The University of Akron Research Foundation

Consolidated Financial Statements
with Additional Information
June 30, 2009 and 2008

Mary Taylor, CPA
Auditor of State

Board of Directors
The University of Akron Research Foundation
302 Buchtel Common
Akron, Ohio 44325

We have reviewed the *Independent Auditor's Report* of The University of Akron Research Foundation, 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 Research Foundation is responsible for compliance with these laws and regulations.

Robert R. Hinkle

Robert R. Hinkle, CPA
Chief Deputy Auditor

December 9, 2009

88 E. Broad St. / Fifth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us

This Page is Intentionally Left Blank.

The University of Akron Research Foundation

Contents

Plante & Moran, PLLC
3434 Granite Circle
Toledo, OH 43617
Tel: 419.843.6000
Fax: 419.843.6099
plantemoran.com

Independent Auditor's Report

To the Board of Directors
The University of Akron Research Foundation

We have audited the accompanying consolidated statement of financial position of The University of Akron Research Foundation (the "Research Foundation"), a discretely presented component unit of the University of Akron, as of June 30, 2009 and 2008 and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Research 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 and *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The University of Akron Research Foundation as of June 30, 2009 and 2008 and the consolidated results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2009 on our consideration of The University of Akron Research Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report (included on pages 20-21 herein) is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Plante & Moran, PLLC

October 9, 2009
Toledo, Ohio

The University of Akron Research Foundation

Consolidated Statement of Financial Position

	June 30 2009	June 30 2008
Assets		
Cash and cash equivalents	$ 2,264,743	$ 2,176,437
Short-term investments (Notes 3 and 4)	3,381,488	2,533,659
Receivables - Net (Note 5)	761,845	751,982
Prepaid expenses and other	30,328	141,490
Deposits	10,458	10,458
Total current assets	6,448,862	5,614,026
Long-term investments (Notes 3 and 4)	572,840	560,350
Property, plant, and equipment - Net (Note 6)	4,059,348	3,963,968
Total long-term assets	4,632,188	4,524,318
Total assets	**$ 11,081,050**	**$ 10,138,344**
Liabilities and Net Assets		
Liabilities		
Accounts payable (Note 7)	$ 1,902,788	$ 1,277,869
Accrued expenses	165,821	110,287
Current portion of note payable (Note 9)	4,086	-
Fair value of interest rate swap (Note 9)	306,877	141,051
Accrued professional fees	23,500	22,500
Deferred revenue (Note 8)	1,744,930	1,076,283
Total current liabilities	4,148,002	2,627,990
Long-term note payable (Note 9)	2,920,914	2,925,000
Total liabilities	7,068,916	5,552,990
Net Assets - Unrestricted	4,012,134	4,585,354
Total liabilities and net assets	**$ 11,081,050**	**$ 10,138,344**

See Notes to Consolidated Financial Statements.

The University of Akron Research Foundation

Consolidated Statement of Activities

	Year Ended June 30	
	2009	2008
Revenues		
Sponsored research	$ 2,206,221	$ 1,843,422
License royalties and fees	622,260	1,234,676
Value received for license	-	63,809
Polymer training	667,789	-
Rental income	503,380	425,543
Research funding	238,072	165,188
Interest income	148,346	189,568
Patent fee reimbursement	145,800	81,535
In-kind contributions (Note 6)	-	894,815
Unrealized loss on investments	(467,071)	(228,068)
Impairment of investment (Note 3)	(23,850)	(135,150)
Cost share support	53,158	11,771
Miscellaneous income	99,636	81,119
Total revenue	4,193,741	4,628,228
Expenses		
Program services:		
Direct costs	1,566,511	1,280,504
Allocated indirect costs	365,638	312,520
Royalty distributions	220,761	447,071
Technical marketing	70,649	222,319
Polymer training expense	531,315	-
Research support	569,522	342,521
Regional economic support	84,250	68,333
Donated equipment to University of Akron (Note 6)	-	894,815
Bad debt expense	90,000	180,251
Cost share support	53,158	11,771
Total program services	3,551,804	3,760,105
Support services:		
Professional fees	24,098	43,701
Wage expense	90,053	87,136
Public relations	65,146	71,906
Depreciation and amortization expense	164,214	130,854
Insurance	9,527	6,656
Interest expense	319,905	353,797
Building operating expense	500,969	371,682
Office expense	41,245	113,527
Total support services	1,215,157	1,179,259
Total expenses	4,766,961	4,939,364
Change in Net Assets	(573,220)	(311,136)
Net Assets - Beginning of year	4,585,354	4,896,490
Net Assets - End of year	**$ 4,012,134**	**$ 4,585,354**

