Inn-Ohio of Athens, Inc.

Financial Report

July 3, 2009 and June 27, 2008

Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Inn-Ohio of Athens, Inc., Athens County, prepared by Plante & Moran, PLLC, for the audit period June 28, 2008 through July 3, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 12, 2009

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Inn-Ohio of Athens, Inc.

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Independent Auditor's Report

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

We have audited the accompanying balance sheet of Inn-Ohio of Athens, Inc. (the "Company") as of July 3, 2009 and June 27, 2008 and the related statements of operations, stockholder's equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Company as of July 3, 2009 and June 27, 2008 and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

September 28, 2009

Inn-Ohio of Athens, Inc.

Balance Sheet

	July 3, 2009	June 27, 2008
Assets		
Current Assets		
Cash	$ 706,530	$ 531,087
Investments	987,556	922,032
Accounts receivable - Net of allowance for doubtful accounts of $14,000 as of July 3, 2009 and $6,000 as of June 27, 2008	38,566	86,770
Inventories	24,533	30,741
Prepaid expenses and other assets	12,007	14,190
Prepaid income taxes	13,500	26,958
Deferred income tax asset (Note 7)	30,895	35,892
Total current assets	1,813,587	1,647,670
Property and Equipment - At cost		
Land	197,300	197,300
Land improvements	661,503	660,654
Buildings	6,788,683	6,719,206
Furnishings, fixtures, and equipment	3,266,912	3,185,561
Construction in progress	4,390	-
Total property and equipment	10,918,788	10,762,721
Less accumulated depreciation and amortization	(5,862,162)	(5,399,634)
Net property and equipment	5,056,626	5,363,087
Other Assets - Bond issuance costs - Net of accumulated amortization	25,876	27,975
Total assets	**$ 6,896,089**	**$ 7,038,732**

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

Inn-Ohio of Athens, Inc.

Balance Sheet (Continued)

	July 3, 2009	June 27, 2008
Liabilities and Stockholder's Equity		
Current Liabilities		
Accounts payable and accrued liabilities	$ 471,476	$ 512,563
Current portion of long-term debt (Note 4)	201,000	188,900
Total current liabilities	672,476	701,463
Deferred Income Tax Liability (Note 7)	97,013	80,795
Long-term Debt - Net of current portion (Note 4)	3,265,600	3,466,600
Total liabilities	4,035,089	4,248,858
Stockholder's Equity		
Common stock, no par value, stated value $10,000 per share, authorized 750 shares, 342.9182 shares issued and outstanding	3,429,182	3,429,182
Contributed capital	4,140,455	4,140,455
Accumulated other comprehensive loss	(13,943)	(22,842)
Accumulated deficit	(4,694,694)	(4,756,921)
Total stockholder's equity	2,861,000	2,789,874
Total liabilities and stockholder's equity	**$ 6,896,089**	**$ 7,038,732**

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

Inn-Ohio of Athens, Inc.

Statement of Operations

	Year Ended	
	July 3, 2009	June 27, 2008
Revenues		
Room	$ 2,663,416	$ 2,724,949
Restaurant	1,206,964	1,199,800
Beverage	232,550	219,311
Telephone	7,624	10,934
Total revenue	4,110,554	4,154,994
Operating Expenses		
Room	542,003	518,628
Restaurant	981,984	1,049,192
Beverage	113,416	114,366
Telephone	40,081	43,263
Total operating expenses	1,677,484	1,725,449
Income Before General and Unapportioned Expenses	2,433,070	2,429,545
General and Unapportioned Expenses		
Administrative and general	481,160	534,181
Repair and maintenance	413,738	397,886
Taxes, insurance, and other	193,635	235,487
Marketing	212,619	225,608
Management fees (Note 6)	174,656	166,413
Utilities	171,086	175,105
Total general and unapportioned expenses	1,646,894	1,734,680
Capital Expenses		
Interest - Net of other income of $59,200 and $53,800 during 2009 and 2008, respectively	161,635	178,438
Depreciation and amortization	530,262	522,675
Total capital expenses	691,897	701,113
Income (Loss) Before Provision for Income Taxes	94,279	(6,248)
Provision for Income Taxes (Note 7)	32,052	11,000
Net Income (Loss)	**$ 62,227**	**$ (17,248)**

