The Ohio University Foundation and Subsidiaries

Consolidated Financial Statements as of and for the Years Ended June 30, 2011 and 2010 with Supplemental Schedules as of and for the Year Ended June 30, 2011 and Independent Auditor's Report

Board of Directors
Ohio University Foundation and Subsidiaries
166 HDL Center, Suite 204
Athens, Ohio 45701

We have reviewed the *Independent Auditor's Report* of the Ohio University Foundation and Subsidiaries, Athens County, prepared by Plante & Moran, PLLC, 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 Ohio University Foundation and Subsidiaries is responsible for compliance with these laws and regulations.

Dave Yost
Auditor of State

December 2, 2011

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The Ohio University Foundation and Subsidiaries

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Independent Auditor's Report

To the Board of Trustees
The Ohio University Foundation
and Subsidiaries
Athens, Ohio

We have audited the accompanying consolidated statements of financial position of The Ohio University Foundation, an Ohio not-for-profit corporation, and Subsidiaries (the "Foundation") as of June 30, 2011 and 2010 and the related consolidated 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 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 financial statements referred to above present fairly, in all material respects, the financial position of The Ohio University Foundation and Subsidiaries as of June 30, 2011 and 2010 and the results of their operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic consolidated financial statements of the Foundation taken as a whole. The consolidating information on pages 41-44 is presented for the purpose of additional analysis rather than to present the financial position, change in net assets, and cash flows of the individual entities, and is not a required part of the basic consolidated financial statements. These schedules are the responsibility of the management of the Foundation. Such schedules have been subjected to the auditing procedures applied in our audits of the basic consolidated financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic consolidated financial statements taken as a whole.

To the Board of Trustees
The Ohio University Foundation
and Subsidiaries
Athens, Ohio

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2011 on our consideration of The Ohio University Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. 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 45-46 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 audits.

As further explained in Note 5, the consolidated financial statements include investments that are not listed on national exchanges nor for which quoted market prices are available. These investments include limited partnerships, hedge funds, funds of funds, and commingled funds that are not mutual funds. Such investments totaled $125,721,627 (32.6 percent of net assets) and $102,762,511 (31.6 percent of net assets) at June 30, 2011 and 2010, respectively. Where a publicly listed price is not available, management uses alternative sources of information including the funds' audited financial statements, unaudited interim reports, lists of underlying fund holdings, and similar evidence provided by the fund managers to determine fair values of the investments.

Plante & Moran, PLLC

October 11, 2011

The Ohio University Foundation and Subsidiaries

Consolidated Statements of Financial Position
June 30, 2011 and 2010

	2011	2010
Assets		
Cash and cash equivalents	$ 23,242,302	$ 20,307,677
Accounts receivable - Net	323,785	492,266
Pledges receivable - Net	15,044,769	12,294,944
Bequests receivable	931,000	949,252
Interest and dividends receivable	321,331	193,561
Prepaid expenses	784,543	828,363
Investments	328,312,929	270,840,698
Cash surrender value - Life insurance policies	1,841,498	1,856,346
Charitable gift annuities	2,475,238	2,131,740
Charitable trusts	17,022,926	16,715,185
Deposits with trustees - Restricted cash	3,198,543	3,335,751
Property and equipment - Net	31,312,185	36,011,632
Other assets	700,682	672,436
Total assets	**$ 425,511,731**	**$ 366,629,851**
Liabilities and Net Assets		
Liabilities		
Accounts payable:		
Ohio University	$ 1,471,860	$ 2,466,472
Trade and other	1,362,840	1,289,569
Deposits held in custody for others	348,572	306,060
Annuities payable	2,060,892	1,566,510
Charitable trusts obligations	3,837,011	4,251,212
Bonds payable	27,490,000	28,195,000
Notes payable	3,261,800	3,545,600
Other liabilities	95,066	204,083
Total liabilities	39,928,041	41,824,506
Net Assets		
Unrestricted	13,615,029	2,933,270
Temporarily restricted	223,433,748	172,666,202
Permanently restricted	148,534,913	149,205,873
Total net assets	385,583,690	324,805,345
Total liabilities and net assets	**$ 425,511,731**	**$ 366,629,851**

The Ohio University Foundation and Subsidiaries

Consolidated Statements of Activities
Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and other support:				
Gifts and contributions	$ 203,371	$ 22,414,197	$ 5,040,601	$ 27,658,169
University support	4,523,605	-	-	4,523,605
Income from investments:				
Interest and dividends	303,830	3,010,052	-	3,313,882
Sold during the year (realized gain (loss))	625,096	10,702,957	(4,686,345)	6,641,708
Held at year end (unrealized gain (loss))	12,354,732	27,188,440	(355,858)	39,187,314
Revenue from sales, services, and events	251,405	27,851	-	279,256
Change in value of split-interest agreements	(9,902)	760,666	(274,674)	476,090
Administrative fee income	807,340	(807,340)	-	-
Other	90,520	171,393	376,674	638,587
Related entity revenue	6,948,370	1,463,004	-	8,411,374
Total revenue and other support	26,098,367	64,931,220	100,398	91,129,985
Net assets released from restrictions - Satisfaction of program restrictions:				
Academic support	2,539,443	(2,539,443)	-	-
Alumni relations	166,188	(166,188)	-	-
Fundraising and development	4,502	(4,502)	-	-
Institutional support	964,741	(964,741)	-	-
Instruction and departmental research	5,924,436	(5,146,508)	(777,928)	-
Intercollegiate athletics	708,877	(708,877)	-	-
Operation and maintenance of plant	1,114,176	(1,114,176)	-	-
Public service	232,784	(232,784)	-	-
Research	66,975	(66,975)	-	-
Student aid	1,578,555	(1,587,737)	9,182	-
Student services	257,942	(255,330)	(2,612)	-
Related entity operations	1,376,413	(1,376,413)	-	-
Total net assets released from restrictions	14,935,032	(14,163,674)	(771,358)	-
Total revenue, other support, and net assets released from restrictions	41,033,399	50,767,546	(670,960)	91,129,985

The Ohio University Foundation and Subsidiaries

Consolidated Statements of Activities (Continued)
Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Expenses:				
Program services:				
Academic support	$ 2,539,443	$ -	$ -	$ 2,539,443
Alumni relations	806,240	-	-	806,240
Institutional support	754,745	-	-	754,745
Instruction and departmental research	5,703,819	-	-	5,703,819
Intercollegiate athletics	708,877	-	-	708,877
Operation and maintenance of plant	1,114,176	-	-	1,114,176
Public service	232,784	-	-	232,784
Research	185,813	-	-	185,813
Student aid	1,580,812	-	-	1,580,812
Student services	257,942	-	-	257,942
Support services:				
Fundraising and development	7,363,127	-	-	7,363,127
Fund administration	687,652	-	-	687,652
Related entity operations	8,416,210	-	-	8,416,210
Total expenses	30,351,640	-	-	30,351,640
Changes in Net Assets	10,681,759	50,767,546	(670,960)	60,778,345
Net Assets - Beginning of year	2,933,270	172,666,202	149,205,873	324,805,345
Net Assets - End of year	**$ 13,615,029**	**$ 223,433,748**	**$ 148,534,913**	**$ 385,583,690**

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

The Ohio University Foundation and Subsidiaries

Consolidated Statements of Activities
Year Ended June 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and other support:				
Gifts and contributions	$ 583,134	$ 13,369,113	$ 679,922	$ 14,632,169
University support	4,659,164	-	-	4,659,164
Income from investments:				
Interest and dividends	201,002	2,444,554	3,587	2,649,143
Sold during the year (realized gain)	12,641,390	8,428,485	4,885,038	25,954,913
Held at year end (unrealized gain)	7,240,257	22,184,126	140,656	29,565,039
Revenue from sales, services, and events	296,137	13,407	-	309,544
Change in value - Split-interest agreements	(2,846)	(133,585)	73,878	(62,553)
Administrative fee income	694,239	(665,986)	(28,253)	-
Other	117,060	166,427	82,782	366,269
Related entity revenue	7,264,395	1,566,878	-	8,831,273
Total revenue and other support	33,693,932	47,373,419	5,837,610	86,904,961
Net assets released from restrictions - Satisfaction of program restrictions:				
Academic support	1,029,150	(1,029,150)	-	-
Alumni relations	21,808	(21,808)	-	-
Fundraising and development	19,442	(19,442)	-	-
Institutional support	1,133,649	(716,076)	(417,573)	-
Instruction and departmental research	6,958,326	(5,794,625)	(1,163,701)	-
Intercollegiate athletics	754,929	(737,098)	(17,831)	-
Operation and maintenance of plant	338,647	(338,647)	-	-
Public service	10,547	(10,547)	-	-
Research	70,397	(70,397)	-	-
Student aid	2,691,673	(2,636,671)	(55,002)	-
Student services	226,546	(226,546)	-	-
Related entity operations	1,569,471	(1,569,471)	-	-
Total net assets released from restrictions	14,824,585	(13,170,478)	(1,654,107)	-
Total revenue, other support, and net assets released from restrictions	48,518,517	34,202,941	4,183,503	86,904,961

Consolidated Statements of Activities (Continued)
Year Ended June 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Expenses:				
Program services:				
Academic support	$ 1,029,150	$ -	$ -	$ 1,029,150
Alumni relations	885,904	-	-	885,904
Institutional support	1,150,844	-	-	1,150,844
Instruction and departmental research	6,181,073	-	-	6,181,073
Intercollegiate athletics	755,590	-	-	755,590
Operation and maintenance of plant	338,647	-	-	338,647
Public service	10,547	-	-	10,547
Research	344,032	-	-	344,032
Student aid	2,716,335	-	-	2,716,335
Student services	226,546	-	-	226,546
Support services:				
Fundraising and development	6,037,475	-	-	6,037,475
Fund administration	644,857	-	-	644,857
Related entity operations	8,383,164	-	-	8,383,164
Total expenses	28,704,164	-	-	28,704,164
Changes in Net Assets	19,814,353	34,202,941	4,183,503	58,200,797
Net Assets (Deficit) - Beginning of year	(16,881,083)	138,463,261	145,022,370	266,604,548
Net Assets - End of year	**$ 2,933,270**	**$ 172,666,202**	**$ 149,205,873**	**$ 324,805,345**

