Financial Statements and Report of Independent Certified Public Accountants

The University of Cincinnati Foundation

June 30, 2010 and 2009

Mary Taylor, CPA
Auditor of State

Board of Trustees
University of Cincinnati Foundation
P.O. Box 19970
Cincinnati, Ohio 45219-0970

We have reviewed the *Report of Independent Certified Public Accountants* of The University of Cincinnati Foundation, Hamilton County, prepared by Grant Thornton LLP, for the audit period July 1, 2009 through June 30, 2010. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

December 10, 2010

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Contents

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Report of Independent Certified Public Accountants

The Board of Trustees
The University of Cincinnati Foundation

We have audited the accompanying statements of financial position of The University of Cincinnati Foundation (a nonprofit organization) (the "Foundation") as of June 30, 2010 and 2009, and the related 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 as established by the American Institute of Certified Public Accountants 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 University of Cincinnati Foundation as of June 30, 2010 and 2009, and the changes in its net assets and its 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 13, 2010 on our consideration of the Foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 effectiveness of the Foundation's internal control over financial reporting or on compliance. That report 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.

Grant Thornton LLP

Cincinnati, Ohio
October 13, 2010

THE UNIVERSITY OF CINCINNATI FOUNDATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2010 and 2009

		2010		2009
ASSETS				
Cash and cash equivalents	$	6,077,099	$	6,405,554
Due from University of Cincinnati		1,029,330		1,083,644
Accrued interest receivable		776,829		1,003,015
Stock proceeds receivable		40,624		4,037
Prepaid expenses		136,207		146,433
Pledges receivable, net of allowance		64,414,770		60,787,261
Trusts held by others		6,722,470		5,978,761
Cash surrender value of life insurance policies		935,300		847,598
Other		23,651		31,566
Investments:				
Cash equivalents		5,685,445		4,301,318
Mutual funds		13,498,590		12,619,123
Common stocks		9,210,016		6,887,762
U.S. Government and agency obligations		2,271,053		3,141,045
Corporate bonds		6,143,320		8,994,626
University pooled investments		172,876,158		158,410,696
Total investments		209,684,582		194,354,570
Property and equipment:				
Leasehold improvements, net of accumulated amortization of $705,989 in 2010 and $605,558 in 2009		659,943		728,124
Equipment and automobile, net of accumulated depreciation of $1,801,468 in 2010 and $1,674,606 in 2009		387,394		431,247
	$	290,888,199	$	271,801,810
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable	$	330,947	$	474,948
Accrued liabilities		186,879		83,644
Accrued compensated absences		528,818		463,594
Agency payable		1,254,197		1,990,254
Refundable deposits		562,304		522,928
Accrued interest income due to investment pool		417,475		649,938
Present value of annuities payable		6,394,132		5,842,915
TOTAL LIABILITIES		9,674,752		10,028,221
NET ASSETS				
Unrestricted		(27,497,267)		(29,610,192)
Temporarily restricted		83,608,498		76,246,208
Permanently restricted		225,102,216		215,137,573
TOTAL NET ASSETS		281,213,447		261,773,589
	$	290,888,199	$	271,801,810

The accompanying notes are an integral part of these financial statements.

THE UNIVERSITY OF CINCINNATI FOUNDATION

STATEMENT OF ACTIVITIES

Year ended June 30, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and other additions:				
Contributions:				
University	$ 755,080	38,376,771	$ 8,271,105	$ 47,402,956
Foundation	-	26,713	-	26,713
University fee	852,483	-	-	852,483
Assessment fee	11,801,669	-	-	11,801,669
Change in value of split interest agreements	11,542	394,427	337,740	743,709
Other income	827	1,712,660	67,375	1,780,862
Investment income:	-			
Dividend and interest income	690,017	8,625,431	83,246	9,398,694
Net unrealized and realized gains	9,905,045	2,533,901	-	12,438,946
Reclassification of contributions pursuant to donor stipulation	(7,778,018)	6,404,185	1,373,833	-
Net assets released from restrictions - satisfaction of donor restrictions	50,130,367	(50,130,367)	-	-
Total revenues and other additions	66,369,012	7,943,721	10,133,299	84,446,032
Expenses and other deductions:				
Distributions to or for the University of Cincinnati	46,304,384	-	-	46,304,384
Operating expenses	14,595,233	-	-	14,595,233
Assessment fee	3,356,470	-	-	3,356,470
Total expenses	64,256,087	-	-	64,256,087
Change in present value of annuities payable	-	581,431	168,656	750,087
Total expenses and other deductions	64,256,087	581,431	168,656	65,006,174
Change in net assets	2,112,925	7,362,290	9,964,643	19,439,858
Net assets at beginning of year	(29,610,192)	76,246,208	215,137,573	261,773,589
Net assets at end of year	$ (27,497,267)	$ 83,608,498	$ 225,102,216	$ 281,213,447

The accompanying notes are an integral part of this financial statement.

