Inn-Ohio of Athens, Inc.

Financial Report

June 27, 2008 and June 29, 2007

Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Inn-Ohio of Athens, Inc., Athens County, prepared by Plante & Moran, PLLC, for the audit period June 29, 2007 through June 27, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 12, 2008

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Inn-Ohio of Athens, Inc.

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Independent Auditor's Report

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

We have audited the accompanying balance sheet of Inn-Ohio of Athens, Inc. (the "Company") as of June 27, 2008 and the related statements of operations, stockholder's equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Inn-Ohio of Athens, Inc. as of June 29, 2007 were audited by other auditors, whose report dated September 21, 2007 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 audit provides a reasonable basis for our opinion.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Company as of June 27, 2008 and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

October 14, 2008

Inn-Ohio of Athens, Inc.

Balance Sheet

	June 27, 2008	June 29, 2007
Assets		
Current Assets		
Cash	$ 531,087	$ 646,922
Investments	922,032	859,265
Accounts receivable - Net of allowance for doubtful accounts of $6,000 as of June 27, 2008 and June 29, 2007	86,770	53,911
Inventories	30,741	20,439
Prepaid expenses and other assets	14,190	13,595
Prepaid income taxes	26,958	32,943
Deferred income tax asset (Note 6)	35,892	38,351
Total current assets	1,647,670	1,665,426
Property and Equipment - At cost		
Land	197,300	197,300
Land improvements	660,654	419,726
Buildings	6,719,206	6,753,252
Furnishings, fixtures, and equipment	3,185,561	3,040,096
Construction in progress	-	14,767
Total property and equipment	10,762,721	10,425,141
Less accumulated depreciation and amortization	(5,399,634)	(4,904,853)
Net property and equipment	5,363,087	5,520,288
Other assets - Bond issuance costs - Net of accumulated amortization	27,975	30,095
Total assets	**$ 7,038,732**	**$ 7,215,809**

Balance Sheet (Continued)

	June 27, 2008	June 29, 2007
Liabilities and Stockholder's Equity		
Current Liabilities		
Accounts payable and accrued liabilities	$ 512,563	$ 516,444
Current portion of long-term debt (Note 3)	188,900	177,600
Total current liabilities	701,463	694,044
Deferred Income Tax Liability (Note 6)	80,795	72,310
Long-term Debt - Net of current portion (Note 3)	3,466,600	3,655,500
Total liabilities	4,248,858	4,421,854
Stockholder's Equity		
Common stock, no par value, stated value $10,000 per share, authorized 750 shares, 342.9182 shares issued and outstanding	3,429,182	3,429,182
Contributed capital	4,140,455	4,140,455
Accumulated other comprehensive income	(22,842)	(36,009)
Accumulated deficit	(4,756,921)	(4,739,673)
Total stockholder's equity	2,789,874	2,793,955
Total liabilities and stockholder's equity	**$ 7,038,732**	**$ 7,215,809**

Inn-Ohio of Athens, Inc.

Statement of Operations

	Year Ended	
	June 27, 2008	June 29, 2007
Revenues		
Room	$ 2,724,949	$ 2,896,288
Restaurant	1,199,800	1,219,848
Beverage	219,311	202,363
Telephone	10,934	12,679
Total revenue	4,154,994	4,331,178
Operating Expenses		
Room	518,628	595,177
Restaurant	1,049,192	1,011,889
Beverage	114,366	108,311
Telephone	43,263	49,873
Total operating expenses	1,725,449	1,765,250
Income Before General and Unapportioned Expenses	2,429,545	2,565,928
General and Unapportioned Expenses		
Administrative and general	534,181	490,790
Repair and maintenance	397,886	407,526
Taxes, insurance, and other	235,487	228,044
Marketing	225,608	233,148
Management fees (Note 5)	166,413	197,715
Utilities	175,105	172,503
Total general and unapportioned expenses	1,734,680	1,729,726
Capital Expenses		
Interest - Net of other income of $45,500 and $40,507 during 2008 and 2007, respectively	178,438	243,308
Depreciation and amortization	522,675	520,795
Total capital expenses	701,113	764,103
(Loss) Income Before Provision for Income Taxes	(6,248)	72,099
Provision for Income Taxes (Note 6)	11,000	2,009
Net (Loss) Income	**$ (17,248)**	**$ 70,090**