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

Consolidated Statements of Cash Flows

	Years Ended June 30	
	2011	2010
Cash Flows from Operating Activities		
Changes in net assets	$ 60,778,345	$ 58,200,797
Adjustments to reconcile changes in net assets to net cash from operating activities		
Realized investment gains - Net	(6,641,708)	(25,954,913)
Noncash items:		
Depreciation and amortization	1,686,979	1,691,182
Loss on disposition of property	444,837	-
Unrealized investment gains - Net	(39,195,718)	(29,627,957)
Decrease (increase) in cash surrender value of life insurance policies	14,848	(21,690)
Contributions of securities	(11,902,816)	(459,386)
Contributions restricted for endowment investments	(5,040,601)	(679,922)
Changes in current assets and liabilities:		
Decrease (increase) in accounts receivable	168,481	(838,261)
(Increase) decrease in pledges receivable	(2,749,825)	7,300,751
Decrease (increase) in bequests receivable	18,252	(397,399)
(Increase) decrease in interest and dividends receivable	(127,770)	150,682
Decrease in prepaid expenses	21,033	84,224
(Increase) decrease in other assets	(56,502)	20,807
(Decrease) increase in accounts payable	(921,341)	994,740
Decrease in other liabilities	(109,017)	(67,342)
Increase in deposits held in custody for others	42,512	27,224
Net cash (used in) provided by operating activities	(3,570,011)	10,423,537
Cash Flows from Investing Activities		
Purchases of property and equipment	(215,228)	(350,424)
Proceeds from sales of property and equipment	2,833,902	-
Purchases of investments	(94,808,994)	(224,823,945)
Proceeds from sales of investments	95,077,005	235,655,656
Decrease in restricted cash	137,208	138,688
Increase in charitable remainder trusts	(343,498)	(14,134,345)
Increase in investments subject to annuity agreements	(307,741)	(114,434)
Net cash provided by (used in) investing activities	2,372,654	(3,628,804)
Cash Flows from Financing Activities		
Contributions restricted for endowment investment	5,040,601	679,922
Payments on notes and bonds payable	(988,800)	(941,000)
Increase (decrease) in annuity obligations	494,382	(65,045)
(Decrease) increase in trust obligations	(414,201)	3,294,535
Net cash provided by financing activities	4,131,982	2,968,412
Net Increase in Cash and Cash Equivalents	2,934,625	9,763,145
Cash and Cash Equivalents - Beginning of year	20,307,677	10,544,532
Cash and Cash Equivalents - End of year	**$ 23,242,302**	**$ 20,307,677**
Supplemental Disclosure of Cash Flow Information -		
Cash paid during the year for interest	**$ 269,309**	**$ 221,213**
Supplemental Disclosure of Noncash Activities -		
Contributions of securities	**$ 11,902,816**	**$ 459,386**

Note 1 - Organization and Operation

The Ohio University Foundation (the "Foundation") was incorporated in Ohio in October 1945 to support the educational undertakings of Ohio University (the "University"). The Foundation is authorized to solicit and receive gifts and contributions for the benefit of the University and to ensure that funds and property received are applied to the uses specified by the donor.

The Foundation's wholly owned subsidiary, Inn-Ohio of Athens, Inc. (the "Inn"), owns and operates a 139-room hotel and restaurant facility in Athens, Ohio known as The Ohio University Inn (see Note 10).

Another controlled entity, Housing for Ohio, Inc. (Housing), constructed and operates a 182-unit student housing facility in Athens, Ohio (see Note 11). It has been granted tax-exempt status under Section 501(a)(3) of the Internal Revenue Code (the "Code") as an organization described in Section 501(c)(3).

The Foundation entered into an agreement with the Sugar Bush Foundation (Sugar Bush), an Ohio not-for-profit corporation, in August 2005. Sugar Bush is a supporting organization as defined in Code Section 509(a)(3) and the Foundation is its primary supported organization receiving 51 percent of its charitable distributions. This agreement was further amended in August 2007 with Sugar Bush pledging to commit all of its charitable distributions to the Foundation. Upon dissolution of Sugar Bush and payment of all Sugar Bush liabilities, all of its assets shall be transferred to the Foundation, provided the Foundation is then recognized as a nonprofit Ohio corporation and as a tax-exempt organization under Section 501(c)(3) of the Code. The Foundation consolidates this supporting organization that is deemed to be financially interrelated.

During 2009, the Foundation created three limited liability companies to receive property distributions from The Dolores H. Russ Trust for the benefit of the Russ College of Engineering. The three limited liability companies are the Fritz J. and Dolores H. Russ Holdings LLC, Russ North Valley Road LLC, and Russ Research Center LLC (collectively referred to as the "Russ LLCs"). The limited liability companies are treated as disregarded entities for federal income tax purposes. The Foundation is the sole member of Fritz J. and Dolores H. Russ Holdings LLC. Fritz J. and Dolores H. Russ Holdings LLC is the sole member of Russ North Valley Road LLC and Russ Research Center LLC.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting - The consolidated financial statements of the Foundation have been prepared on the accrual basis of accounting. The accompanying consolidated financial statements present the financial position and results of activities of the Foundation and its wholly owned subsidiary and other related entities - the Inn, Housing, one supporting organization, and three limited liability companies. All intercompany transactions have been eliminated.

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 disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amount of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk - Financial instruments, which potentially subject the Foundation to a concentration of credit risk, consist principally of pledges receivable, investments for the Foundation, and receivables related to operations of the Inn and Russ Research Center. Exposure to losses on pledges receivable is principally dependent on each donor's financial condition. The Foundation monitors the exposure for credit losses and maintains allowances for anticipated losses on receivables.

Investments are recorded at fair value. 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 possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the Foundation's consolidated statements of financial position and activities.

The management companies that operate the Inn and the Russ Research Center are responsible for collection of receivables. Each entity provides a reserve for any estimated uncollectible balances, as appropriate.

Gifts and Contributions - Contributions are recorded at their fair value on the date of receipt. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset categories. When a donor restriction expires (when a stipulated time restriction ends or the purpose of restriction is accomplished), temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

Note 2 - Summary of Significant Accounting Policies

Contributed property is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used or restrict the use of such assets for a specific purpose, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property are recorded as unrestricted support.

Contributions of charitable gift annuities are reduced by the actuarially determined liability resulting from acceptance of the gift. Contributions are held in charitable trusts at the present value of their estimated future benefits to be received when the trust assets are distributed upon notification of the donor's death (see Note 9).

Pledges Receivable - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discount on those amounts is computed using an assumed inflation rate. The discount rate utilized was 5.01 and 5.10 percent for the years ended June 30, 2011 and 2010, respectively. Amortization of the discounts is included in contribution revenue. Unconditional promises to give, which are silent as to the due date, are presumed to be time restricted by the donor until received and are reported as temporarily restricted net assets. Conditional promises to give are not included as support until the conditions on which they depend are substantially met.

Intentions - The Foundation receives communications from donors indicating that the Foundation has been included in the donor's will or life insurance policy as beneficiary, representing intentions to give rather than promises to give. Such communications are not unconditional promises to give because the donors retain the ability to modify their wills and insurance policies during their lifetimes. The total realizable value of these intended gifts has not been established, nor have the intended gifts been recognized as an asset or contribution revenue. Such gifts are recorded when the Foundation is notified of the donor's death, the will is declared valid by a probate court, and the proceeds are measurable.

Cash Surrender Value of Insurance Policies - The Foundation records as an asset the cash surrender value of insurance policies for which it is the owner and beneficiary.

Investments - Investments in securities are recorded at fair value based on quoted market values, with changes in market value during the year reflected in the consolidated statements of activities. Purchases and sales of investments are accounted for as of the trade date. See Note 5 for the valuation policy for alternative investments.

Note 2 - Summary of Significant Accounting Policies

Income from Investments - All investment income in the form of interest and dividends is credited to unrestricted net assets unless otherwise designated by the donor. All capital appreciation/depreciation earned on permanently restricted, temporarily restricted, and unrestricted investments is credited to unrestricted net assets unless otherwise restricted by the donor.

Property and Equipment - Property and equipment are recorded at the estimated fair value, if received as a gift, or at the purchase cost, plus any expenditures for improvements.

Depreciation of buildings is recorded over periods ranging from 20 to 40 years using the straight-line method. Depreciation and amortization of other property, equipment, and improvements are recorded over periods ranging from 3 to 15 years using the straight-line method.

Annually, or more frequently if events or circumstances change, a determination is made by management to ascertain whether property and equipment and intangibles have been impaired based on the sum of expected future undiscounted cash flows from operating activities. If the estimated net cash flows are less than the carrying amount of such assets, the Foundation will recognize an impairment loss in an amount necessary to write down the assets to a fair value as determined from expected future discounted cash flows. Based upon its most recent analysis, the Foundation has determined that no impairment to the carrying value of its long-lived assets existed at June 30, 2011 and 2010.

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

Cash Equivalents - The Foundation considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents.

Restricted Cash - Restricted cash represents cash that, under terms of the bond issue trust indenture agreement (the "Trust Indenture") (related to Housing for Ohio, Inc., see Note 11), is restricted for various purposes. In accordance with the terms of the Trust Indenture and related agreements, the proceeds from the bonds not used to construct the student housing facility and certain equipment and improvements were deposited with the trustee. The Foundation is also required to deposit all revenue directly into a designated revenue fund. The trustee is then authorized, without further direction from the Foundation, to transfer funds out of the revenue fund to other funds as outlined in the Trust Indenture.

Note 2 - Summary of Significant Accounting Policies

Functional Allocation of Expenses - The costs of providing the various programs and support services have been summarized on a functional basis in the consolidated statements of activities. Certain costs have been allocated among the programs and support services benefited. Although methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Income Taxes - The Internal Revenue Service has determined that the Foundation is an exempt organization under Section 501(c)(3) of the Internal Revenue Code, except for taxes on unrelated income. The provision for income taxes for the Inn, including deferred tax (recovery) expenses, totaled ($58,638) and $22,226 for the years ended June 30, 2011 and 2010, respectively.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Foundation and to recognize a tax liability if the Foundation has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Foundation and has concluded that as of June 30, 2011, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to June 30, 2008.

