Inn-Ohio of Athens, Inc.
(a wholly owned subsidiary of The Ohio University Foundation)

Financial Report
July 1, 2011 and July 2, 2010

Dave Yost • 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 July 3, 2010 through July 1, 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 Inn-Ohio of Athens, Inc. is responsible for compliance with these laws and regulations.

Dave Yost

Dave Yost
Auditor of State

December 2, 2011

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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"), a wholly owned subsidiary of The Ohio University Foundation, as of July 1, 2011 and July 2, 2010 and the related statements of operations, stockholder's equity, and cash flows for the years 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Company as of July 1, 2011 and July 2, 2010 and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

October 11, 2011

Inn-Ohio of Athens, Inc.

Balance Sheet

	July 1, 2011	July 2, 2010
Assets		
Current Assets		
Cash	$ 957,620	$ 745,735
Investments	1,176,634	1,111,195
Accounts receivable - Net of allowance for doubtful accounts of $6,000 as of July 2, 2011 and July 3, 2010	58,925	72,361
Inventories	34,975	35,669
Prepaid expenses and other assets	14,564	15,207
Prepaid income taxes	-	13,500
Deferred income tax asset (Note 7)	11,445	22,209
Total current assets	2,254,163	2,015,876
Property and Equipment - At cost		
Land	197,300	197,300
Land improvements	683,258	683,258
Buildings	6,801,051	6,801,051
Furnishings, fixtures, and equipment	3,465,526	3,436,700
Total property and equipment	11,147,135	11,118,309
Less accumulated depreciation and amortization	(6,750,344)	(6,282,829)
Net property and equipment	4,396,791	4,835,480
Other Assets - Bond issuance costs - Net of accumulated amortization	21,681	23,779
Total assets	**$ 6,672,635**	**$ 6,875,135**

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

Balance Sheet (Continued)

	July 1, 2011	July 2, 2010
Liabilities and Stockholder's Equity		
Current Liabilities		
Accounts payable and accrued liabilities	$ 479,616	$ 520,316
Current portion of long-term debt (Note 4)	227,400	213,800
Total current liabilities	707,016	734,116
Deferred Income Tax Liability (Note 7)	2,836	101,124
Long-term Debt - Net of current portion (Note 4)	2,824,400	3,051,800
Total liabilities	3,534,252	3,887,040
Stockholder's Equity		
Common stock, no par value, stated value $10,000 per share, authorized 750 shares, 342.9182 shares issued and outstanding	3,429,182	3,429,182
Contributed capital	4,140,455	4,140,455
Accumulated other comprehensive income	57,379	48,975
Accumulated deficit	(4,488,633)	(4,630,517)
Total stockholder's equity	3,138,383	2,988,095
Total liabilities and stockholder's equity	**$ 6,672,635**	**$ 6,875,135**

Inn-Ohio of Athens, Inc.

Statement of Operations

	Year Ended July 1, 2011	Year Ended July 2, 2010
Revenue		
Room	$ 2,782,590	$ 2,759,924
Restaurant	1,202,777	1,136,198
Beverage	238,810	237,738
Telephone	3,983	5,019
Total revenue	4,228,160	4,138,879
Operating Expenses		
Room	565,020	583,793
Restaurant	1,026,143	973,677
Beverage	116,366	107,097
Telephone	43,134	42,966
Total operating expenses	1,750,663	1,707,533
Income Before General and Unapportioned Expenses	2,477,497	2,431,346
General and Unapportioned Expenses		
Administrative and general	477,479	456,631
Repair and maintenance	473,802	405,965
Taxes, insurance, and other	199,459	206,872
Marketing	210,830	218,955
Management fees (Note 6)	175,841	180,353
Utilities	169,822	167,850
Total general and unapportioned expenses	1,707,233	1,636,626
Capital Expenses		
Interest - Net of other income of $57,271 and $60,967 during 2011 and 2010, respectively	134,960	147,795
Depreciation and amortization	552,058	558,022
Total capital expenses	687,018	705,817
Income Before Provision for Income Taxes	83,246	88,903
Provision for Income Taxes (Note 7)	(58,638)	22,226
Net Income	**$ 141,884**	**$ 66,677**

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

Inn-Ohio of Athens, Inc.