Consolidated Statement of Cash Flows

	Year Ended June 30 2009	Year Ended June 30 2008
Cash Flows from Operating Activities		
Change in net assets	$ (573,220)	$ (311,136)
Adjustments to reconcile change in net assets to net cash from operating activities -		
Changes in operating assets and liabilities:		
Receivables	(99,863)	(440,795)
Prepaid expenses	107,157	(25,257)
Payables and accrued expenses	681,453	28,441
Deferred revenue	668,647	319,488
Impairment of investment	23,850	135,150
Value received for license	-	(63,809)
Depreciation and amoritization expense	164,214	130,854
Bad debt expense	90,000	180,251
Unrealized loss on securities	467,071	228,068
Cash received in agency transactions	-	66,600
Interest rate swap	165,826	177,094
Net cash provided by operating activities	1,695,135	424,949
Cash Flows from Investing Activities		
Net purchases of investments	(1,342,194)	(1,420,773)
Proceeds from equipment disposal	15,000	-
Purchase of equipment	(270,589)	(88,361)
Net cash used in investing activities	(1,597,783)	(1,509,134)
Increase (Decrease) in Cash and Cash Equivalents	97,352	(1,084,185)
Cash and Cash Equivalents - Beginning of year	2,167,391	3,251,576
Cash and Cash Equivalents - End of year	**$ 2,264,743**	**$ 2,167,391**
Supplemental Disclosure of Cash Flow Information -		
Cash paid for interest	**$ 154,079**	**$ 181,039**

See Notes to Consolidated Financial Statements.

Note 1 - Organization

The University of Akron Research Foundation (the "Research Foundation") was incorporated on November 14, 2001 to promote, encourage, and provide assistance to the research activities of The University of Akron (the "University"). The Research Foundation was granted tax-exempt status according to the provisions of Section 501(c)(3) of the Internal Revenue Service on August 4, 2003.

The Research Foundation is governed by a nine-member board of directors (the "Board"). The Board includes the University president, the University vice president for research, two University directors designated by the University president, and five non-University members elected by the Board.

Akron Innovation Campus, LLC (AIC), a wholly owned subsidiary of the Research Foundation, is consolidated in these statements. AIC was formed to hold two buildings and related property purchased on May 14, 2007.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting - The consolidated financial statements of the Research Foundation have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

Principles of Consolidation - The consolidated financial statements include the accounts of the Research Foundation and its wholly owned subsidiary, AIC. All significant intercompany transactions have been eliminated in consolidation.

Principal Revenues and Expenses - The Research Foundation's principal revenues are derived from sponsored research contracts and license agreements.

Sponsored research contracts are agreements for specific research, which is performed for a sponsor by the University. The revenues are received by and maintained within the Research Foundation's accounting records while the direct costs associated with the contracts are incurred by and reflected within the University's accounting records. Each month, the University invoices the Research Foundation for the direct costs incurred under the research contracts.

The Research Foundation recognizes sponsored research contract revenues prorated based upon the direct costs incurred on each sponsored research contract. The prorated revenues closely approximate the percentage of work completed for each contract.