Fair Value of Financial Instruments - The carrying values of the Foundation's financial instruments in the accompanying consolidated statements of financial position approximate their respective estimated fair value at June 30, 2011 and 2010.

The Foundation has estimated the fair values of its financial instruments using available quoted market information and other valuation methodologies. Accordingly, the estimates presented are not necessarily indicative of the amounts that the Foundation could realize in a current market exchange. Determinations of fair value are based on subjective data and significant judgment relating to timing of payments and collections and the amounts to be realized. Different market assumptions and/or estimation methodologies might have a material effect on the estimated fair value amounts.

The fair values of short-term financial instruments, including cash equivalents and trade accounts receivable and payable, approximate the carrying amounts in the accompanying consolidated financial statements due to the short maturity of such instruments. The fair value of long-term obligations approximates the carrying amounts in the accompanying consolidated financial statements. The carrying value of the debt approximates fair value based on current borrowing rates.

Note 2 - Summary of Significant Accounting Policies

Advertising Costs - Advertising costs of the Inn are included in marketing expenses and are expensed as incurred.

Reclassification - Certain amounts from the prior year have been reclassified to conform to the current year's presentation.

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 - Net Assets

Unrestricted Net Assets - The unrestricted net assets consist of operating funds available for any purpose authorized by the board of trustees.

Unrestricted net assets as of June 30, 2011 and 2010 are available for the following purposes:

	2011		2010	
Board-designated quasi-endowment		$ 12,374,420		$ 10,058,446
Board-designated 1804 fund		678,109		536,655
Designated underwater accounts		(205,666)		(8,947,560)
Undesignated:				
Housing	$ (2,045,872)		$ (1,804,157)	
Other	2,814,038	768,166	3,089,886	1,285,729
Unrestricted net assets		$ 13,615,029		$ 2,933,270

Temporarily Restricted Net Assets - Temporarily restricted net assets consist of funds that are restricted for a specific use or time determined by the donor. Temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions when the restrictions are satisfied either by the passage of time or by actions of the Foundation. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Foundation reports the support as unrestricted.

Note 3 - Net Assets

Temporarily restricted net assets as of June 30, 2011 and 2010 are available for the following purposes:

	2011	2010
Academic support	$ 12,087,116	$ 7,855,886
Alumni relations	472,988	562,788
Fundraising and development	983,120	914,291
Institutional support	16,206,157	9,484,732
Instruction and departmental research	143,628,099	122,345,493
Intercollegiate athletics	1,734,286	1,646,220
Operation and maintenance of plant	395,071	426,762
Other	-	14,860
Public service	533,805	482,723
Research	1,444,152	1,316,332
Student aid	44,289,007	26,310,398
Student services	1,659,947	1,305,717
Total	$ 223,433,748	$ 172,666,202

Permanently Restricted Net Assets - Permanently restricted net assets consist of funds arising from a gift or bequest in which the donor has stipulated, as a condition of the gift, that the principal be maintained in perpetuity and only the investment income from investment of the funds be expended. Certain donor endowments also specify that a portion of the earnings from the investment be reinvested as principal, or that all income earned over a period of time be reinvested. Amounts are also transferred for specific uses as authorized from time to time by the donor. Earnings, gains, and losses on restricted net assets are classified as unrestricted unless otherwise restricted by the donor or by applicable state laws.

Note 3 - Net Assets

Permanently restricted net assets as of June 30, 2011 and 2010 are available for the following purposes:

	2011	2010
Academic support	$ 7,148,037	$ 6,583,640
Alumni relations	459,028	518,445
Fundraising and development	362,463	240,100
Institutional support	4,548,254	4,927,403
Instruction and departmental research	62,064,635	54,978,608
Intercollegiate athletics	1,606,963	1,072,935
Other	-	148,434
Public service	584,306	353,368
Research	612,969	587,953
Student aid	68,496,244	77,183,675
Student services	2,652,014	2,611,312
Total	$ 148,534,913	$ 149,205,873

Note 4 - Pledges Receivable

Amounts included in pledges receivable for unconditional promises to give at June 30, 2011 and 2010 are as follows:

At June 30, 2011	Temporarily Restricted	Permanently Restricted	Total
Gross amounts due in:			
Less than one year	$ 3,413,954	$ 4,334,303	$ 7,748,257
One to five years	5,141,954	7,624,761	12,766,715
More than five years	376,695	401,638	778,333
Gross pledges receivable	8,932,603	12,360,702	21,293,305
Less allowance for uncollectible pledges	(2,038,025)	(2,820,165)	(4,858,190)
Less discount to present value	(402,935)	(987,411)	(1,390,346)
Total pledges receivable - Net	$ 6,491,643	$ 8,553,126	$ 15,044,769

Note 4 - Pledges Receivable

At June 30, 2010	Temporarily Restricted	Permanently Restricted	Total
Gross amounts due in:			
Less than one year	$ 2,536,802	$ 2,231,913	$ 4,768,715
One to five years	3,100,569	8,223,939	11,324,508
More than five years	175	5,000	5,175
Gross pledges receivable	5,637,546	10,460,852	16,098,398
Less allowance for uncollectible pledges	(885,095)	(1,642,354)	(2,527,449)
Less discount to present value	(194,010)	(1,081,995)	(1,276,005)
Total pledges receivable - Net	$ 4,558,441	$ 7,736,503	$ 12,294,944

As of June 30, 2011, the Foundation has approximately $58 million in numerous outstanding pledges which are considered to be intentions to give and are contingent upon future events. These pledges are not accrued as pledges receivable or recognized as revenue because they do not represent unconditional promises to give. It is not practicable to estimate the ultimate realizable value of these commitments or the period over which they might be collected.

Note 5 - Fair Value Measurements

The Foundation's investments include endowed funds, as well as a portion of working capital funds. The Foundation's investment policy provides that the long-term objective of the investment pool is to maximize the real return, or the nominal return less inflation, of the assets over a complete market cycle with emphasis on preserving capital and reducing volatility through prudent diversification. Further, the investment strategy seeks to provide real growth of assets in excess of endowment spending requirements plus inflation. The asset allocation of the Foundation's investments at June 30, 2011 and 2010 is summarized in the following table:

Note 5 - Fair Value Measurements

Fair Value and Cost of Investments at June 30, 2011 and 2010

	June 30, 2011		June 30, 2010	
	Fair Value	Cost	Fair Value	Cost
Fixed-income investments:				
Money market funds	$ 13,894,663	$ 13,894,663	$ 18,899,091	$ 18,899,091
Bonds and bond mutual funds	25,647,394	24,410,003	30,712,320	28,483,248
TIPS mutual funds	15,426,278	14,654,431	11,664,893	11,429,135
Subtotal fixed income	54,968,335	52,959,097	61,276,304	58,811,474
Public equity investments:				
Domestic large-cap equity	69,571,362	59,354,765	48,168,152	52,687,911
Domestic small-cap equity	6,168,429	6,444,861	6,859,022	6,397,703
REITs	3,352,514	2,730,131	2,964,108	2,934,501
Developed international equity	56,569,956	48,231,766	38,918,569	41,855,911
Emerging markets international equity	14,700,262	7,467,338	10,084,427	6,128,932
Global equity	612,958	731,670	2,771,713	4,146,150
Subtotal public equity	150,975,481	124,960,531	109,765,991	114,151,108
Alternative investments:				
Commodities	10,968,983	12,316,733	8,305,151	12,171,131
Absolute return funds	50,500,753	50,660,956	46,868,395	50,047,241
Private equity funds	28,954,097	23,375,185	27,422,472	24,070,574
Private real estate funds	10,705,252	9,194,869	8,375,982	8,127,778
Venture capital funds	3,434,857	3,993,435	2,618,032	3,864,880
Direct private equity investments	17,805,171	12,119,277	6,208,371	522,477
Subtotal alternative investments	122,369,113	111,660,455	99,798,403	98,804,081
Total investments	$ 328,312,929	$ 289,580,083	$ 270,840,698	$ 271,766,663

The Foundation reports investments and split-interest agreements at estimated fair value, in accordance with the fair value hierarchy prescribed by Financial Accounting Standards Board Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures* (formerly SFAS 157). The framework for determining fair value is based on a hierarchy that prioritizes the valuation techniques and inputs used to measure fair value, as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Foundation has the ability to access. The Foundation's Level 1 assets consist primarily of fixed-income or equity mutual funds, publicly traded large- and small-cap stocks, and REITs. Prices for these investments are widely available through major financial reporting services.

Note 5 - Fair Value Measurements

Level 2 - Inputs other than quoted prices that are observable, either directly or indirectly. These may 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. The Foundation's Level 2 assets include government and corporate bonds, as well as commingled money market, bond, and equity funds that are not registered with the Securities and Exchange Commission and do not trade on an exchange.

Level 3 - Inputs that are unobservable, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability. The Foundation's Level 3 assets include allocations to commodities, absolute return funds, private equity, private real estate, and venture capital funds. The Foundation's Level 3 liabilities relate to split-interest agreements and are valued using an actuarial approach.