	Comprehensive Income (Loss)	Common Stockholder Stated Value - $10,000 Per Share	Contributed Capital	Accumulated Comprehensive Loss	Accumulated Deficit	Total Stockholder's Equity
Balance - June 30, 2006	$ -	$ 3,429,182	$ 4,140,455	$ (51,744)	$ (4,809,763)	$ 2,708,130
Unrealized appreciation on investments	15,735	-	-	15,735	-	15,735
Net income	70,090	-	-	-	70,090	70,090
Comprehensive income	**$ 85,825**					
Balance - June 30, 2007		3,429,182	4,140,455	(36,009)	(4,739,673)	2,793,955
Unrealized appreciation on investments	$ 13,167	-	-	13,167	-	13,167
Net loss	(17,248)	-	-	-	(17,248)	(17,248)
Comprehensive loss	**$ (4,081)**					
Balance - June 27, 2008		**$ 3,429,182**	**$ 4,140,455**	**$ (22,842)**	**$ (4,756,921)**	**$ 2,789,874**

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

Statement of Cash Flows

	June 27, 2008	June 29, 2007
Cash Flows from Operating Activities		
Net (loss) income	$ (17,248)	$ 70,090
Adjustments to reconcile net (loss) income to net cash from operating activities:		
Depreciation and amortization	522,675	520,795
Deferred income taxes	11,000	(11,826)
Changes in assets and liabilities:		
Accounts receivable	(32,859)	133,503
Inventories	(10,302)	4,188
Prepaid expenses and other assets	5,393	(12,823)
Accounts payable and accrued liabilities	(3,937)	(90,471)
Net cash provided by operating activities	474,722	613,456
Cash Flows from Investing Activities		
Acquisition of property and equipment	(363,357)	(711,508)
(Purchases of) proceeds from of investment	(49,600)	133,925
Net cash used in investing activities	(412,957)	(577,583)
Cash Flows from Financing Activities		
Payments of long-term debt	(177,600)	(1,129,757)
Net decrease in restricted investments - Bond fund	-	1,016,773
Net cash used in financing activities	(177,600)	(112,984)
Net Decrease in Cash	(115,835)	(77,111)
Cash - Beginning of year	646,922	724,033
Cash - End of year	**$ 531,087**	**$ 646,922**
Supplemental Disclosure of Cash Flow Information		
Interest paid	$ 178,897	$ 243,876
Income taxes paid	-	49,370
Unrealized appreciation on investments	13,167	15,735

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

Note 1 - Organization

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

Note 2 - Summary of Significant Accounting Policies

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

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advertising Costs - Advertising costs are included in marketing expenses on the statement of operations and are expensed as incurred. These costs for the years ended June 27, 2008 and June 29, 2007 were approximately $102,000 and $98,000, respectively.

Investments - Investments consist of fixed-income mutual funds. These securities are valued at market and are classified as available for sale as they are to be held for an indefinite period of time. Unrealized holding gains and/or losses are reported in other comprehensive income/loss and are included as a component of stockholder's equity. Realized losses and gains for the years ended June 27, 2008 and June 29, 2007, respectively, were nominal.

Accounts Receivable - Accounts receivable consist of customers or businesses who have incurred charges at the facility. These customers' accounts have been preapproved for a direct billing from the facility based on a complete credit application. Collection of the accounts receivable balances is performed at the facility and all amounts are deposited daily. Accounts receivable include amounts due from the Ohio University, a related party, and its related programs, departments, and affiliates of approximately $40,000 and $30,000 as of June 27, 2008 and June 29, 2007, respectively. Accounts receivable are stated at invoice amounts.

Note 2 - Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

The Company periodically reviews the carrying value of its property and equipment and determines whether any impairment needs to be recorded. As of June 27, 2008 and June 29, 2007, the Company is of the opinion there is no impairment of property and equipment.

Bond Issuance Costs - Bond issuance costs are amortized using the straight-line method (which approximates the effective interest method) over the life of the related debt. Amortization expense for the years ended June 27, 2008 and June 29, 2007 was approximately $2,100 and $2,400, respectively.

Restricted Investments - Restricted investments consist of money market funds reserved for debt service and are recorded at market value. The investments' market value approximated its carrying value. The restricted investments of approximately $1,017,000 were used to retire certain debt in November 2006.

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

Note 2 - Summary of Significant Accounting Policies (Continued)

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

New Accounting Pronouncements

***Accounting for Uncertainty in Income Taxes* (FIN 48)** - In July 2006, the Financial Accounting Standards Board issued Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes*. FIN 48 clarifies the guidance for the recognition and measurement of income tax benefits related to uncertain tax positions in accordance with SFAS No. 109, *Accounting for Income Taxes*. FIN 48 will be effective for the fiscal year ending June 30, 2009. The Company does not expect the adoption of FIN 48 to have a material impact on the Company's financial position, results of operations, or cash flows.