Note 2 - Summary of Significant Accounting Policies (Continued)

License revenues represent the royalties and license fees generated from the intellectual property owned by the University and commercialized and marketed by the Research Foundation. Royalties are recognized when earned, over the period of the license agreement. Minimum guaranteed royalties are recognized over the term for which the royalty minimums are guaranteed. License fees are recognized when the Research Foundation receives the payment.

Rental income received from the property held by AIC is recorded in the month rent is due.

Cash and Cash Equivalents - The Research Foundation considers all demand deposits, certificates of deposit, and money market funds with an original maturity of three months or less to be cash and cash equivalents.

Concentration of Credit Risk - The Research Foundation maintains cash balances at seven banks and the accounts are insured by the Federal Deposit Insurance Corporation up to $250,000 and $100,000 as of June 30, 2009 and 2008, respectively. As of June 30, 2009 and 2008, the Research Foundation had uninsured deposits totaling $1,041,872 and $2,046,543, respectively.

The Research Foundation evaluates the financial institutions with which it deposits funds; however, it is not practical to insure all cash deposits.

Investments - Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value. The fair values of investments are based on quoted market prices. Investments not publicly traded are either stated at cost, which approximates market, or at appraised market values when applicable. Realized gains (losses) on investments are the difference between the proceeds received and the cost of investments sold. Net appreciation (depreciation) in the fair value of investments (including realized gains (losses) and unrealized gains (losses) and dividends and interest) is included in revenues in the consolidated statement of activities.

Risks and Uncertainties - The Research Foundation invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least 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 consolidated balance sheet.

Note 2 - Summary of Significant Accounting Policies (Continued)

Prepaid Expenses - The Research Foundation paid a portion of the royalties to two inventors upon receipt. However, since royalties are allocated over the term covered by royalty, rather than upon receipt, the inventor payments are recorded as a prepaid expense. Prepaid insurance is also included in prepaid expenses.

Property, Plant, and Equipment - Property, plant, and equipment are stated at cost. The straight-line method of depreciation is used over the assets' estimated useful lives. The buildings' useful life is 39 years; equipment is depreciated over five years. Tenant improvements are depreciated over the term of the lease, two to five years, and building improvement useful lives range from 10 to 20 years. The cost and related accumulated depreciation of assets disposed of are eliminated from the accounts in the year of disposal.

Interest Rate Swap - The Research Foundation has entered into an interest rate swap to reduce the economic risks associated with variability in cash outflows for interest required under provisions of variable rate debt. The fair value of interest rate swaps is recorded as an asset or liability on the consolidated balance sheet. The change in the fair value of the interest rate swap is included as a component of interest expense in the consolidated statement of activities.

Deferred Revenue - Cash received in advance of being earned is recorded as deferred revenue. In the subsequent period when the revenue recognition criteria are met, revenues are recognized and the deferred revenue is reduced accordingly.

Board-designated Net Assets - The Research Foundation maintains within its unrestricted net assets, a designated endowment from which the Research Foundation's board permits only distributions (grants) of earnings, which may include appreciation as well as income. The Richard Aynes Award Endowment of $6,250 is designated for a School of Law writing competition scholarship as of June 30, 2009 and 2008.

University Support of the Research Foundation - University employees provide administrative and management functions for the Research Foundation. The University also furnishes the facilities occupied by the Research Foundation. The services and office space constitute in-kind contributions to the Research Foundation, the value of which is not reflected within these financial statements.

Note 2 - Summary of Significant Accounting Policies (Continued)

For the fiscal years ended June 30, 2009 and 2008, in-kind support in the amount of $53,158 and $11,771, respectively, was provided by the University for sponsored research contracts. This support was in the form of wages for the principal investigators and cost sharing provided for equipment. This is reflected in the financial statements as a contribution and as an expense when the services are provided.

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Research Foundation's management to make estimates and assumptions that affect the reported amounts of 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.

Reclassification - Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation.