Statement of Stockholder's Equity

	Comprehensive Income	Common Stockholder Stated Value - $10,000 Per Share	Contributed Capital	Accumulated Comprehensive (Loss) Gain	Accumulated Deficit	Total Stockholder's Equity
Balance - July 3, 2009		$ 3,429,182	$ 4,140,455	$ (13,943)	$ (4,694,694)	$ 2,861,000
Unrealized appreciation on investments	$ 62,918	-	-	62,918	-	62,918
Distributions	-	-	-	-	(2,500)	(2,500)
Net income	66,677	-	-	-	66,677	66,677
Comprehensive income	**$ 129,595**					
Balance - July 2, 2010		3,429,182	4,140,455	48,975	(4,630,517)	2,988,095
Unrealized appreciation on investments	$ 8,404	-	-	8,404	-	8,404
Net income	141,884	-	-	-	141,884	141,884
Comprehensive income	**$ 150,288**					
Balance - July 1, 2011		**$ 3,429,182**	**$ 4,140,455**	**$ 57,379**	**$ (4,488,633)**	**$ 3,138,383**

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

Inn-Ohio of Athens, Inc.

Statement of Cash Flows

	Year Ended July 1, 2011	Year Ended July 2, 2010
Cash Flows from Operating Activities		
Net income	$ 141,884	$ 66,677
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	552,058	558,022
Deferred income taxes	(58,638)	22,226
Changes in assets and liabilities:		
Accounts receivable	13,436	(33,795)
Inventories	694	(11,136)
Prepaid expenses and other assets	14,143	5,486
Accounts payable and accrued liabilities	(69,587)	65,751
Net cash provided by operating activities	593,990	673,231
Cash Flows from Investing Activities		
Acquisition of property and equipment	(111,270)	(334,777)
Purchases of investment	(57,035)	(95,749)
Net cash used in investing activities	(168,305)	(430,526)
Cash Flows from Financing Activities		
Payments of long-term debt	(213,800)	(201,000)
Payments of distributions to stockholder	-	(2,500)
Net cash used in financing activities	(213,800)	(203,500)
Net Increase in Cash	211,885	39,205
Cash - Beginning of year	745,735	706,530
Cash - End of year	**$ 957,620**	**$ 745,735**
Supplemental Disclosure of Cash Flow Information		
Interest paid	$ 196,458	$ 148,315
Unrealized appreciation on investments	8,404	62,918

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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash - At times, cash may exceed federally insured amounts. The Company believes it mitigates risks by depositing cash with major financial institutions.

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 July 1, 2011 and July 2, 2010 were approximately $74,000 and $81,000, 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 of approximately $8,000 and $63,000 for the years ended July 1, 2011 and July 2, 2010, respectively, are reported in other comprehensive income and are included as a component of stockholder's equity. Realized losses and gains for the years ended July 1, 2011 and July 2, 2010 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. In the normal course of business, the Company leases facilities to The Ohio University, a related party, and its affiliates.

Note 2 - Summary of Significant Accounting Policies (Continued)

Accounts receivable include amounts due from The Ohio University and its related programs, departments, and affiliates of approximately $7,000 and $26,000 as of July 1, 2011 and July 2, 2010, respectively. Accounts receivable are stated at invoiced amounts.

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:

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

Depreciation expense for the years ended July 1, 2011 and July 2, 2010 totaled $549,957 and $555,923, respectively. The Company periodically reviews the carrying value of its property and equipment and determines whether any impairment needs to be recorded. As of July 1, 2011 and July 2, 2010, 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 was approximately $2,100 for each of the years ended July 1, 2011 and July 2, 2010.

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.

As of July 1, 2011 and July 2, 2010, the Company's unrecognized tax benefits were not significant. There were no significant penalties or interest recognized during the year or accrued at year end. The Company files income tax returns in U.S. federal and various state jurisdictions and at year end, tax returns were open for years 2008-2010.