THE UNIVERSITY OF CINCINNATI FOUNDATION

STATEMENT OF ACTIVITIES

Year ended June 30, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and other additions:				
Contributions:				
University	$ 435,832	$ 32,826,875	$ 11,262,331	$ 44,525,038
Foundation	70,000	82,316	-	152,316
University fee	1,093,532	-	-	1,093,532
Assessment fee	11,121,226	-	-	11,121,226
Change in value of split interest agreements	(179,995)	(372,738)	(1,014,348)	(1,567,081)
Other income	1,842	1,490,294	86,889	1,579,025
Investment income:				
Dividend and interest income	888,011	8,830,853	125,917	9,844,781
Net unrealized and realized losses	(42,935,482)	(10,022,589)	-	(52,958,071)
Reclassification of contributions pursuant to donor stipulation	(7,917,213)	8,032,448	(115,235)	-
Net assets released from restrictions - satisfaction of donor restrictions	56,879,118	(56,879,118)	-	-
Total revenues and other additions	19,456,871	(16,011,659)	10,345,554	13,790,766
Expenses and other deductions:				
Distributions to or for the University of Cincinnati	53,580,261	-	-	53,580,261
Operating expenses	16,010,909	-	-	16,010,909
Assessment fee	2,935,440	-	-	2,935,440
Total expenses	72,526,610	-	-	72,526,610
Change in present value of annuities payable	-	(262,409)	(1,279,321)	(1,541,730)
Total expenses and other deductions	72,526,610	(262,409)	(1,279,321)	70,984,880
Reclassification of accumulated gains on endowment funds pursuant to the enactment of the Ohio Uniform Prudent Management of Institutional Funds Act and other reclassifications	5,534,404	11,153,054	(16,687,458)	-
Change in net assets	(47,535,335)	(4,596,196)	(5,062,583)	(57,194,114)
Net assets at beginning of year	17,925,143	80,842,404	220,200,156	318,967,703
Net assets at end of year	$ (29,610,192)	$ 76,246,208	$ 215,137,573	$ 261,773,589

The accompanying notes are an integral part of this financial statement.

THE UNIVERSITY OF CINCINNATI FOUNDATION

STATEMENTS OF CASH FLOWS

Years ended June 30, 2010 and 2009

	2010	2009
Operating activities:		
Payments to or for the University of Cincinnati	$ (46,599,980)	$ (54,417,014)
University fees, assessment fees and other	11,150,999	12,500,891
Cash paid for compensation	(9,443,061)	(10,362,591)
Cash received for gifts	32,594,577	36,403,527
Investment income available for distribution	8,889,683	9,323,615
Cash paid for operating expenses	(3,668,614)	(4,403,135)
Net cash used in operating activities	(7,076,396)	(10,954,707)
Investing activities:		
Proceeds from sale of investments	25,625,008	26,081,141
Purchase of investments	(27,772,365)	(33,456,998)
Purchase of property and equipment	(135,434)	(180,920)
Net cash used in investing activities	(2,282,791)	(7,556,777)
Financing activities:		
Proceeds from contributions to endowment and similar funds	8,295,535	11,812,973
Investment income restricted for reinvestment	735,197	782,972
Net cash provided by financing activities	9,030,732	12,595,945
Net decrease in cash and cash equivalents	(328,455)	(5,915,539)
Cash and cash equivalents, beginning of year	6,405,554	12,321,093
Cash and cash equivalents, end of year	$ 6,077,099	$ 6,405,554
Reconciliation of change in net assets to net cash used in operating activities:		
Increase (decrease) in net assets	$ 19,439,858	$ (57,194,114)
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Provision for losses on pledges receivable	1,172,929	1,269,754
Depreciation and amortization	247,468	272,513
Decrease in due from University of Cincinnati	54,314	1,652,418
Decrease in accrued interest receivable	226,186	261,806
(Increase) decrease in stock proceeds receivable	(36,587)	3,055
Decrease (increase) in prepaid expenses	10,226	(29,851)
(Increase) decrease in pledges receivable	(5,544,147)	3,145,683
Increase in cash surrender value of life insurance policies	(87,702)	(29,280)
Decrease in other assets	7,915	19,981
Decrease in accounts payable	(144,001)	(33,110)
Increase (decrease) in accrued liabilities	103,235	(327,526)
Increase in accrued compensated absences	65,224	64,701
(Decrease) increase in agency payable	(736,057)	951,990
Increase (decrease) in refundable deposits	39,376	(190,351)
Decrease in accrued interest income due to investment pool	(232,463)	(287,260)
Increase (decrease) in present value of annuities payable	551,217	(2,434,323)
Contributions to endowment and similar funds	(8,295,535)	(11,812,973)
Change in value of split interest agreements	(743,709)	1,567,081
Investment income restricted for reinvestment	(735,197)	(782,972)
Net (gain) loss on investments	(12,438,946)	52,958,071
Net cash used in operating activities	$ (7,076,396)	$ (10,954,707)