New Accounting Pronouncement - In March 2008, the FASB issued Statement No. 161, *Disclosures about Derivative Instruments and Hedging Activities*. FASB Statement No. 161 changes the disclosure requirements for derivative instruments and hedging activities. FASB Statement No. 161 is effective as of the beginning of the first fiscal year that begins after November 15, 2008. The Research Foundation is currently evaluating the impact this statement will have on the consolidated financial statements.

Subsequent Events - The financial statements and related disclosures include evaluation of events up through and including October 9, 2009 which is the date the financial statements were available to be issued.

Note 3 - Investments

Investments at June 30, 2009 and 2008 are presented in the consolidated financial statements at fair market value and are comprised of the following:

	2009	2008
Marketable securities:		
Money market mutual funds	$ 800,000	$ -
Stock equities and mutual funds	2,106,488	2,533,659
Total marketable securities	2,906,488	2,533,659
Alternative investments:		
Closely held stock and private equity (cost method)	290,490	263,850
Closely held stock and private equity (equity method)	32,350	46,500
Total alternative investments	322,840	310,350
Certificates of deposit	725,000	250,000
Total investments	$ 3,954,328	$ 3,094,009

On September 1, 2007, an account with Legacy Strategic Asset Management was opened to invest in marketable securities in accordance with the Research Foundation's investment policy. Legacy Strategic Asset Management is a subsidiary of Wachovia Securities and all securities are held by Wells Fargo Advisors at June 30, 2009. Earnings on invested amounts are retained in the fund for reinvestment until such time as the Research Foundation authorizes delivery of all or part of the funds to or for the benefit of the University. An adjustment to market value resulted in an unrealized loss for the fiscal year.

The Research Foundation does not exercise significant influence over the operating and financial policies of its alternative investments. These investments are periodically evaluated to determine if there have been any other than temporary declines below book value. A variety of factors is considered when determining if a decline in fair value below book value is other than temporary, including, among others, the financial condition and prospects of the investee.

An investee in closely held stock terminated its license agreement with the Research Foundation in February 2008. A settlement was agreed to for the license fees and patent costs, and the balance written off is included as bad debt expense. In October 2008, the investee dissolved and the remainder of the investment was written off. As a result, it was determined that the equity value should also be reduced and the change is reported as an investment impairment on the consolidated statement of activities. Impairment has been recognized as the decline in value is deemed other than temporary.

Note 4 - Fair Value Measurement

As of July 1, 2008, the Research Foundation adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 clarifies the definition of fair value, establishes a framework for measuring fair value, and expands the disclosures for fair value measurements. The standard applies under other accounting pronouncements that require or permit fair value measurements and does not require any new fair value measurements. The provisions of SFAS 157 are effective prospectively for periods beginning July 1, 2008 for financial assets and liabilities and for periods beginning July 1, 2009 for nonfinancial assets and liabilities as a result of the deferral of the effective date of SFAS 157 provided by FSP FAS 157-2. The implementation of the provisions of SFAS 157 for financial assets and liabilities as of July 1, 2008 did not have a material impact on the Research Foundation's consolidated financial statements.

The following tables present information about the Foundation's assets and liabilities measured at fair value on a recurring basis as of June 30, 2009, and the valuation techniques used by the Research Foundation to determine those fair values.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Research Foundation has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability.

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

Note 4 - Fair Value Measurement (Continued)

Disclosures concerning assets and liabilities measured at fair value are as follows:

	Quoted Prices in Active Markets Level 1	Significant Other Observable Inputs Level 2	Significant Other Unobservable Inputs Level 3	Balance June 30, 2009
Assets				
Stock equities and mutual funds	$ 2,106,488	$ -	$ -	$ 2,106,488
Money market mutual funds	800,000	-	-	800,000
Liabilities - Interest rate swap	-	(306,877)	-	(306,877)

Note 5 - Receivables

Receivables consist of monies due to the Research Foundation at June 30, 2009 and 2008 from sponsored research contracts, license, rents, and for reimbursements of patent expenses by licensees. After known uncollectible accounts are deducted, 5 percent of the remaining receivable balance is allocated to a general allowance for doubtful accounts.