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 least observable input that is significant to the valuation. The 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. The Foundation's fair value assets and liabilities, by level, at June 30, 2011 and 2010 are summarized in the following tables:

Note 5 - Fair Value Measurements

Assets and Liabilities Measured at Fair Value on the Recurring Basis at June 30, 2011

		Fair Value at Reporting Date Using		
	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				
Fixed-income investments:				
Money market funds	$ 13,894,663	$ 428,461	$ 13,466,202	$ -
Bonds and bond mutual funds (1)	25,647,394	23,223,938	2,248,456	175,000
TIPS mutual funds	15,426,278	15,426,278	-	-
Subtotal fixed income	54,968,335	39,078,677	15,714,658	175,000
Public equity investments:				
Domestic large-cap equity	69,571,362	69,571,362	-	-
Domestic small-cap equity	6,168,429	6,168,429	-	-
REITs	3,352,514	3,352,514	-	-
Developed international equity	56,569,956	56,569,956	-	-
Emerging markets international equity (9)	14,700,262	3,066,849	11,633,413	-
Global equity	612,958	612,958	-	-
Subtotal public equity	150,975,481	139,342,068	11,633,413	-
Alternative investments:				
Commodities (2)	10,968,983	-	-	10,968,983
Absolute return funds (3)	50,500,753	-	-	50,500,753
Private equity funds (4)	28,954,097	-	-	28,954,097
Private real estate funds (5)	10,705,252	-	-	10,705,252
Venture capital funds (6)	3,434,857	-	-	3,434,857
Direct private equity investments (7)	17,805,171	-	-	17,805,171
Subtotal alternative investments	122,369,113	-	-	122,369,113
Total investments	$ 328,312,929	$ 178,420,745	$ 27,348,071	$ 122,544,113
Split-interest Agreements				
Charitable gift annuities -				
Assets	$ 2,475,238	$ 2,116,345	$ 358,893	$ -
Charitable trusts -				
Assets (8)	17,022,926	15,696,253	621,088	705,585
Total split-interest agreements	$ 19,498,164	$ 17,812,598	$ 979,981	$ 705,585
Total fair value measurements	$ 347,811,093	$ 196,233,343	$ 28,328,052	$ 123,249,698

Note 5 - Fair Value Measurements

Assets and Liabilities Measured at Fair Value on the Recurring Basis at June 30, 2010

		Fair Value at Reporting Date Using		
	June 30, 2010	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Fixed-income investments:				
Money market funds	$ 18,899,091	$ 374,742	$ 18,524,349	$ -
Bonds and bond mutual funds (1)	30,712,320	29,145,353	1,391,967	175,000
TIPS mutual funds	11,664,893	11,664,893	-	-
Subtotal fixed income	61,276,304	41,184,988	19,916,316	175,000
Public equity investments:				
Domestic large-cap equity	48,168,152	48,168,152	-	-
Domestic small-cap equity	6,859,022	6,859,022	-	-
REITs	2,964,108	2,964,108	-	-
Developed international equity	38,918,569	38,918,569	-	-
Emerging markets international equity (9)	10,084,427	1,225,100	8,859,327	-
Global equity	2,771,713	2,771,713	-	-
Subtotal public equity	109,765,991	100,906,664	8,859,327	-
Alternative investments:				
Commodities (2)	8,305,151	-	-	8,305,151
Absolute return funds (3)	46,868,395	-	-	46,868,395
Private equity funds (4)	27,422,472	-	-	27,422,472
Private real estate funds (5)	8,375,982	-	-	8,375,982
Venture capital funds (6)	2,618,032	-	-	2,618,032
Direct private equity investments (7)	6,208,371	-	-	6,208,371
Subtotal alternative investments	99,798,403	-	-	99,798,403
Total investments	$ 270,840,698	$ 142,091,652	$ 28,775,643	$ 99,973,403
Split-Interest Agreements				
Charitable gift annuities -				
Assets	$ 2,131,740	$ 1,788,424	$ 343,316	$ -
Charitable trusts -				
Assets (8)	16,715,185	15,843,665	-	871,520
Total split-interest agreements	$ 18,846,925	$ 17,632,089	$ 343,316	$ 871,520
Total fair value measurements	$ 289,687,623	$ 159,723,741	$ 29,118,959	$ 100,844,923

Note 5 - Fair Value Measurements

(1) Level 3 investment represents auction rate preferred shares in a closed-end fixed-income fund, which is illiquid and in process of being refinanced by the investment manager.

(2) Commodities funds investing in areas that offer strong relative performance in rising inflation environments and are broadly diversified across the commodities markets, including futures, options on futures, and forward contracts on exchange-traded agricultural goods, metals, minerals, and energy products.

(3) Hedge funds broadly diversified across managers, investment strategies, and investment venues. Includes both fund investments, as well as fund of funds investments.

(4) Private equity funds broadly diversified across managers, investment stages, geography, industry sectors, and company size. Includes individual fund investments, as well as fund of funds investments.

(5) Private real estate funds broadly diversified across managers, investment strategies, geography, and industry sectors.

(6) Venture capital funds with the objective of investing in early stage business entities and enterprises with a primary focus on medical and information technologies.

(7) Includes ownership of stock in a manufacturer of precision sensor measurement equipment. Also includes estimated proceeds from the sale of stock in a privately held manufacturer of genetically engineered and non-engineered tissue cell cultures, to be received at the end of the escrow period.

(8) Level 3 investment represents the present value of the revenue expected to be received from charitable trusts, where the Foundation does not serve as trustee.

(9) Institutional commingled fund investing primarily in equities of companies located in less developed countries. The fund is diversified across countries and industry sectors.

Investments are reported as Level 3 assets if the valuation is based on significant unobservable inputs. Often, these assets trade infrequently, or not at all. For some Level 3 assets, both observable and unobservable inputs may be used to determine fair value. As a result, the unrealized gains and losses presented in the tables below may include changes in fair value that were attributable to both observable and unobservable inputs.

The Foundation's policy is to recognize transfers between levels of the fair value hierarchy as of the beginning of the reporting period. For the fiscal year ended June 30, 2011, there were no transfers between levels of the fair value hierarchy. For the fiscal year ended June 30, 2010, the Foundation transferred commingled money market, fixed income, and public equity funds from Level 3 to Level 2 investments.

Note 5 - Fair Value Measurements

Additional information on the changes in Level 3 assets is summarized in the table below as of June 30, 2011 and 2010:

Changes in Level 3 Assets Measured at Fair Value on a Recurring Basis for the Year Ended June 30, 2011

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)			
		Fixed Income	Alternative Investments	
	Total Level 3 Investments	Bond Mutual Funds	Commodities	Absolute Return Funds
Beginning balance	$ 99,973,403	$ 175,000	$ 8,305,151	$ 46,868,395
Gains (losses) included in changes in net assets:				
Realized gains (losses)	1,840,065	-	(2,120)	-
Unrealized gains	10,866,123	-	2,662,320	3,632,358
Total gains	12,706,188	-	2,660,200	3,632,358
Purchases and sales:				
Purchases	3,361,190	-	44,034	-
Contributions	11,651,246	-	-	-
Sales	(5,147,914)	-	(40,402)	-
Total purchases and sales	9,864,522	-	3,632	-
Ending balance	$ 122,544,113	$ 175,000	$ 10,968,983	$ 50,500,753

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) (Continued)			
	Alternative Investments (Continued)			
	Private Equity Funds	Private Real Estate Funds	Venture Capital Funds	Direct Private Equity Investments
Beginning balance	$ 27,422,472	$ 8,375,982	$ 2,618,032	$ 6,208,371
Gains included in changes in net assets:				
Realized gains	1,808,652	20,307	13,226	-
Unrealized gains	2,511,187	1,371,987	688,271	-
Total gains	4,319,839	1,392,294	701,497	-
Purchases and sales:				
Purchases	1,402,110	1,740,046	175,000	-
Contributions	-	54,446	-	11,596,800
Sales	(4,190,324)	(857,516)	(59,672)	-
Total purchases and sales	(2,788,214)	936,976	115,328	11,596,800
Ending balance	$ 28,954,097	$ 10,705,252	$ 3,434,857	$ 17,805,171

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) (Continued)
	Split-interest Agreements
	Charitable Trust Assets
Beginning balance	$ 871,520
Change in value of split-interest agreements included in changes in net assets:	
Change in actuarial estimate	(165,935)
Total change in value	(165,935)
Ending balance	$ 705,585

Note 5 - Fair Value Measurements

Changes in Level 3 Assets Measured at Fair Value on a Recurring Basis for the Year Ended June 30, 2010

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)					
		Fixed-income Investments		Public Equity Investments		
	Total Level 3 Investments	Money Markets	Bond Mutual Funds	U.S. Large Cap Equity Mutual Funds	Developed International Equity Mutual Funds	Emerging Markets International Equity Mutual Funds
Beginning balance	$ 142,785,617	$ 1,172,735	$ 1,579,927	$ 40,075,622	$ 12,834,809	$ 6,608,276
Transfers into (out of) Level 3:						
Transfers into Level 3	9,009,512	-	-	-	-	-
Transfers out of Level 3	(62,071,369)	(1,172,735)	(1,379,927)	(40,075,622)	(12,834,809)	(6,608,276)
Total transfers out of Level 3	(53,061,857)	(1,172,735)	(1,379,927)	(40,075,622)	(12,834,809)	(6,608,276)
Gains included in changes in net assets:						
Realized gains	33,154,801	-	-	-	-	-
Unrealized gains	8,909,241	-	-	-	-	-
Total gains	42,064,042	-	-	-	-	-
Purchases and sales:						
Purchases	5,834,542	-	-	-	-	-
Sales	(37,648,941)	-	(25,000)	-	-	-
Total purchases and sales	(31,814,399)	-	(25,000)	-	-	-
Ending balance	$ 99,973,403	$ -	$ 175,000	$ -	$ -	$ -

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) (Continued)					
	Alternative Investments					
	Commodities	Absolute Return Funds	Private Equity Funds	Private Real Estate Funds	Venture Capital Funds	Direct Private Equity Investments
Beginning balance	$ 7,677,225	$ 44,941,527	$ 20,031,044	$ 5,674,982	$ 2,189,470	$ -
Transfers into Level 3:						
Transfers into Level 3	-	-	-	-	-	9,009,512
Transfers out of Level 3	-	-	-	-	-	-
Total transfers into Level 3	-	-	-	-	-	9,009,512
Gains (losses) included in changes in net assets:						
Realized (losses) gains	(205,363)	-	1,307,210	-	-	32,052,954
Unrealized gains	829,181	1,926,868	4,800,487	964,852	243,643	144,210
Total gains	623,818	1,926,868	6,107,697	964,852	243,643	32,197,164
Purchases and sales:						
Purchases	204,215	-	3,282,626	2,047,912	299,789	-
Sales	(200,107)	-	(1,998,895)	(311,764)	(114,870)	(34,998,305)
Total purchases and sales	4,108	-	1,283,731	1,736,148	184,919	(34,998,305)
Ending balance	$ 8,305,151	$ 46,868,395	$ 27,422,472	$ 8,375,982	$ 2,618,032	$ 6,208,371

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) (Continued)
	Split-interest Agreements
	Charitable Trust Assets
Beginning balance	$ 909,343
Change in value of split-interest agreements included in changes in net assets:	
Change in actuarial estimate	(37,823)
Total change in value	(37,823)
Ending balance	$ 871,520

Note 5 - Fair Value Measurements

An amendment to ASC 820 released in September 2009 permits the Foundation to use the net asset value (NAV), as a practical expedient, to estimate the fair value of an investment fund. Although the Foundation considers all available data in reporting the fair value of investments, the NAV, or its equivalent, is used as the primary valuation input for some Level 2 and most Level 3 assets.