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

	Comprehensive Income (Loss)	Common Stockholder Stated Value - $10,000 Per Share	Contributed Capital	Accumulated Comprehensive Loss	Accumulated Deficit	Total Stockholder's Equity
Balance - June 30, 2007		$ 3,429,182	$ 4,140,455	$ (36,009)	$ (4,739,673)	$ 2,793,955
Unrealized appreciation on investments	13,167	-	-	13,167	-	13,167
Net loss	(17,248)	-	-	-	(17,248)	(17,248)
Comprehensive loss	**$ (4,081)**					
Balance - June 27, 2008		3,429,182	4,140,455	(22,842)	(4,756,921)	2,789,874
Unrealized appreciation on investments	8,899	-	-	8,899	-	8,899
Net income	62,227	-	-	-	62,227	62,227
Comprehensive income	**$ 71,126**					
Balance - July 3, 2009		**$ 3,429,182**	**$ 4,140,455**	**$ (13,943)**	**$ (4,694,694)**	**$ 2,861,000**

Statement of Cash Flows

	Year Ended	
	July 3, 2009	June 27, 2008
Cash Flows from Operating Activities		
Net income (loss)	$ 62,227	$ (17,248)
Adjustments to reconcile net income (loss) to net cash from operating activities:		
Depreciation and amortization	530,262	522,675
Deferred income taxes	32,052	11,000
Changes in assets and liabilities:		
Accounts receivable	48,204	(32,859)
Inventories	6,208	(10,302)
Prepaid expenses and other assets	4,804	5,393
Accounts payable and accrued liabilities	(41,087)	(3,937)
Net cash provided by operating activities	642,670	474,722
Cash Flows from Investing Activities		
Acquisition of property and equipment	(221,702)	(363,357)
Purchases of investment	(56,625)	(49,600)
Net cash used in investing activities	(278,327)	(412,957)
Cash Flows from Financing Activities - Payments of long-term debt	(188,900)	(177,600)
Net Increase (Decrease) in Cash	175,443	(115,835)
Cash - Beginning of year	531,087	646,922
Cash - End of year	**$ 706,530**	**$ 531,087**
Supplemental Disclosure of Cash Flow Information		
Interest paid	$ 162,122	$ 178,897
Unrealized appreciation on investments	8,899	13,167

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

Note 1 - Organization

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

Note 2 - Summary of Significant Accounting Policies

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

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

Advertising Costs - Advertising costs are included in marketing expenses on the statement of operations and are expensed as incurred. These costs for the years ended July 3, 2009 and June 27, 2008 were approximately $79,000 and $102,000, respectively.

Investments - Investments consist of fixed-income mutual funds. These securities are valued at market and are classified as available for sale as they are to be held for an indefinite period of time. Unrealized holding gains and/or losses are reported in other comprehensive income (loss) and are included as a component of stockholder's equity. Realized losses and gains for the years ended July 3, 2009 and June 27, 2008, respectively, were nominal.

Accounts Receivable - Accounts receivable consist of customers or businesses who have incurred charges at the facility. These customers' accounts have been preapproved for a direct billing from the facility based on a complete credit application. Collection of the accounts receivable balances is performed at the facility and all amounts are deposited daily. Accounts receivable include amounts due from The Ohio University, a related party, and its related programs, departments, and affiliates of approximately $6,000 and $40,000 as of July 3, 2009 and June 27, 2008, respectively. Accounts receivable are stated at invoice amounts.

Note 2 - Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

Depreciation expense for the years ended July 3, 2009 and June 27, 2008 totaled $528,163 and $520,555, respectively. The Company periodically reviews the carrying value of its property and equipment and determines whether any impairment needs to be recorded. As of July 3, 2009 and June 27, 2008, the Company is of the opinion there is no impairment of property and equipment.

Bond Issuance Costs - Bond issuance costs are amortized using the straight-line method (which approximates the effective interest method) over the life of the related debt. Amortization expense was approximately $2,100 for each of the years ended July 3, 2009 and June 27, 2008.