The accompanying notes are an integral part of these financial statements.

NOTE A – DESCRIPTION OF ORGANIZATION

The University of Cincinnati Foundation (the Foundation) is a not-for-profit organization that operates exclusively for the benefit of the University of Cincinnati (the University). Its principal function is to solicit, receive, hold, invest and administer funds and to make distributions to or for the benefit of the University.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Presentation

The financial statements of the Foundation are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP). Balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Resources for various purposes are classified into net assets classes that are in accordance with activities or objectives specified by donors.

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time.

Permanently restricted – Net assets subject to donor imposed stipulations that must be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors or by the change of restrictions specified by the donors. In 2010, the Foundation released approximately $50,130,000 in restricted assets ($5,278,000 for operations, maintenance, plant, $20,900,000 for college programs, $3,970,000 for instruction, $5,605,000 for auxiliary, $5,761,000 for scholarship, $2,708,000 for academic support, and $5,908,000 for other). In 2009, the Foundation released approximately $56,879,000 in restricted assets ($7,501,000 for operations, maintenance, plant, $25,808,000 for college programs, $4,009,000 for instruction, $5,272,000 for auxiliary, $5,722,000 for scholarship, $4,440,000 for academic support, and $4,127,000 for other).

Contributions received by the Foundation for the benefit of the University are classified as University contributions on the Statements of Activities. Revenues from sources other than contributions are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Contributions are reported as increases in the appropriate category of net assets. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions recognized on net assets (i.e., the donor-imposed purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as released from restriction from temporarily restricted net assets to unrestricted net assets. The Foundation recognizes temporarily restricted contributions and investment income in which donor-imposed restrictions are met within the same period as temporarily restricted net assets and then

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. Basis of Presentation (continued)

reclassifies the revenue to unrestricted net assets through net assets released from restriction on the accompanying Statements of Activities. If a donor requests a change in purpose or time period for use of funds, the change is recorded as a reclassification of contributions pursuant to donor stipulation on the Statements of Activities. Temporary restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are acquired or placed in service.

Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. Contributions to be received after one year are discounted at a rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue and used in accordance with donor-imposed restrictions, if any, on the contributions.

Allowance is made for uncollectible contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience and other relevant factors. Unconditional promises to give of $10,000 or more, and more than one year old, are evaluated annually for collectability. An appropriate reserve for each pledge is established based on the evaluation. Pledges of this size are not written off without senior management approval. Unconditional promises to give of less than $10,000, expected to be satisfied by multiple payments, are generally completely reserved once twelve months have elapsed from receipt of the last pledge payment. These pledges are written off once the development officer assigned to the donor believes that further collection efforts will not be successful. Finally, unconditional promises to give arising from Telefund and other annual giving programs are generally written off to bad debt expense once the donor has failed to respond to eleven consecutive monthly pledge reminders.

Contributions in the form of charitable gift annuities are recognized as revenue at fair value when received, and an annuity payment liability is recognized at the present value of future cash flows expected to be paid to the donors. Payments made to donors reduce the annuity liability. Adjustments to the annuity liability to reflect changes in the life expectancy of the donor are recognized in the Statements of Activities as a change in present value of annuities payable.

2. Cash Equivalents

Cash equivalents consist principally of overnight funds, money market securities and certificates of deposit. As of June 30, 2010 and 2009, approximately $11,627,000 and $10,454,000 respectively, of cash and cash equivalents are in excess of federally insured limits. The overnight funds are collateralized by U.S. government backed securities. Cash equivalents are carried at amortized cost, and mature in 90 days or less.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Investment Securities

The Foundation's investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

4. Property and Equipment

Property and equipment are recorded at cost (or fair market value in the case of a gift) less accumulated depreciation and amortization. The estimated useful lives are principally four years for automobile and computer equipment, five years for office equipment, and ten years for software. All assets are depreciated/amortized using the straight-line method over the estimated useful lives of the assets.

