$ 232,496,496
Board designated endowment funds	(33,483,325)	-	-	(33,483,325)
Total	$ (30,985,047)	$ 43,865,915	$ 186,132,303	$ 199,013,171

The change in endowment fund net assets for the year ended June 30, 2010, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ (32,080,943)	$ 41,024,780	$ 175,485,111	$ 184,428,948
Investment return:				
Investment income	439,642	8,392,205	54,983	8,886,830
Net realized/unrealized gain	1,712,789	1,926,280	-	3,639,069
Total investment return	2,152,431	10,318,485	54,983	12,525,899
Contributions and other transfers	-	6,849,381	8,795,195	15,644,576
Appropriation of endowment assets for expenditure	(1,067,226)	(15,717,726)	(137,855)	(16,922,807)
Other changes:				
Other income	-	357,771	1,760,825	2,118,596
Transfers	-	491,019	(491,019)	-
Income reinvestment	10,691	542,205	665,063	1,217,959
Endowment net assets, end of year	$ (30,985,047)	$ 43,865,915	$ 186,132,303	$ 199,013,171

NOTE H – FAIR VALUE MEASUREMENTS

Fair value is defined as the price that will be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements and disclosures are based on a three level hierarchy as follows:

Level 1 Inputs are quoted prices (unadjusted) in active markets for identical investments that the Foundation has the ability to access at the measurement date.

Level 2 Inputs are quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; other-than-quoted prices that are observable for the asset or liability; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 Inputs are unobservable and significant to the fair value measurement.

Fair value instruments measured at fair value on a recurring basis using quoted prices for identical instruments in an active market (or level 1 inputs) include equity securities and mutual funds. Financial instruments measured at fair value using inputs based on quoted market prices for similar instruments in active markets (or level 2 inputs) include U.S. Treasury and agency obligations and corporate obligations. U. S. Treasury and agency obligations are priced using auction data or yield curve analysis. Corporate obligations are priced using trading data if available, or when trading data is unavailable, pricing models, matrix pricing, or discounted cash flows using inputs such as weighted-average coupon rate, weighted-average maturity, and consideration of credit ratings. The Foundation also invests in the University investment pool which is stated at fair value using the net asset value of the underlying investments. For those investments in the pool where pricing information is not available as of the measurement date, the fair value is determined based on information as of an interim date, adjusted for distributions, redemptions, market changes, and other financial and operational information obtained by the Foundation's management. These fair value instruments are measured at fair value on a recurring basis using significant unobservable inputs (or level 3 inputs).

Trusts held by others include the Foundation's beneficial interest in trusts held by other trustees. The Foundation calculates the fair value of these trusts using the investment statement from the trustee at the balance sheet date, adjusting the balance for projected future investment income at a rate based on historical returns for the each trust's mix of assets. The projected future income is then discounted back to the balance sheet date using a discount rate commensurate with the risks involved. The trusts primarily consist of common stock, mutual funds, corporate bonds and other fixed income obligations. Due to the assumptions involved in determining the fair value, these trusts are classified as level 3 in the fair value hierarchy.

NOTE H – FAIR VALUE MEASUREMENTS (continued)

The following table summarizes the valuation of financial instruments measured at fair value on a recurring basis included in investments and trusts held by others on the statement of financial position at June 30, 2011:

	Balance at June 30, 2011	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments:				
Equity securities:				
Consumer	$ 2,586,481	$ 2,586,481	$ -	$ -
Health Care	1,017,987	1,017,987	-	-
Financial	1,402,293	1,402,293	-	-
Technology	1,454,866	1,454,866	-	-
Materials	534,372	534,372	-	-
Energy	1,223,544	1,223,544	-	-
Industrial	953,932	953,932	-	-
Utilities	262,927	262,927	-	-
Telecommunication	458,782	458,782	-	-
Other	535,912	535,912	-	-
Total equity securities	10,431,096	10,431,096	-	-
Mutual funds:				
Fixed	7,537,119	7,537,119	-	-
Value	5,229,591	5,229,591	-	-
Growth	2,049,693	2,049,693	-	-
Index	790,400	790,400	-	-
Blended	2,259,388	2,259,388	-	-
Other	248,897	248,897	-	-
Total mutual funds	18,115,088	18,115,088	-	-
Corporate bonds	9,967,419	-	9,951,975	15,444
U.S. treasury and agency obligations	2,518,785	-	2,518,785	-
University pooled investments	212,474,420	-	-	212,474,420
Total investments at fair value	$ 253,506,808	$ 28,546,184	$ 12,470,760	$ 212,489,864
Trusts held by others	$ 8,249,515	$ -	$ -	$ 8,249,515