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

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

Note 2 - Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements - The Company adopted the provisions of FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes*, as of June 28, 2008. FIN 48 clarifies the guidance for the recognition and measurement of income tax benefits related to uncertain tax positions in accordance with SFAS No. 109, *Accounting for Income Taxes*. The adoption of FIN 48 did not have a material impact on the financial statements.

As of July 3, 2009, the Company's unrecognized tax benefits were not significant. There were no significant penalties or interest recognized during the year or accrued at year end. The Company files income tax returns in the U.S. federal and various state jurisdictions.

Fiscal Year - The Company's fiscal year included 53 weeks for 2009 and 52 weeks for 2008.

Note 3 - Fair Value Measurements

As of June 28, 2008, the Company adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 clarifies the definition of fair value, establishes a framework for measuring fair value, and expands the disclosures for fair value measurements. The standard applies under other accounting pronouncements that require or permit fair value measurements and does not require any new fair value measurements. The provisions of SFAS 157 are effective prospectively for periods beginning June 28, 2008 for financial assets and liabilities and for periods beginning July 4, 2009 for nonfinancial assets and liabilities as a result of the deferral of the effective date of SFAS 157 provided by FSP FAS 157-2. The implementation of the provisions of SFAS 157 for financial assets and liabilities as of June 28, 2008 did not have a material impact on the Company's financial statements.

Note 3 - Fair Value Measurements (Continued)

SFAS 157 provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability. In instances where inputs used to measure fair value fall into different levels of the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Company's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The Company measures investments at fair value on a recurring basis. The fair value of the Company's investments at July 3, 2009 total $987,556 and is determined primarily by Level 2 inputs as described above.

Note 4 - Debt Obligation

At July 3, 2009 and June 27, 2008 debt obligations consisted of the following:

	2009	2008
Term loan - Interest at 6.20 percent through June 2011	$ 3,466,600	$ 3,655,500
Less current portion of long-term debt	201,000	188,900
Total long-term debt	$ 3,265,600	$ 3,466,600

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

Note 4 - Debt Obligation (Continued)

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

Maturities of long-term debt are as follows at July 3, 2009:

Year Ending	Amount
2010	$ 201,000
2011	213,800
2012	227,400
2013	242,000
2014	257,400
Due thereafter	2,325,000
Total	$ 3,466,600

Note 5 - Working Capital Loans Payable to Stockholder

The Stockholder had made available to the Company working capital loans, interest at the prime rate, of up to $450,000 at July 3, 2009 and June 27, 2008. There were no outstanding borrowings on these working capital loans at July 3, 2009 and June 27, 2008. The interest rates, which are stated at the prime rate, were 3.25 percent as of July 3, 2009 and 5.00 percent as of June 27, 2008.

Note 6 - Management Fees

The property manager's compensation is based on a base fee plus a percentage of the hotel's net available operating profit, as defined in the management agreement. Management fees earned by the manager were $174,656 and $166,413 in fiscal years 2009 and 2008, respectively.

Note 7 - Income Taxes

The provision for income taxes for the years ended July 3, 2009 and June 27, 2008 consists of the following:

	2009	2008
Currently payable	$ -	$ -
Deferred tax expense	32,052	11,000
Provision for income taxes	$ 32,052	$ 11,000

The Company has AMT credit carryforwards of approximately $40,000 and $53,000 as of July 3, 2009 and June 27, 2008, respectively.

The components of the deferred income tax assets and liabilities as of July 3, 2009 and June 27, 2008 are as follows:

	2009	2008
Current deferred tax asset - Accrued liabilities and reserves	$ 30,895	$ 35,892
Noncurrent deferred tax assets (liabilities):		
Depreciation and amortization	(137,013)	(134,180)
AMT credit carryforwards	40,000	53,385
Net deferred tax liabilities	$ (66,118)	$ (44,903)

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

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

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

We have audited the financial statements of Inn-Ohio of Athens, Inc. (the "Company") as of and for the years ended July 3, 2009 and June 27, 2008 and have issued our report thereon dated September 28, 2009. 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 audit, we considered the Company's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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

Plante & Moran, PLLC

September 28, 2009

Mary Taylor, CPA
Auditor of State

INN-OHIO OF ATHENS, INC.

ATHENS COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 1, 2009