The following table provides additional information regarding the fair value, liquidity, and unfunded commitment for investments where the NAV was used as a practical expedient.

Level 2 and Level 3 Investments Reported at Net Asset Value

	Fair Value	Redemption Frequency	Redemption Notice Period	Estimated Termination Date (Fiscal Year)	Unfunded Commitment
Fixed-income investments:					
Money market funds (Level 2)	$ 13,466,202	daily	none	not applicable	$ -
Bonds and bond mutual funds (Level 2)	1,176,634	daily	1 day	not applicable	-
Bonds and bond mutual funds (Level 3)	175,000	not liquid	not liquid	not liquid	-
Subtotal fixed income	14,817,836				-
Public equity investments:					
Emerging markets international equity mutual funds (Level 2)	11,633,413	monthly	30 days	not applicable	-
Subtotal public equity	11,633,413				-
Alternative investments:					
Commodities (Level 3)	10,968,983	monthly	10 - 30 days	not applicable	-
Absolute return funds (Level 3)	50,500,753	quarterly	60 - 65 days	not applicable	-
Private equity funds (Level 3)	28,954,097	not liquid	not liquid	2012 - 2018	5,575,425
Private real estate funds (Level 3)	10,705,252	not liquid	not liquid	2012 - 2018	3,590,237
Venture capital funds (Level 3)	3,434,857	not liquid	not liquid	2012 - 2014	1,015,082
Direct private equity investments (Level 3)	17,805,171	not liquid	not liquid	2012	-
Subtotal alternative investments	122,369,113				10,180,744
Total investments	$ 148,820,362				$ 10,180,744

Because financial data for many private investments is not available until several months after fiscal year end, some reported investment valuations represent an estimate of the June 30 net asset value, while the remaining valuations represent March 31 reported net asset valuations that have been adjusted by cash added to and cash distributed from these accounts through June 30. Management considers information that becomes available after the financial statements are compiled but before they are released, to determine whether an adjustment to the reported fair value of the investment should be made. For fiscal year 2011, there were $88.0 million in investment assets reported at the estimated net asset values described above, and all are listed as Level 3 assets. After the financial statements were compiled, management learned that unrealized gains for the period ended June 30, 2011 related to alternative investments, totaled approximately $577,000. This amount was not incorporated in the amounts disclosed above.

Note 6 - Donor- and Board-restricted Endowments

The Foundation's endowment includes both donor-restricted endowment funds and funds designated by the board of trustees as quasi-endowments. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions or board-imposed restrictions.

Interpretation of Relevant Law - The Foundation has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the contributed value of the original gift of donor-restricted endowment funds 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. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to distribute or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund

(2) The purposes of the gifting organization or individual and the donor-restricted endowment fund

(3) General economic conditions

(4) The possible effect of inflation and deflation

(5) The expected total return from income and the appreciation of investments

(6) Other resources of the Foundation

(7) The investment policies of the Foundation

Note 6 - Donor- and Board-restricted Endowments

Endowment Net Asset Composition by Type of Fund as of June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment	$ (205,666)	$ 65,258,750	$ 136,692,497	$ 201,745,581
Board-designated (quasi) endowment created with donor-restricted funds	-	91,118,248	-	91,118,248
Board-designated (quasi) endowment created with unrestricted funds	12,374,421	-	-	12,374,421
Total funds	$ 12,168,755	$ 156,376,998	$ 136,692,497	$ 305,238,250

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Market value - Beginning of the year	$ 1,110,883	$ 112,808,747	$ 137,891,194	$ 251,810,824
Net realized and unrealized gains and losses and investment income	10,978,769	40,495,844	(5,008,872)	46,465,741
Contributions	-	-	4,600,175	4,600,175
Spending policy transfer	(377,843)	(7,996,499)	(800,000)	(9,174,342)
Transfers to board - designated endowments	529,166	11,876,246	10,000	12,415,412
Administrative fee	(72,220)	(807,340)	-	(879,560)
Market value - End of the year	$ 12,168,755	$ 156,376,998	$ 136,692,497	$ 305,238,250

Note 6 - Donor- and Board-restricted Endowments

Endowment Net Asset Composition by Type of Fund as of June 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment	$ (8,947,560)	$ 33,673,639	$ 137,891,194	$ 162,617,273
Board-designated (quasi) endowment created with donor-restricted funds	-	79,135,108	-	79,135,108
Board-designated (quasi) endowment created with unrestricted funds	10,058,443	-	-	10,058,443
Total funds	$ 1,110,883	$ 112,808,747	$ 137,891,194	$ 251,810,824

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Market value - Beginning of the year	$ (6,291,571)	$ 87,244,134	$ 131,113,746	$ 212,066,309
Net realized and unrealized gains and investment income	7,716,295	30,579,272	3,457,772	41,753,339
Contributions	-	50,040	3,347,930	3,397,970
Spending policy transfer	(246,764)	(4,432,665)	-	(4,679,429)
Transfers to board - designated endowments	-	33,952	-	33,952
Administrative fee	(67,077)	(665,986)	(28,254)	(761,317)
Market value - End of the year	$ 1,110,883	$ 112,808,747	$ 137,891,194	$ 251,810,824

Funds with Deficiencies - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the contributed value that the donor or UPMIFA requires the Foundation to retain as the corpus. These funds are

Note 6 - Donor- and Board-restricted Endowments

known as "underwater accounts." In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were $205,666 and $8,947,560 as of June 30, 2011 and 2010, respectively. These deficiencies resulted from unfavorable market fluctuations and allowable distributions made over time.

Return Objectives and Risk Parameters - The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the long-term purchasing power of the endowment assets. Endowment assets include donor-restricted funds that are held in perpetuity or for donor-specified periods, as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to outperform, over rolling 12-quarter periods, a composite benchmark of appropriately weighted indices, while maintaining acceptable risk levels. The Foundation anticipates the endowment funds will provide an average rate of return of approximately 9 percent annually, gross of investment management fees of approximately 1 percent. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives - To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy - The Foundation's spending policy stipulates that 5 percent of a three-year moving average of the market value of the endowment is available to spend, with 1 percent of the amount being set aside to support the Foundation's administrative expenses. The spending rate applies to all endowment accounts except underwater accounts, where spending is limited to 1 percent of a three-year moving average of the market value. In establishing this policy, the Foundation considered the long-term expected return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow the endowment to grow at an average of 3 percent annually. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through investment returns and new gifts.

Note 7 - Property and Equipment

As of June 30, 2011 and 2010, property and equipment are as follows:

	2011	2010
Land	$ 2,455,841	$ 5,464,841
Land improvements	683,258	683,258
Building and building improvements	39,336,797	39,715,904
Furnishings, fixtures, and equipment	4,815,715	4,772,923
Subtotal	47,291,611	50,636,926
Less accumulated depreciation and amortization	(15,979,426)	(14,625,294)
Property and equipment - Net	$ 31,312,185	$ 36,011,632

Total depreciation expense of $1,635,935 and $1,640,139 was recorded in fiscal years 2011 and 2010, respectively.

Note 8 - Support from Ohio University

During 2011 and 2010, the University paid certain payroll costs amounting to $4,470,240 and $4,586,235 and additional costs of $53,365 and $72,929, respectively, for the Foundation's Development Office, Office of Alumni Relations, and Accounting Office. The support costs paid by the University are reflected in the consolidated statements of activities as University support, with a like amount included in expenses.

The University provides office space and the use of certain common facilities and services to the Foundation at no cost. These costs have not been recorded as University support because they are not considered to be material to the results of activities of the Foundation.

Note 9 - Split-interest Agreements

Charitable Gift Annuities - Under charitable gift annuity agreements, all assets are held by the Foundation. Therefore, the Foundation has recorded the donated assets at fair value and the liabilities to the donor or his/her beneficiaries discounted to the present value of the estimated future payments to be distributed by the Foundation to such individuals at a rate established at the beginning of the agreement. The amount of the contribution is the difference between the asset and liability and is recorded as contribution revenue. The discount rate applied to gift annuities held at June 30, 2011 and 2010 ranged from 2.0 to 9.4 percent.

Note 9 - Split-interest Agreements

Charitable Remainder Trusts - Under charitable remainder trust agreements, the Foundation serves as the remainderman, whereby the Foundation will receive the net assets of the trust upon death of the donor's beneficiary. During the life of the trust, the donor, or the donor-designated beneficiary, will receive regular payments as established by the trust.

In instances where the donor has not specifically reserved the right to change the remainderman, and all assets of charitable remainder trust are maintained by a third-party trustee in an irrevocable trust for the benefit of the Foundation, the Foundation will recognize, as contribution revenue and as a receivable, the present value of the estimated future benefits to be received when the trust assets are distributed. The trustee disburses income earned on the assets of the charitable remainder trust to the donor or donor-designated beneficiaries.

In instances where the donor has not specifically reserved the right to change the remainderman, and the Foundation serves as the trustee, the Foundation will recognize the fair market value of the assets of the trust, as well as a liability for the net present value of future payments to be distributed by the Foundation to the donor or his/her designated beneficiaries. The amount of the contribution is the difference between the asset and liability at the inception of the trust. The present value of the future payments to the donor-designated beneficiary is determined using a discount rate that is established at the beginning of the trust. At June 30, 2011 and 2010, the discount rate applied to the charitable remainder trusts was 5.01 and 5.10 percent, respectively.