The Foundation's investments in cash equivalents are carried at amortized cost. These investments do not qualify as securities as defined in FASB ASC 320, *Investments – Debt and Equity Securities*, thus the fair value disclosures required by ASC 820 are not provided.

NOTE H – FAIR VALUE MEASUREMENTS (continued)

The following table summarizes the valuation of financial instruments measured at fair value on a recurring basis, included in investments and trusts held by others on the statement of financial position at June 30, 2010:

	Balance at June 30, 2010	Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs
Investments:		(Level 1)	(Level 2)	(Level 3)
Equity securities:				
Consumer	$ 2,364,406	$ 2,364,406	$ -	$ -
Health Care	1,292,327	1,292,327	-	-
Financial	1,095,752	1,095,752	-	-
Technology	962,248	962,248	-	-
Materials	910,397	910,397	-	-
Energy	816,125	816,125	-	-
Industrial	585,323	585,323	-	-
Utilities	400,268	400,268	-	-
Telecommunication	391,743	391,743	-	-
Other	238,815	238,815	-	-
Services	152,612	152,612	-	-
Total equity securities	9,210,016	9,210,016	-	-
Mutual funds:				
Fixed	5,826,537	5,826,537	-	-
Value	2,674,787	2,674,787	-	-
Growth	2,328,876	2,328,876	-	-
Index	1,476,029	1,476,029	-	-
Blended	1,104,201	1,104,201	-	-
Other	88,160	88,160	-	-
Total mutual funds	13,498,590	13,498,590	-	-
Corporate bonds	6,143,320	-	6,040,448	102,872
U.S. treasury and agency obligations	2,271,053	-	2,271,053	-
University pooled investments	172,876,158	-	-	172,876,158
Total investments at fair value	$ 203,999,137	$ 22,708,606	$ 8,311,501	$ 172,979,030
Trusts held by others	$ 6,722,470	$ -	$ -	$ 6,722,470

NOTE H – FAIR VALUE MEASUREMENTS (continued)

Realized and unrealized gains related to these fair value instruments total $27,104,164 and $12,438,946 as of June 30, 2011 and 2010, respectively, and are included in net unrealized and realized gains in the accompanying statements of activities, except for those fair value instruments where the Foundation is not the beneficiary.

A reconciliation of the balance of the Level 3 investments at July 1, 2010 to the balance as of June 30, 2011, is as follows:

Beginning balance	$	172,979,030
Purchases		25,969,010
Interest and dividend income		3,887,074
Reinvested income		1,048,155
Liquidations		(13,765,688)
Net realized and unrealized gains		22,372,283
Ending balance	$	212,489,864

A reconciliation of the balance of Level 3 trusts held by others at July 1, 2010 to the balance at June 30, 2011, is as follows:

Beginning balance	$	6,722,470
Contributions		177,000
Net realized and unrealized gains		1,350,045
Ending balance	$	8,249,515

A reconciliation of the balance of the Level 3 investments at July 1, 2009 to the balance as of June 30, 2010, is as follows:

Beginning balance	$	158,523,749
Purchases		12,573,083
Interest and dividend income		3,497,025
Reinvested income		943,366
Liquidations		(13,160,177)
Net realized and unrealized gains		10,601,984
Ending balance	$	172,979,030

A reconciliation of the balance of the Level 3 trusts held by others at July 1, 2009 to the balance as of June 30, 2010, is as follows:

Beginning balance	$	5,978,761
Net realized and unrealized gains		743,709
Ending balance	$	6,722,470

NOTE H – FAIR VALUE MEASUREMENTS (continued)

Gains and losses for these Level 3 fair value instruments are included in net unrealized and realized gains in the accompanying statements of activities. The total amount of gains above included in changes in net assets that is attributable to assets held at June 30, 2011 and 2010 is $22,372,283 and $10,601,984, respectively.