	2009	2008
Sponsored research	$ 581,232	$ 527,832
Licenses	55,620	85,383
Rents	11,180	9,218
Interest receivable	27,432	6,230
Other receivables	196,381	158,319
Allowance for doubtful accounts	(110,000)	(35,000)
Total	$ 761,845	$ 751,982

Note 6 - Property, Plant, and Equipment

Property, plant, and equipment consist of the following:

	2009	2008
Land	$ 290,607	$ 290,607
Buildings and building improvements	3,916,942	3,754,854
Equipment	246,227	152,725
Total property, plant, and equipment	4,453,776	4,198,186
Less accumulated depreciation	394,428	234,218
Net carrying amount	$ 4,059,348	$ 3,963,968

Two multi-tenant office buildings and the related land at 411 and 441 Wolf Ledges, adjacent to the University, were purchased on May 14, 2007 for $3,900,000 plus acquisition costs of $50,000.

During 2008, software and equipment was donated to the Research Foundation with a book value of $894,815. The Research Foundation donated the equipment to the University in fiscal year 2008. This transaction was recorded as a contribution to the Research Foundation and as donations to the University in the consolidated statement of activities.

Note 7 - Accounts Payable

The Research Foundation reimburses the University for direct and indirect costs incurred by the University related to sponsored research contracts managed by the Research Foundation. The balance incurred by the University before year end is included in the payable to the University of Akron at June 30, 2009 and 2008.

The Research Foundation is also permitted to recover indirect costs related to sponsored research contracts. A portion of those indirect costs is payable to the inventor's college or department for use by inventors and colleges. The undistributed indirect costs at June 30, 2009 and 2008 are included in the payable to the University of Akron.

Portions of the indirect costs related to administrative departments are payable to the offices of General Counsel, Finance, and Research Services and are included in the payable to the University of Akron at June 30, 2009 and 2008.

Note 7 - Accounts Payable (Continued)

The Research Foundation's guidelines and procedures allocate 40 percent of royalties to the inventor/author (inventor) as personal income and 40 percent to the Research Foundation. The remaining 20 percent is maintained within Research Foundation accounts for research use by the inventor and the inventor's college and department. When applicable, 20 percent of the royalty received is paid to a technical marketer before any distributions are made. Undistributed royalties at year end are included in the payable to the University of Akron at year end.

	2009	2008
The University of Akron	$ 1,812,978	$ 1,203,799
Other payables	89,810	74,070
Total	$ 1,902,788	$ 1,277,869

Note 8 - Deferred Revenue

The Research Foundation receives advance payment for certain sponsored research contracts, a polymer training program, and license agreements, which is recorded as deferred revenue. At June 30, 2009 and 2008, the Research Foundation had deferred revenue from the following sources:

	2009	2008
Sponsored research	$ 932,404	$ 882,762
Polymer training	794,937	-
Licenses	5,000	187,500
Advance rent	12,589	6,021
Total	$ 1,744,930	$ 1,076,283

Note 9 - Note Payable

AIC entered into a $2,925,000, 15-year note with CharterOne Bank on May 14, 2007 for the purchase of two buildings on Wolf Ledges in Akron, Ohio. AIC entered into an interest rate swap agreement ("swap") with a swap counterparty on a notional amount equal to $1,950,000. The interest rate for this portion of the debt is fixed at 6.39 percent. The fair value of the interest rate swap agreement is a liability of $306,877 and $141,051 at June 30, 2009 and 2008, respectively.

Note 9 - Note Payable (Continued)

The interest rate on the variable portion of the loan, or $975,000, is based on the one-month LIBOR plus 1 percent, an effective rate of 1.32 percent and 3.46 percent at June 30, 2009 and 2008, respectively. The loan is interest only until June 11, 2010, on which date the first principal payment is due. Under the terms of the agreement, monthly principal payments ranging from $4,086 to $8,246 are due through May 11, 2022, when the remaining unpaid principal balance is due.