Certain charitable remainder trust transactions are not reported on the consolidated statements of financial position or the consolidated statements of activities as, in these cases, the remainderman can be changed by the donor prior to his/her death.

Adjustments to the receivable to reflect amortization of the discount, revaluation of the present value of the estimated future payments to the donor-designated beneficiaries, and changes in actuarial assumptions during the term of the trust are recognized as changes in the value of split-interest agreements. Upon the death of the donor-designated beneficiaries, the receivable is closed, the assets received from the trust are recognized at fair value, and any difference is reported as a change in the value of split-interest agreements.

Note 9 - Split-interest Agreements

Lead Trusts - Charitable lead trusts provide an income stream to the Foundation for a set period of time established by the donor. The income stream is recorded at the net present value of the payments. Once the set period of time ends, the Foundation will no longer receive the income stream and the remaining principal is transferred back to the donor. If the Foundation serves as trustee, an asset and a liability will be recorded for the trust. The asset is booked at the fair market value. The liability is recorded at fair market value less the net present value of the income stream. If the Foundation does not serve as trustee, only the asset at fair market value will be recorded for the trust. Revenue is recorded for all lead trust income stream payments, as well as a reduction to the receivable. At June 30, 2011 and 2010, the discount rate applied to the lead trusts was 5.01 percent and 5.10 percent, respectively.

Perpetual and Other Trusts - Perpetual trusts are those trusts that provide a perpetual income stream to the Foundation but are held by a third party. An asset and revenue are recorded for the fair market value of the instrument. Each year, the net change in fair market value to the asset is recorded as an increase or decrease in revenue.

Pooled Income Fund - A pooled income fund allows a donor to place funds into an investment pool from which an income stream is provided. The income stream is paid to the donor and/or the donor-designated beneficiaries, and the Foundation will receive the net assets of the fund upon their death.

Revocable Trusts - Under revocable trust agreements, the Foundation serves as the remainderman and will receive the net assets of the trust upon death of the donor's beneficiary. All assets of the trust may be maintained by a third-party trustee for the benefit of the Foundation, or by the Foundation if named as a trustee. The trustee disburses income earned on the assets of the trust to the donor or donor-designated beneficiaries. Under revocable trust agreements, the donor maintains the ability to legally dissolve the trusts and may or may not reserve the right to change the remainderman. For these reasons, the Foundation does not report revocable trust transactions on the consolidated statements of financial position or the consolidated statements of activities if the trust is held by a third-party trustee.

Note 10 - Inn-Ohio of Athens, Inc.

The Inn was purchased by the Foundation on August 30, 1986. The primary purpose for which the Foundation invested in the Inn was to provide affordable and convenient housing, dining, and conference facilities for University employees, alumni, and guests. As a significant portion of the Inn's revenue is derived from these customers, the Foundation is committed to financially supporting the Inn.

Note 10 - Inn-Ohio of Athens, Inc.

The Inn's business is subject to all of the risks inherent in the lodging industry. These risks include, among other factors, varying levels of demand for rooms and related services, adverse effects of general and local economic and market conditions, changes in governmental regulations that influence wages or prices, changes in interest rates, the availability of credit, changes in real estate taxes and other operating expenses, and the recurring need for renovation, refurbishment, and improvements.

Operations - The Inn's operations for the years ended June 30, 2011 and 2010 are summarized below:

	2011	2010
Revenue	$ 4,228,160	$ 4,138,879
Operating and general expenses	3,457,896	3,344,159
Depreciation and amortization	552,058	558,022
Interest expense - Net	134,960	147,795
Provision for income taxes	(58,638)	22,226
Distribution	-	2,500
Total expenses	4,086,276	4,074,702
Net income	141,884	64,177
Unrealized gains	8,404	62,918
Change in net assets	$ 150,288	$ 127,095

Effective November 30, 1996, a management agreement (the "Management Agreement") was entered into with Winegardner & Hammons, Inc. (the "Manager"). The Management Agreement was amended during fiscal 2001 to automatically renew annually unless notified in writing 60 days prior to the end of the fiscal year. The Manager's compensation is a base fee plus 15 percent of the hotel's net available operating profit as defined in the Management Agreement.

In fiscal years 2011 and 2010, base management fees incurred by the Inn with respect to the Manager were $100,000 per year and incentive fees were $75,841 and $80,353, respectively.

The Inn has alternative minimum tax credit carryforwards of approximately $46,000 at July 1, 2011 and $40,000 at July 2, 2010, which have indefinite lives.

Note 10 - Inn-Ohio of Athens, Inc.

Debt Obligations - Long-term debt of the Inn as of July 1, 2011 and July 2, 2010 consists of the following:

	2011	2010
Term loan - Principal due through June 2021, interest at 6.2 percent through June 2011 and adjusted thereafter	$ 3,051,800	$ 3,265,600
Less current portion of long-term debt	(227,400)	(213,800)
Total	$ 2,824,400	$ 3,051,800

In June 2006, the Inn obtained a $4,000,000 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 Foundation.

Substantially all of the property and equipment are pledged as collateral for the term loan. The interest rate on the term loan was fixed at 6.2 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 at July 1, 2011 are set forth in the following schedule:

Years Ending June 30	Amount
2012	$ 227,400
2013	242,000
2014	257,400
2015	273,800
2016	291,300
Thereafter	1,759,900
Total	$ 3,051,800

The fair value of the debt obligations approximates the carrying value at June 30, 2011 and 2010.

Note 11 - Housing for Ohio, Inc.

In November 1999, the Foundation established Housing, a limited liability company and 501(c)(3) corporation, with the purpose of acquiring, developing, constructing, and operating a 182-unit student-housing rental project which contains 580 beds. The property, known as University Courtyard Apartments (the "Project"), is located in Athens, Ohio on property owned by the University and leased to Housing. The facility is managed and operated by a private entity.

Operations - Housing's operations for the years ended June 30, 2011 and 2010 are summarized below:

	2011	2010
Revenue	$ 2,720,210	$ 3,062,598
Operating and general expenses	1,177,081	1,269,907
Depreciation and amortization	862,941	849,452
Interest expense and bond fees	658,484	468,609
Tax and insurance	263,419	151,023
Total expenses	2,961,925	2,738,991
Change in net assets	$ (241,715)	$ 323,607

Debt - In September 2000, Housing offered $31,985,000 of variable-rate, tax-exempt bonds (the "2000 Bonds"). The proceeds of the 2000 Bonds financed the construction, installation, and equipping of the Project. The 2000 Bonds will be fully matured at June 2032 and bear interest at an adjustable rate as determined weekly by the remarketing agent, based on its knowledge of prevailing market conditions, except that in no event will the interest rate exceed 12 percent.

The average interest rate for the years ended June 30, 2011 and 2010 was 0.25 percent, and the actual interest rates at June 30, 2011 and 2010 were 0.10 and 0.31 percent, respectively.

As collateral, until all principal and interest on any of the 2000 Bonds have been paid, Housing has pledged, assigned, and granted a security interest to its right, title, and interest in gross revenue of University Courtyard Apartments and related assets. The Foundation has made no additional pledge of assets or revenue to the 2000 Bonds, which are nonrecourse to the Foundation.

Note 11 - Housing for Ohio, Inc.

Principal payments for the bonded debt for the years subsequent to June 30, 2011 are summarized as follows:

Years Ending June 30	Principal
2012	$ 740,000
2013	780,000
2014	820,000
2015	865,000
2016	910,000
Thereafter	23,375,000
Total	$ 27,490,000

Debt issuance costs are included in property on the consolidated statements of financial position and are amortized over the term of the 2000 Bonds. Amortization was $26,157 during each of the years ended June 30, 2011 and 2010.

Additionally, Housing has an outstanding promissory note to the Project's developer in the original amount of $700,000. The note is payable in 10 annual installments of $70,000 through June 2014. The payment terms are predicated on the Project's current management company remaining the manager of the Project. In the event that the current management company's services are terminated prior to the final payment, the remaining balance shall become immediately due and payable. There is no interest accruing on the note, and management of Housing believes that the present value discount of future payments and the calculation of imputed interest on this note are not material to the consolidated financial statements.

Maturities of the note payable at June 30, 2011 are set forth in the following schedule:

Years Ending June 30	Principal
2012	$ 70,000
2013	70,000
2014	70,000
Total	$ 210,000

Note 12 - Subsequent Event

On December 23, 2010, the Foundation received 48,000 shares of YSI Incorporated (YSI) from The Dolores H. Russ Trust, for the benefit of the Russ College of Engineering and Technology. These shares were valued at $11.5 million, based on an independent appraisal of YSI's employee stock ownership plan (ESOP), and were recorded as a direct private equity investment as of June 30, 2011 (see Note 5).

On July 11, 2011, YSI announced that ITT Corporation would be acquiring the firm via merger. As a result, all ESOP stockholders would receive cash in exchange for their shares. A special stockholder meeting was held, and the merger was formally approved, on September 1, 2011. The final share price of $784.53 is anticipated to yield just over $37.6 million in cash to the Foundation, and the gains will be reflected as an increase in temporarily restricted net assets during the fiscal year ending June 30, 2012.