NOTE I – FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate fair value of each class of financial instruments for which it is practicable to estimate fair value:

The carrying amounts of cash and cash equivalents, receivables (other than pledges receivable), cash surrender value of life insurance policies, accounts payable and accrued liabilities approximate fair value because of the short maturity of these instruments.

The fair values of investments are generally estimated based on quoted market prices for those investments. Certain investments held in the University's investment pool do not have readily determinable market values. These investments are carried at estimated fair value provided by the investment managers. The majority of these investments are valued based upon independently audited financial information as of June 30 or information provided as of an interim date, which is adjusted for cash receipts, cash disbursements, and other distributions made through June 30, 2011 and 2010, respectively. The Foundation believes that the carrying value of these investments in the University investment pool is a reasonable estimate of fair value at June 30, 2011 and 2010. See also Notes F and H.

The carrying amounts of pledges receivable and annuities payable, which are anticipated to be collected and distributed in cash, respectively, are recorded at the net present value of such amounts.

NOTE J – EQUIPMENT AND AUTOMOBILE

Equipment and automobile as of June 30 consist of the following:

	2011	2010
Office equipment	$ 587,961	$ 587,961
Software	1,086,660	1,103,896
Automobile	22,320	22,320
Computer equipment	455,510	474,685
	2,152,451	2,188,862
Accumulated depreciation and amortization	(1,802,777)	(1,801,468)
	$ 349,674	$ 387,394

NOTE K – LEASES

Rental expense for operating leases was $239,470 for both 2011 and 2010. The Foundation leases certain office space directly from the University. The lease expires on September 30, 2024, and is renewable for two additional terms of 20 years each.

Future minimum lease payments under noncancelable operating leases (with initial or remaining terms in excess of one year) as of June 30 are:

2012	$	239,470
2013		239,470
2014		239,470
2015		239,470
2016		239,470
Thereafter		1,975,630
Total minimum lease payments	$	3,172,980

NOTE L – LIFE INSURANCE POLICIES

The Foundation is the beneficiary of certain life insurance policies that are recorded at their cash surrender value in the Statements of Financial Position. The cash surrender value represents the amount the Foundation, as beneficiary, would realize if such policies were surrendered as of June 30, 2011 and 2010. The face value of these policies, which would be paid only upon death of the insured and maturity of the contracts, approximated $5,601,529 and $5,174,115 as of June 30, 2011 and 2010, respectively.

NOTE M – BENEFICIAL INTEREST IN TRUSTS – OTHER TRUSTEES

The Foundation has been notified of fourteen trusts held by other trustees where the remainder interest will irrevocably benefit the University. In addition, the Foundation has been notified of two charitable lead unitrusts held by other trustees where annual payments are received by the Foundation. The Foundation values these assets by projecting the value of the trust assets to future periods and then discounting the anticipated cash flows at a rate reflective of the credit risk involved.

Beneficial interest in trusts held by other trustees amounted to approximately $8,250,000 and $6,722,000 as of June 30, 2011 and 2010, respectively. The Foundation received notification of one beneficial interest in trust amounting to approximately $177,000 during the year ended June 30, 2011. There were no contributions of beneficial interest in trusts during the year ended June 30, 2010.

NOTE N – UNIVERSITY FEE

In accordance with an agreement with the University, the Foundation receives interest income earned on unexpended gift fund balances held at the University. The Foundation also receives reimbursement from certain colleges of the University for salaries and fringe benefits paid to college development employees below the director level.

NOTE O – ASSESSMENT FEE

The Foundation is primarily funded by a fee assessed on certain endowment funds held by the University and the Foundation. Funds that are eligible for the fee assessment include quasi-endowment funds, funds that are broadly restricted by college or department, funds whereby the donor has given permission to assess the fee, and unrestricted funds that do not have an internal designation. The gross assessment rate was 2% in 2011 and 2010. Revenue to the Foundation from the fee was approximately $11,250,000 and $11,802,000 in 2011 and 2010, respectively, and is used to fund Foundation operations. Approximately $3,319,000 and $3,356,000 of this fee was recorded from funds held by the Foundation in 2011 and 2010, respectively.