The note payable is collateralized by certain real property, all personal property, and future rents of AIC. The Research Foundation has guaranteed the loan.

Future maturities of debt for the years ending June 30 are as follows:

Years Ending June 30		Amount
2010		$ 4,086
2011		49,301
2012		52,547
2013		56,010
2014		59,702
Thereafter		2,703,354
	Total	$ 2,925,000

Under the agreement, AIC and the Research Foundation are subject to various financial covenants. At June 30, 2009 and 2008, the Research Foundation was in violation of one of those covenants. The bank has waived its right to call the debt related to the violation of the covenant.

Note 10 - Operating Lease Rentals

AIC has operating lease agreements with 20 tenants at the two professional buildings. Rental income is recognized over the life of the operating lease, with leases expiring through May 1, 2017. As of June 30, 2009 and 2008, leased buildings and building improvements are recorded at a cost of $3,916,942 and $3,754,854, respectively, with accumulated depreciation of $229,091 and $112,038, respectively.

Note 10 - Operating Lease Rentals (Continued)

As of June 30, 2009, the minimum future rentals on the noncancellable portion of the operating lease rentals aggregate $959,264 and are due in the five succeeding years as follows:

Years Ending June 30		Amount
2010		$ 370,070
2011		342,583
2012		146,194
2013		58,278
2014		32,328
Thereafter		9,811
	Total	$ 959,264

Note 11 - Related Parties

The Research Foundation is a minority stockholder in University Innovation Ventures (UIV). The Research Foundation has the contractual agreement with UIV to perform services at a stated price. For the years ended June 30, 2009 and 2008, the Research Foundation paid $356,088 and $132,588, respectively, to UIV for materials investigation. At June 30, 2009, a receivable of $17,639 and a payable of $41,375 have been recorded for research activities being conducted by UIV.

University of Akron is a public institution offering a broad array of programs. During the years ended June 30, 2009 and 2008, the Research Foundation authorized distributions to the University in the amount of $1,953,340 and $1,593,024, respectively.

Additional Information

Plante & Moran, PLLC
3434 Granite Circle
Toledo, OH 43617
Tel: 419.843.6000
Fax: 419.843.6099
plantemoran.com

To the Board of Directors
The University of Akron Research Foundation

We have audited the consolidated financial statements of The University of Akron Research Foundation as of and for the year ended June 30, 2009. Our audit was made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The information in the accompanying schedules is presented for the purpose of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual companies and is not a required part of the basic consolidated financial statements. The information has been subjected to the procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Plante & Moran, PLLC

October 9, 2009
Toledo, Ohio

The University of Akron Research Foundation

Consolidating Statement of Financial Position
June 30, 2009

	University of Akron Research Foundation	Akron Innovation Campus	Eliminations	Total
Assets				
Cash and cash equivalents	$ 1,687,206	$ 577,537	$ -	$ 2,264,743
Investments	3,156,488	225,000	-	3,381,488
Receivables - Net	747,168	14,677	-	761,845
Prepaid expenses and other	12,483	17,845	-	30,328
Deposits	-	10,458	-	10,458
Total current assets	5,603,345	845,517	-	6,448,862
Investments	572,840	-	-	572,840
Investment in subsidiary	2,053,671	-	(2,053,671)	-
Property, plant, and equipment - Net	80,891	3,978,457	-	4,059,348
Total long-term assets	2,707,402	3,978,457	(2,053,671)	4,632,188
Total assets	**$ 8,310,747**	**$ 4,823,974**	**$ (2,053,671)**	**$ 11,081,050**
Liabilities and Net Assets				
Liabilities				
Accounts payable	$ 1,847,858	$ 54,930	$ -	$ 1,902,788
Accrued expenses	34,869	130,952	-	165,821
Current portion of note payable	-	4,086	-	4,086
Fair value of interest rate swap	-	306,877	-	306,877
Accrued professional fees	23,500	-	-	23,500
Deferred revenue	1,732,341	12,589	-	1,744,930
Total current liabilities	3,638,568	509,434	-	4,148,002
Long-term note payable	-	2,920,914	-	2,920,914
Total	3,638,568	3,430,348	-	7,068,916
Member contributions	-	2,053,671	(2,053,671)	-
Total liabilities	3,638,568	5,484,019	(2,053,671)	7,068,916
Net Assets - Unrestricted	4,672,179	(660,045)	-	4,012,134
Total liabilities and net assets	**$ 8,310,747**	**$ 4,823,974**	**$ (2,053,671)**	**$ 11,081,050**