Supplemental Information

The Ohio University Foundation and Subsidiaries

Consolidating Schedule of Financial Position
June 30, 2011

	The Foundation	The Inn	Housing	Supporting Organization	Russ LLCs	Eliminations	Total
Assets							
Cash and cash equivalents	$ 19,721,318	$ 957,620	$ 1,196,513	$ -	$ 1,366,851	$ -	$ 23,242,302
Accounts receivable - Net	183,031	58,925	4,675	-	77,154	-	323,785
Related party receivable - Net	204,598	-	-	-	45,402	(250,000)	-
Pledges receivable - Net	15,044,769	-	-	-	-	-	15,044,769
Bequests receivable	931,000	-	-	-	-	-	931,000
Interest and dividends receivable	321,331	-	-	-	-	-	321,331
Prepaid expenses	2,000	14,564	767,979	-	-	-	784,543
Investments	322,815,254	1,176,634	-	5,497,675	-	(1,176,634)	328,312,929
Investment in Inn-Ohio of Athens, Inc.	3,138,383	-	-	-	-	(3,138,383)	-
Cash surrender value - Life insurance policies	1,841,498	-	-	-	-	-	1,841,498
Charitable gift annuities	2,475,238	-	-	-	-	-	2,475,238
Charitable trusts	17,022,926	-	-	-	-	-	17,022,926
Deposits with trustees - Restricted cash	-	-	3,198,543	-	-	-	3,198,543
Property and equipment - Net	900,658	4,396,791	20,213,718	-	5,801,018	-	31,312,185
Other assets	-	68,101	632,581	-	-	-	700,682
Total assets	**$ 384,602,004**	**$ 6,672,635**	**$ 26,014,009**	**$ 5,497,675**	**$ 7,290,425**	**$ (4,565,017)**	**$ 425,511,731**
Liabilities and Net Assets (Deficit)							
Liabilities:							
Accounts payable - Ohio University	$ 1,471,100	$ -	$ -	$ -	$ 760	$ -	$ 1,471,860
Accounts payable - Trade	457,775	479,616	193,311	-	232,138	-	1,362,840
Accounts payable - Related party	-	-	-	-	250,000	(250,000)	-
Deposits held in custody for others	1,401,480	-	74,340	-	49,386	(1,176,634)	348,572
Annuities payable	2,060,892	-	-	-	-	-	2,060,892
Charitable trusts obligations	3,837,011	-	-	-	-	-	3,837,011
Bonds payable	-	-	27,490,000	-	-	-	27,490,000
Notes payable	-	3,051,800	210,000	-	-	-	3,261,800
Other liabilities	-	2,836	92,230	-	-	-	95,066
Total liabilities	9,228,258	3,534,252	28,059,881	-	532,284	(1,426,634)	39,928,041
Net assets (deficit):							
Unrestricted	15,660,901	-	(2,045,872)	-	-	-	13,615,029
Temporarily restricted	211,177,932	-	-	5,497,675	6,758,141	-	223,433,748
Permanently restricted	148,534,913	-	-	-	-	-	148,534,913
Total net assets (deficit)	375,373,746	-	(2,045,872)	5,497,675	6,758,141	-	385,583,690
Stockholders' equity:							
Common stock	-	3,429,182	-	-	-	(3,429,182)	-
Additional paid-in capital	-	4,140,455	-	-	-	(4,140,455)	-
Retained earnings	-	(4,431,254)	-	-	-	4,431,254	-
Total stockholders' equity	-	3,138,383	-	-	-	(3,138,383)	-
Total liabilities and net assets (deficit)	**$ 384,602,004**	**$ 6,672,635**	**$ 26,014,009**	**$ 5,497,675**	**$ 7,290,425**	**$ (4,565,017)**	**$ 425,511,731**

The Ohio University Foundation and Subsidiaries

Consolidating Schedule of Activities
Year Ended June 30, 2011

	Unrestricted	The Inn	Housing	Total Unrestricted	Temporarily Restricted	Supporting Organization	Russ LLCs	Total Temporarily Restricted	Total Permanently Restricted	Eliminations	Total
Revenue and Other Support											
Gifts and contributions	$ 203,371	$ -	$ -	$ 203,371	$ 22,414,197	$ -	$ -	$ 22,414,197	$ 5,040,601	$ -	$ 27,658,169
University support	4,523,605	-	-	4,523,605	-	-	-	-	-	-	4,523,605
Income from investments:				-				-			
Interest and dividends	303,830	-	-	303,830	2,978,661	31,391	-	3,010,052	-	-	3,313,882
Sold during the year (realized gain (loss))	625,096	-	-	625,096	10,693,077	9,880	-	10,702,957	(4,686,345)	-	6,641,708
Held at year end (unrealized gain (loss))	12,354,732	-	-	12,354,732	26,313,966	874,474	-	27,188,440	(355,858)	-	39,187,314
Revenue from sales, services, and events	251,405	-	-	251,405	27,851	-	-	27,851	-	-	279,256
Change in value of split-interest agreements	(9,902)	-	-	(9,902)	760,666	-	-	760,666	(274,674)	-	476,090
Administrative fee income	807,340	-	-	807,340	(807,340)	-	-	(807,340)	-	-	-
Other	90,520	-	-	90,520	171,393	-	-	171,393	376,674	-	638,587
Related entity revenue	150,288	4,228,160	2,720,210	7,098,658	3,249,060	-	1,508,406	4,757,466	-	(3,444,750)	8,411,374
Total revenue and other support	19,300,285	4,228,160	2,720,210	26,248,655	65,801,531	915,745	1,508,406	68,225,682	100,398	(3,444,750)	91,129,985
Net assets released from restrictions -											
Satisfaction of program restrictions:											
Academic support	2,539,443	-	-	2,539,443	(2,539,443)	-	-	(2,539,443)	-	-	-
Alumni relations	166,188	-	-	166,188	(166,188)	-	-	(166,188)	-	-	-
Fundraising and development	4,502	-	-	4,502	(4,502)	-	-	(4,502)	-	-	-
Institutional support	964,741	-	-	964,741	(964,741)	-	-	(964,741)	-	-	-
Instruction and departmental research	5,924,436	-	-	5,924,436	(5,146,508)	-	-	(5,146,508)	(777,928)	-	-
Intercollegiate athletics	708,877	-	-	708,877	(708,877)	-	-	(708,877)	-	-	-
Operation and maintenance of plant	1,114,176	-	-	1,114,176	(1,114,176)	-	-	(1,114,176)	-	-	-
Public service	232,784	-	-	232,784	(232,784)	-	-	(232,784)	-	-	-
Research	66,975	-	-	66,975	(66,975)	-	-	(66,975)	-	-	-
Student aid	1,578,555	-	-	1,578,555	(1,587,737)	-	-	(1,587,737)	9,182	-	-
Student services	257,942	-	-	257,942	(255,330)	-	-	(255,330)	(2,612)	-	-
Related entity operations	1,376,413	-	-	1,376,413	-	(140,221)	(4,530,654)	(4,670,875)	-	3,294,462	-
Total net assets released from restrictions	14,935,032	-	-	14,935,032	(12,787,261)	(140,221)	(4,530,654)	(17,458,136)	(771,358)	3,294,462	-
Total revenue, other support, and net assets released from restrictions	34,235,317	4,228,160	2,720,210	41,183,687	53,014,270	775,524	(3,022,248)	50,767,546	(670,960)	(150,288)	91,129,985

Consolidating Schedule of Activities (Continued)
Year Ended June 30, 2011

	Unrestricted	The Inn	Housing	Total Unrestricted	Temporarily Restricted	Supporting Organization	Russ LLCs	Total Temporarily Restricted	Total Permanently Restricted	Eliminations	Total
Expenses											
Program services:											
Academic support	$ 2,539,443	$ -	$ -	$ 2,539,443	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,539,443
Alumni relations	806,240	-	-	806,240	-	-	-	-	-	-	806,240
Institutional support	754,745	-	-	754,745	-	-	-	-	-	-	754,745
Instruction and departmental research	5,703,819	-	-	5,703,819	-	-	-	-	-	-	5,703,819
Intercollegiate athletics	708,877	-	-	708,877	-	-	-	-	-	-	708,877
Operation and maintenance of plant	1,114,176	-	-	1,114,176	-	-	-	-	-	-	1,114,176
Public service	232,784	-	-	232,784	-	-	-	-	-	-	232,784
Research	185,813	-	-	185,813	-	-	-	-	-	-	185,813
Student aid	1,580,812	-	-	1,580,812	-	-	-	-	-	-	1,580,812
Student services	257,942	-	-	257,942	-	-	-	-	-	-	257,942
Support services:											
Fundraising and development	7,363,127	-	-	7,363,127	-	-	-	-	-	-	7,363,127
Fund administration	687,652	-	-	687,652	-	-	-	-	-	-	687,652
Related entity operations	1,376,413	4,077,872	2,961,925	8,416,210	-	-	-	-	-	-	8,416,210
Total expenses	23,311,843	4,077,872	2,961,925	30,351,640	-	-	-	-	-	-	30,351,640
Changes in Net Assets	10,923,474	150,288	(241,715)	10,832,047	53,014,270	775,524	(3,022,248)	50,767,546	(670,960)	(150,288)	60,778,345
Net Assets (Deficit) - Beginning of year	4,737,427	2,988,095	(1,804,157)	5,921,365	158,163,662	4,722,151	9,780,389	172,666,202	149,205,873	(2,988,095)	324,805,345
Net Assets (Deficit) - End of year	**$ 15,660,901**	**$ 3,138,383**	**$ (2,045,872)**	**$ 16,753,412**	**$ 211,177,932**	**$ 5,497,675**	**$ 6,758,141**	**$ 223,433,748**	**$ 148,534,913**	**$ (3,138,383)**	**$ 385,583,690**