Effective July 1, 2010, the Foundation implemented an endowment administrative fee to recover gift stewardship costs incurred by the Foundation for those endowments which are not charged the general endowment assessment fee. For 2011, the rate was 4% of the spending policy distribution made to the endowment spending account. Revenue to the Foundation from the fee was approximately $520,000 in 2011. Approximately $122,000 of this fee was recorded from funds held by the Foundation.

Effective July 1, 2010, the Foundation implemented a fee to be assessed upon all spendable, cash gifts made to either the University or the Foundation. For 2011, the rate was 2% upon the receipt of cash to gift, plant and loan funds. Revenue to the Foundation from the fee was approximately $486,000 in 2011. Approximately $440,000 of this fee was recorded from funds received by the Foundation.

NOTE P – ANNUITY AND LIFE INCOME FUNDS

The Foundation actively markets annuities and life income agreements as part of the development program. These agreements include gift annuities and split-interest trusts where the income beneficiaries receive an income stream for their lifetimes, or a fixed number of years, and the Foundation is the remainderman. The assets and liabilities of these funds as of June 30 are:

	2011	2010
Annuities		
Investments, at fair value	$ 2,095,751	$ 1,662,334
Less present value of annuities payable	(1,423,895)	(1,288,358)
	$ 671,856	$ 373,976

NOTE P – ANNUITY AND LIFE INCOME FUNDS (continued)

		2011		2010
Trusts				
Investments, at fair value	$	13,403,158	$	10,141,763
Less present value of annuities payable		(6,018,688)		(5,105,774)
	$	7,384,470	$	5,035,989

For the year ended June 30, 2011, the Foundation received contributions of approximately $582,000 and $1,529,000 for annuities and trusts, respectively. For the year ended June 30, 2010, the Foundation received contributions of approximately $262,000 and $290,000 for annuities and trusts, respectively.

The Foundation monitors applicable state laws related to legally-mandated reserves for charitable gift annuities, and maintains reserves for various states, as appropriate.

NOTE Q – RETIREMENT PLANS

The Foundation participates in a retirement plan (TIAA/CREF) covering employees who meet length of service requirements. Under this arrangement, the Foundation and plan participants make annual contributions to purchase individual annuities equivalent to retirement benefits earned. The Foundation's share of the cost of these benefits was approximately $441,000 and $411,000 for the years ended June 30, 2011 and 2010, respectively.

The Foundation also maintains a Section 457 plan for highly compensated employees. Accounts for other participating employees are currently funded solely by salary reduction contributions. The plan is structured to permit Foundation contributions on behalf of the participants, as defined. There were no amounts contributed by the Foundation for the years ended June 30, 2011 and 2010.

NOTE R – RELATED PARTY TRANSACTIONS

Certain board members of the Foundation made contributions of $471,383 and $158,634 during fiscal year 2011 and 2010, respectively. In addition, certain board members are employees of organizations which provide services to the Foundation. Total fees paid to these organizations were $177,549 and $184,325 for the years ended June 30, 2011 and 2010 respectively.

NOTE S – SUBSEQUENT EVENTS

The Foundation evaluated its June 30, 2011 financial statements for subsequent events through October 10, 2011, the date the financial statements were available to be issued. The Foundation is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

SUPPLEMENTAL SCHEDULES

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Report of Independent Certified Public Accountants on Supplementary Information

The Board of Trustees
The University of Cincinnati Foundation

We have audited the basic financial statements of The University of Cincinnati Foundation as of and for the years ended June 30, 2011 and 2010 and have issued our report thereon dated October 10, 2011, which is presented in the preceding section of this report. Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Detail of Operating Expenses and Schedule of Activities – Unrestricted Net Assets are presented for purposes of additional analysis and are 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.