The University of Akron Research Foundation

Consolidating Statement of Activities
Year Ended June 30, 2009

	University of Akron Research Foundation	Akron Innovation Campus	Eliminations	Total
Revenues				
Sponsored research	$ 2,206,221	$ -	$ -	$ 2,206,221
License royalties and fees	622,260	-	-	622,260
Polymer training	667,789	-	-	667,789
Rental income	-	626,682	(123,302)	503,380
Research funding	238,072	-	-	238,072
Interest income	139,595	8,751	-	148,346
Patent fee reimbursement	145,800	-	-	145,800
Unrealized loss on investments	(467,071)	-	-	(467,071)
Impairment of investment	(23,850)	-	-	(23,850)
Cost share support	53,158	-	-	53,158
Miscellaneous income	99,636	-	-	99,636
Total revenues	3,681,610	635,433	(123,302)	4,193,741
Expenses				
Direct costs	1,566,511	-	-	1,566,511
Allocated indirect costs	365,638	-	-	365,638
Royalty distributions	220,761	-	-	220,761
Technical marketing	70,649	-	-	70,649
Polmer training expense	550,462	-	(19,147)	531,315
Research support	569,522	-	-	569,522
Regional economic support	84,250	-	-	84,250
Bad debt expense	90,000	-	-	90,000
Cost share support	53,158	-	-	53,158
Professional fees	24,098	-	-	24,098
Wage expense	90,053	-	-	90,053
Public relations	65,146	-	-	65,146
Depreciation and amortization expense	43,157	121,057	-	164,214
Insurance	9,527	-	-	9,527
Interest expense	-	319,905	-	319,905
Building operating expense	104,155	500,969	(104,155)	500,969
Office expense	30,809	10,436	-	41,245
Total expenses	3,937,896	952,367	(123,302)	4,766,961
Change in Net Assets	(256,286)	(316,934)	-	(573,220)
Net Assets (Deficit) - Unrestricted - Beginning of year	4,928,465	(343,111)	-	4,585,354
Net Assets (Deficit) - Unrestricted - End of year	**$ 4,672,179**	**$ (660,045)**	**$ -**	**$ 4,012,134**

Plante & Moran, PLLC
3434 Granite Circle
Toledo, OH 43617
Tel: 419.843.6000
Fax: 419.843.6099
plantemoran.com

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

To the Board of Directors
The University of Akron Research Foundation

We have audited the consolidated financial statements of The University of Akron Research Foundation, a discretely presented component unit of the University of Akron, as of and for the year ended June 30, 2009 and have issued our report thereon dated October 9, 2009. 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 University of Akron Research Foundation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements and not to provide assurance on the 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.

To the Board of Directors
The University of Akron Research Foundation

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 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 and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be 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 Research Foundation's consolidated 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 board of trustees, management of The University of Akron Research 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 9, 2009
Toledo, Ohio

UNIVERSITY OF AKRON RESEARCH FOUNDATION

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
DECEMBER 31, 2009

88 E. Broad St. / Fourth Floor / Columbus, OH 43215-3506
Telephone: (614) 466-4514 (800) 282-0370 Fax: (614) 466-4490
www.auditor.state.oh.us