The Ohio University Foundation and Subsidiaries

Consolidating Schedule of Cash Flows
Year Ended June 30, 2011

	The Foundation	The Inn	Housing	Supporting Organization	Russ LLCs	Total
Cash Flows From Operating Activities						
Changes in net assets	$ 63,116,496	$ 150,288	$ (241,715)	$ 775,524	$ (3,022,248)	$ 60,778,345
Adjustments to reconcile changes in net assets to net cash from operating activities:						
Realized investment gains - Net	(6,631,828)	-	-	(9,880)	-	(6,641,708)
Noncash items:						
Depreciation and amortization	23,588	552,057	862,941	-	248,393	1,686,979
Loss on disposition of property	269,739	-	-	-	175,098	444,837
Unrealized investment gains - Net	(38,312,840)	(8,404)	-	(874,474)	-	(39,195,718)
Decrease in cash surrender value of life insurance policies	14,848	-	-	-	-	14,848
Contributions of securities	(11,902,816)	-	-	-	-	(11,902,816)
Contributions restricted for endowment investment	(5,040,601)	-	-	-	-	(5,040,601)
Changes in current assets and liabilities:						
Decrease in accounts receivable	138,781	13,436	1,885	-	14,379	168,481
Increase in pledges receivable	(2,749,825)	-	-	-	-	(2,749,825)
Decrease in bequests receivable	18,252	-	-	-	-	18,252
(Increase) decrease in interest and dividends receivable	(130,686)	-	-	2,916	-	(127,770)
Decrease (increase) in prepaid expenses	21,439	14,143	(14,549)	-	-	21,033
Decrease (increase) in other assets	-	11,458	(67,960)	-	-	(56,502)
Decrease in accounts payable	(316,078)	(40,700)	(4,006)	-	(560,557)	(921,341)
Decrease in other liabilities	-	(98,288)	(10,729)	-	-	(109,017)
Increase in deposits held in custody for others	6,452	-	31,962	-	4,098	42,512
Net cash (used in) provided by operating activities	(1,475,079)	593,990	557,829	(105,914)	(3,140,837)	(3,570,011)
Cash Flows From Investing Activities						
Purchases of property and equipment	-	(111,270)	(103,958)	-	-	(215,228)
Proceeds from sales of property and equipment	-	-	-	-	2,833,902	2,833,902
Purchases of investments	(94,653,559)	(58,309)	-	(97,126)	-	(94,808,994)
Proceeds from sales of investments	94,872,691	1,274	-	203,040	-	95,077,005
Decrease in restricted cash	-	-	137,208	-	-	137,208
Increase in investments subject to annuity agreements	(343,498)	-	-	-	-	(343,498)
Increase in charitable remainder trusts	(307,741)	-	-	-	-	(307,741)
Net cash (used in) provided by investing activities	(432,107)	(168,305)	33,250	105,914	2,833,902	2,372,654
Cash Flows from Financing Activities						
Contributions restricted for endowment investment	5,040,601	-	-	-	-	5,040,601
Payments on notes and bonds payable	-	(213,800)	(775,000)	-	-	(988,800)
Increase in annuity obligations	494,382	-	-	-	-	494,382
Decrease in trust obligations	(414,201)	-	-	-	-	(414,201)
Net cash provided by (used in) financing activities	5,120,782	(213,800)	(775,000)	-	-	4,131,982
Net Increase (Decrease) in Cash and Cash Equivalents	3,213,596	211,885	(183,921)	-	(306,935)	2,934,625
Cash and Cash Equivalents - Beginning of year	16,507,722	745,735	1,380,434	-	1,673,786	20,307,677
Cash and Cash Equivalents - End of year	$ 19,721,318	$ 957,620	$ 1,196,513	$ -	$ 1,366,851	$ 23,242,302

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

To the Board of Trustees
The Ohio University Foundation
and Subsidiaries
Athens, OH

We have audited the accompanying consolidated statement of financial position of The Ohio University Foundation, an Ohio not-for-profit corporation, and Subsidiaries (the "Foundation") as of June 30, 2011 and the related consolidated statements of activities and cash flows for the year then ended and have issued our report thereon dated October 11, 2011 (which report expresses an unqualified opinion and includes an emphasis of matter paragraph regarding the valuation of alternative investments). 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 Foundation'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 Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Foundation's consolidated financial statements will not be prevented or detected and corrected on a timely basis.

To the Board of Trustees
The Ohio University Foundation
and Subsidiaries
Athens, OH

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's consolidated 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*.

This report is intended solely for the information and use of the board of trustees and management of the Foundation and the Auditor of the State of Ohio and is not intended to be, and should not be, used by anyone other than these specified parties.

Plante & Moran, PLLC

October 11, 2011

Russ Research Center, LLC
(an Ohio limited liability company)

Financial Report
June 30, 2011 and 2010

Russ Research Center, LLC

Contents

plante moran

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Independent Auditor's Report

To the Board of Directors
Russ Research Center, LLC

We have audited the accompanying balance sheet of Russ Research Center, LLC (the "Company"), an Ohio limited liability company, as of June 30, 2011 and 2010 and the related statements of operations, member'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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Company as of June 30, 2011 and 2010 and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2011 on our consideration of Russ Research Center, LLC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. 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 in pages 9 and 10 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 audits.

Plante & Moran, PLLC

October 11, 2011

Russ Research Center, LLC

Balance Sheet

	June 30, 2011	June 30, 2010
Assets		
Cash	$ 1,366,852	$ 1,603,448
Accounts receivable	66,200	24,312
Property - Less accumulated depreciation (Note 3)	5,179,018	5,427,411
Total assets	**$ 6,612,070**	**$ 7,055,171**
Liabilities and Member's Equity		
Liabilities		
Accounts payable and accrued liabilities	$ 187,261	$ 238,467
Tenant security deposits	49,386	45,288
Distribution payable	250,000	700,000
Total liabilities	486,647	983,755
Member's Equity	6,125,423	6,071,416
Total liabilities and member's equity	**$ 6,612,070**	**$ 7,055,171**

Russ Research Center, LLC

Statement of Operations

	Year Ended June 30, 2011	Year Ended June 30, 2010
Revenue		
Rental income	$ 1,634,403	$ 1,570,991
Interest income	381	2,126
Total revenue	1,634,784	1,573,117
Expenses		
Real estate taxes	101,894	101,674
Security and inspections	23,928	28,099
Repairs and maintenance	367,138	369,997
Utilities	443,670	462,471
Professional fees	65,892	26,950
Administrative expenses	35,566	31,021
Depreciation expense	248,393	248,393
Management fees	44,296	39,627
Total expenses	1,330,777	1,308,232
Net Income	**$ 304,007**	**$ 264,885**

Russ Research Center, LLC

Statement of Member's Equity

Balance - June 30, 2009	$ 6,506,531
Net income	264,885
Member distributions	(700,000)
Balance - June 30, 2010	6,071,416
Net income	304,007
Member distributions	(250,000)
Balance - June 30, 2011	**$ 6,125,423**

Russ Research Center, LLC

Statement of Cash Flows

	Year Ended June 30, 2011	Year Ended June 30, 2010
Cash Flows from Operating Activities		
Net income	$ 304,007	$ 264,885
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	248,393	248,393
Changes in assets and liabilities that provided (used) cash:		
Accounts receivable	(41,888)	(6,945)
Accounts payable and accrued liabilities	(51,206)	49,635
Tenant security deposits	4,098	(2,800)
Net cash provided by operating activities	463,404	553,168
Cash Flows from Financing Activities - Member distributions paid	(700,000)	-
Net (Decrease) Increase in Cash	(236,596)	553,168
Cash - Beginning of period	1,603,448	1,050,280
Cash - End of period	**$ 1,366,852**	**$ 1,603,448**

Note 1 - Nature of Entity

Russ Research Center, LLC (the "Company") was organized as a limited liability company on October 30, 2008 under the laws of the State of Ohio for the purpose of operating a research park, which consists of 10 office and research buildings located in Dayton, Ohio. The Company was created to accept the membership interest of an LLC that formerly held the land and buildings for the Russ Estate. The Company's sole member is Fritz J. and Dolores H. Russ Holdings, LLC (Russ Holdings). Russ Holdings' sole member is the Ohio University Foundation (the "Foundation"). The Foundation's purpose is to support Ohio University, located in Athens, Ohio, its students, faculty, and staff, and the educational programs designated for its students, potential students, and alumni.

Note 2 - Summary of Significant Accounting Policies

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.

Classification - The financial affairs of the Company generally do not involve a business cycle since the realization of assets and the liquidation of liabilities are usually dependent on the Company's circumstances. Accordingly, the classification of current assets and current liabilities is not considered appropriate and has been omitted from the balance sheet.

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

Trade Accounts Receivable - Accounts receivable are stated at net invoice amounts. An allowance for doubtful accounts is established based on a specific assessment of all invoices that remain unpaid following normal customer payment periods. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. Management considers all accounts receivable collectible; therefore, an allowance for doubtful accounts has not been recorded as of June 30, 2011 and 2010.

Note 2 - Summary of Significant Accounting Policies (Continued)

Property - Property additions are stated at cost. The straight-line method is used for computing depreciation. Assets are depreciated over their estimated useful lives. Costs of maintenance and repairs are charged to expense when incurred.

Impairment of Long-lived Assets - Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When indicators of impairment are present, management evaluates the carrying amount of such assets in relation to the operating performance and future estimated undiscounted net cash flows expected to be generated by the assets or underlying operations. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. The assessment of the recoverability of assets will be impacted if estimated future operating cash flows are not achieved. In the opinion of management, no long-lived assets were impaired as of June 30, 2011 and 2010.

Recognition of Revenue - Rental income is recognized when rent becomes due over the terms of the tenant leases (one year). Rental payments received in advance of the rental income recognition are included in deferred rental income, a liability in the accompanying statement of operations. Late fees are recognized when tenants fail to submit rental payments under the terms of leases. Late fees and other miscellaneous fees such as month-to-month leasing agreements, rental of storage facilities, and reservation fees will be included in other operating income related to rental activity in the accompanying statement of operations.

Income Taxes - The Company is treated as a pass-through entity for federal income tax purposes. Consequently, federal income taxes are not payable or provided for by the Company. The member is taxed individually on its pro rata ownership share of the Company's earnings. The Company's net income or loss is allocated to the sole member in accordance with the Company's operating agreement. With few exceptions, the Company is no longer subject to tax examinations by tax authorities for years before June 30, 2009.

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 - Property

A summary of property at June 30 is as follows:

	2011	2010	Depreciable Life - Years
Buildings	$ 4,967,700	$ 4,967,700	20 years
Land	832,300	832,300	-
Total property	5,800,000	5,800,000	
Less accumulated depreciation	620,982	372,589	
Net property	$ 5,179,018	$ 5,427,411	

Depreciation expense totaled $248,393 for the years ended June 30, 2011 and 2010.

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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
Russ Research Center, LLC
Athens, Ohio

We have audited the accompanying financial statements of Russ Research Center, LLC (the "Company"), an Ohio limited liability company, as of and for the years ended June 30, 2011 and 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 Company'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 a 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
Russ Research Center, LLC

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 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 also noted certain matters that we have reported to management of the Organization in a separate letter dated October 11, 2011.

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

Plante & Moran, PLLC

October 11, 2011

Dave Yost • Auditor of State

OHIO UNIVERSITY FOUNDATION

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