Grant Thornton LLP

Cincinnati, Ohio
October 10, 2011

THE UNIVERSITY OF CINCINNATI FOUNDATION

SCHEDULE OF DETAIL OF OPERATING EXPENSES

Years ended June 30, 2011 and 2010

	Foundation Operations	College / University Expenses	Total 2011	Total 2010
Salaries and wages	$ 6,960,403	$ 255,980	$ 7,216,383	$ 7,061,271
Fringe benefits	2,502,386	109,415	2,611,801	2,550,249
Professional services	1,036,208	18,112	1,054,320	1,190,671
Provision for losses on pledges receivable	-	3,222,414	3,222,414	1,172,929
Telephone and postage	277,588	-	277,588	306,281
Promotional materials and events	443,765	-	443,765	290,947
Depreciation and amortization	251,356	-	251,356	247,468
Building lease	239,470	-	239,470	239,470
Public relations	320,910	-	320,910	227,268
Travel	215,297	-	215,297	207,152
General support - Alumni Association	274,535	-	274,535	196,892
Development and recruiting	155,274	-	155,274	142,127
Computer and word processing	158,707	-	158,707	139,780
Business meetings	114,637	-	114,637	128,706
Cleaning	106,867	-	106,867	107,236
Miscellaneous	61,693	-	61,693	57,463
Utilities, repairs and maintenance	55,705	-	55,705	54,438
Direct marketing	59,813	-	59,813	48,514
Copying charges	33,011	-	33,011	44,286
Parking	31,414	-	31,414	37,134
Resource materials	35,479	-	35,479	35,487
Membership dues	31,127	-	31,127	35,108
Insurance	33,496	-	33,496	33,598
Supplies	28,597	-	28,597	24,596
Gift annuity reserve	25,594	-	25,594	16,162
	$ 13,453,332	$ 3,605,921	$ 17,059,253	$ 14,595,233

THE UNIVERSITY OF CINCINNATI FOUNDATION

SCHEDULE OF ACTIVITIES - UNRESTRICTED NET ASSETS

Year ended June 30, 2011

	Gifts and Transfers	Foundation Operations	Total
Revenues and other additions:			
Contributions	$ 554,578	$ -	$ 554,578
University fee	-	1,074,611	1,074,611
Assessment fee	-	12,255,892	12,255,892
Change in value of split interest agreements	53,189	-	53,189
Other income	802	73	875
Investment income:			
Dividend and interest income	396,821	123,749	520,570
Net unrealized and realized gains	8,782,891	(20,953)	8,761,938
Reclassification of contributions pursuant to donor stipulation	1,715,590	3,784	1,719,374
Net assets released from restrictions - satisfaction of donor restrictions	42,584,877	-	42,584,877
Total revenues and other additions	54,088,748	13,437,156	67,525,904
Expenses and other deductions:			
Distributions to or for the University of Cincinnati	37,098,165	-	37,098,165
Operating expenses	3,605,921	13,453,332	17,059,253
Assessment fee	3,881,124	-	3,881,124
Total expenses and other deductions	44,585,210	13,453,332	58,038,542
Change in net assets	9,503,538	(16,176)	9,487,362
Net assets, beginning of year	(29,063,089)	1,565,822	(27,497,267)
Net assets, end of year	$ (19,559,551)	$ 1,549,646	$ (18,009,905)

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Report of Independent Certified Public Accountants on Internal Control Over Financial Reporting and on Compliance and Other Matters

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The Board of Trustees
The University of Cincinnati Foundation

We have audited the financial statements of The University of Cincinnati Foundation (the "Entity") as of and for the year ended June 30, 2011, and have issued our report thereon dated October 10, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants 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 Entity's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control over financial reporting. Accordingly, we express no such opinion.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control would not necessarily identify all deficiencies in internal control over financial reporting that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in the Entity's internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Entity'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 Entity in a separate letter dated October 10, 2011.

This report is intended solely for the information and use of management, the Board of Trustees, others within the Entity, and the Auditor of State of Ohio, and is not intended to be and should not be used by anyone other than these specified parties.

Grant Thornton LLP

Cincinnati, OH
October 10, 2011

Dave Yost • Auditor of State

UNIVERSITY OF CINCINNATI FOUNDATION

HAMILTON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 8, 2011

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