Financial Accounting Standards Board (FASB) No. 157, *Fair Value Measurements* - FAS 157, which was issued in September 2006, addresses how organizations should measure fair value when generally accepted accounting principles require use of fair value measurement for recognition and disclosure purposes. This standard is effective for financial statements issued for the fiscal year ending June 30, 2009. Management is currently analyzing the impact of FAS 157.

Financial Accounting Standards Board (FASB) No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* - FAS 159, which was issued in February 2007, extended the availability of the fair value option to a wide range of financial instruments, both assets and liabilities. This standard is effective for financial statements issued for the fiscal year ending June 30, 2009. Management is currently analyzing the impact of FAS 159.

Fiscal Year - The Company's fiscal year included 52 weeks for 2008 and 2007.

Note 3 - Debt Obligation

At June 27, 2008 and June 29, 2007 debt obligations consisted of the following:

	2008	2007
Term loan - Interest at 6.20 percent through June 2011	$ 3,655,500	$ 3,833,100
Less current portion of long-term debt	188,900	177,600
Total	$ 3,466,600	$ 3,655,500

In June 2006, the Company obtained a secured, $4,000,000 term loan ("Term Loan"), the proceeds of which were used to pay a dividend of $3,000,000 in June 2006 and $1,000,000 of which was placed in the bond fund to retire the 1996 Serial and Term Project Bonds in November 2006. The Term Loan is guaranteed by the Stockholder.

Substantially all of the property and equipment are pledged as collateral for the Term Loan. Principal payments on the Term Loan ranging from $13,500 to $34,100 are due in monthly installments through June 2021. The interest rate on the new Term Loan is fixed at 6.20 percent through June 2011. The interest rate will be adjusted to the index rate as defined in the agreement plus 1.40 percent in June 2011 and every five years thereafter.

Maturities of long-term debt are as follows at June 27, 2008:

Year Ending	Amount
2009	$ 188,900
2010	201,000
2011	213,800
2012	227,400
2013	242,000
Due thereafter	2,582,400
Total	$ 3,655,500

Note 4 - Working Capital Loans Payable to Stockholder

The Stockholder had made available to the Company working capital loans, interest at the prime rate, of up to $450,000 at June 27, 2008 and June 29, 2007. There were no outstanding borrowings on these working capital loans at June 27, 2008 and June 29, 2007. The interest rates, which are stated at the prime rate, as of June 27, 2008 and June 29, 2007 were 8.25 percent.

Note 5 - Management Fees

The property manager's compensation is based on a base fee plus a percentage of the hotel's net available operating profit, as defined in the management agreement. Management fees earned by the manager were $166,413 and $197,715 in fiscal years 2008 and 2007, respectively.

Note 6 - Income Taxes

The provision for income taxes for the years ended June 27, 2008 and June 29, 2007 consists of the following:

	2008	2007
Currently payable	$ -	$ 13,835
Deferred tax expense	11,000	(11,826)
Provision for income taxes	$ 11,000	$ 2,009

The Company has AMT credit carryforwards of approximately $54,000 as of June 27, 2008 and June 29, 2007.

The components of the deferred income tax assets and liabilities as of June 27, 2008 and June 29, 2007 are as follows:

	2008	2007
Current deferred tax asset - Accrued liabilities and reserves	$ 35,892	$ 38,351
Noncurrent deferred tax assets (liabilities):		
Depreciation and amortization	(134,180)	(125,695)
AMT credit carryforwards	53,385	53,385
Net deferred tax liabilities	$ (44,903)	$ (33,959)

Note 6 - Income Taxes (Continued)

The difference between the federal statutory tax rate and the Company's provision for income taxes related primarily to state income taxes and changes in the estimated valuation allowance.

Note 7 - Litigation

The Company is subject to legal proceedings and claims which have arisen in the ordinary course of its business. Management is not aware of any pending or asserted claims that would have a material adverse effect on the results of operations and financial conditions of the Company.

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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 Directors
Inn-Ohio of Athens, Inc.

We have audited the financial statements of Inn-Ohio of Athens, Inc. (the "Company") as of and for the year ended June 27, 2008 and have issued our report thereon dated October 13, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Company's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

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 a 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.

Our consideration of the 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Company's board of directors, management of the Ohio University Foundation, and the auditor of the State of Ohio and is not intended to be used and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

October 14, 2008

Mary Taylor, CPA
Auditor of State

INN – OHIO OF ATHENS

ATHENS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 2, 2008

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