Other Comprehensive Income - Accounting principles generally require that recognized revenue, expenses, gains, and losses be included in net income. Certain changes in assets and liabilities, however, such as unrealized gains and losses on available-for-sale securities, are reported as a direct adjustment to the equity section of the balance sheet. Such items, along with net income, are considered components of comprehensive income.

Fiscal Year - The Company's fiscal year included 52 weeks for 2011 and 52 weeks for 2010.

Subsequent Events - The financial statements and related disclosures include evaluation of events up through and including October 11, 2011, which is the date the financial statements were available to be issued.

Note 3 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the valuation techniques and inputs used to measure fair value.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Company 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.

Note 3 - Fair Value Measurements (Continued)

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. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

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

The Company measures investments at fair value on a recurring basis. The fair value of the Company's investments at July 1, 2011 and July 2, 2010 total $1,176,634 and $1,111,195, respectively, and are based primarily on Level 2 inputs as described above.

Investments in Entities that Calculate Net Asset Value per Share

The Company holds shares or interests in JPMorgan Core Bond Trust, an investment company, at year end. The fair value of the investment was $1,176,634 and $1,111,195 at June 30, 2011 and June 30, 2010, respectively. The fair value was estimated based on the net asset value per share of $10.55 and $10.47 times the number of shares owned by the Company at July 1, 2011 and July 2, 2010, respectively.

Investee management pursues multiple strategies to diversify risks and reduce volatility. The investment company's composite portfolio for this includes investments in approximately 49 percent mortgage-based securities, 23 percent U.S. Treasury obligations, 20 percent corporate bonds, and 8 percent other.

Note 4 - Debt Obligation

At July 1, 2011 and July 2, 2010, debt obligations consisted of the following:

	2011	2010
Term loan	$ 3,051,800	$ 3,265,600
Less current portion of long-term debt	227,400	213,800
Total long-term debt	$ 2,824,400	$ 3,051,800

In June 2006, the Company obtained a secured $4,000,000 term loan (the "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 $16,300 to $34,100 are due in monthly installments through June 2021. The interest rate on the new Term Loan was fixed at 6.20 percent through June 2011 and was adjusted to 3.31 percent as of July 1, 2011. The interest rate will be adjusted to the index rate as defined in the agreement plus 1.40 percent in June 2016 and every five years thereafter.

Maturities of long-term debt are as follows at July 1, 2011:

Year Ending	Amount
2012	$ 227,400
2013	242,000
2014	257,400
2015	273,800
2016	291,300
Due thereafter	1,759,900
Total	$ 3,051,800

Note 5 - Working Capital Loans Payable to Stockholder

The Stockholder had made available to the Company working capital loans, with interest at the prime rate, of up to $450,000 at July 1, 2011 and July 2, 2010. There were no outstanding borrowings on these working capital loans at July 1, 2011 and July 2, 2010. The interest rate, which is stated at the prime rate, was 3.25 percent as of both July 1, 2011 and July 2, 2010.

Note 6 - 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 $175,841 and $180,353 in fiscal years 2011 and 2010, respectively.

Note 7 - Income Taxes

The provision for income taxes for the years ended July 1, 2011 and July 2, 2010 consists of the following:

	2011	2010
Currently payable	$ -	$ -
Deferred tax (recovery) expense	(58,638)	22,226
Provision for income taxes	$ (58,638)	$ 22,226

The Company has AMT credit carryforwards of approximately $46,000 and $40,000 as of July 1, 2011 and July 2, 2010, respectively.

The components of the deferred income tax asset and liability as of July 1, 2011 and July 2, 2010 are as follows:

	2011	2010
Current deferred tax asset - Accrued liabilities and reserves	$ 11,445	$ 22,209
Noncurrent deferred tax (liabilities) assets:		
Depreciation and amortization	(49,045)	(141,124)
AMT credit carryforwards	46,209	40,000
Net deferred tax asset (liability)	$ 8,609	$ (78,915)

Note 7 - 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.

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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 years ended July 1, 2011 and July 2, 2010 and have issued our report thereon dated October 11, 2011. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered the Company's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

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

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

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 Inn-Ohio of Athens, Inc., 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 11, 2011

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Dave Yost • Auditor of State

INN OHIO ATHENS INC

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 15, 2011

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