5. Agency Transactions

The Foundation has received funds whereby the Foundation is named as the trustee of the related assets. The gift arrangements direct the Foundation to distribute portions of the related assets to other charitable organizations when restrictions are met. A portion of the assets will benefit the Foundation. The amount of assets that are due to other third party organizations is recorded as a payable of approximately $1,254,000 and $1,990,000 at June 30, 2010 and 2009, respectively.

6. Income Taxes

The Foundation is a not-for-profit organization as defined under Section 501(c)(3) of the Internal Revenue Code and, as such, is exempt from federal income taxes.

The Foundation adopted the provisions of FASB Accounting Standards Codification ("ASC") 740, *Income Taxes*, on July 1, 2009, as it relates to uncertain tax positions. Adoption of ASC 740 had no effect on the accompanying financial statements. The Foundation evaluates its uncertain tax positions as to whether it is more likely than not a tax position could be sustained in the event of an audit by the applicable taxing authority. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements, and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Use of Estimates

The preparation of financial statements in conformity with US GAAP 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 contributions, revenues, gains, and expenses during the reporting period. Actual results could differ from those estimates.

8. Risks and Uncertainties

The Foundation holds a variety of investments, the underlying securities of which are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the value of investment securities would occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

9. Fair Value Measurements

Fair value is generally determined based on quoted market prices in active markets for identical assets or liabilities. If quoted market prices are not available, the Foundation uses valuation techniques that place greater reliance on observable inputs and less reliance on unobservable inputs. In measuring fair value, the Foundation may make adjustments for risks and uncertainties, if a market participant would include such an adjustment in its pricing.

10. Reclassifications

Certain 2009 amounts have been reclassified to conform to the 2010 presentation.

NOTE C – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30 are restricted for the following purposes:

	2010	2009
Capital projects	$13,370,042	$ 7,812,335
College programs	23,464,253	26,238,857
Instruction	5,735,922	5,900,475
Scholarships	15,797,644	14,569,579
Academic support	4,473,384	4,815,861
Auxiliary	5,464,557	6,402,509
Research	8,789,824	5,353,718
Annuity and life income funds	3,123,335	3,047,502
Other	3,389,537	2,105,372
Total temporarily restricted net assets	$83,608,498	$76,246,208

NOTE C – TEMPORARILY RESTRICTED NET ASSETS (continued)

Endowment funds included in temporarily restricted net assets are $43,865,915 and $41,024,780 as of June 30, 2010 and 2009, respectively.

NOTE D – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets as of June 30 are restricted for the following purposes:

	2010	2009
College programs	$105,640,862	$101,561,618
Instruction	24,494,355	23,847,915
Scholarships	43,250,900	40,276,326
Academic support	27,673,121	26,320,458
Auxiliary	7,116,752	6,990,082
Research	11,585,896	10,915,424
Annuity and life income funds	1,456,552	1,333,699
Other	3,883,778	3,892,051
Total permanently restricted net assets	$225,102,216	$215,137,573

Endowment funds included in permanently restricted net assets are $186,132,303 and $175,485,111 as of June 30, 2010 and 2009, respectively.

NOTE E – PLEDGES RECEIVABLE

Contributors to the Foundation have made unconditional pledges totaling approximately $82,920,000 and $79,146,000 as of June 30, 2010 and 2009, respectively. For payments that extend beyond one year, these pledges receivable have been discounted at rates ranging from 2.3% to 6.0% to a net present value of approximately $67,082,000 and $63,247,000 as of June 30, 2010 and 2009, respectively. As of June 30, the unpaid pledges are due as follows:

	2010	2009
Less than one year	$27,017,704	$20,415,399
One to five years	20,767,952	25,413,146
More than five years	19,296,114	17,418,716
	67,081,770	63,247,261
Less allowance for uncollectible pledges	(2,667,000)	(2,460,000)
Total	$64,414,770	$60,787,261

NOTE E – PLEDGES RECEIVABLE (continued)

Amounts due from irrevocable bequests, which are unconditional promises to give, as of June 30, 2010 and 2009 of approximately $15,426,000 and $15,152,000, respectively, are included in the total amount of unconditional pledges due in more than five years.

Eighteen donors currently have outstanding conditional pledges to the Foundation. As of June 30, 2010, the conditions were not substantially met, therefore, the net present value of the pledges is not included in the carrying amount of pledges receivable. The net present value of the conditional pledges approximated $12,276,000 as of June 30, 2010. There were seventeen donors with outstanding conditional pledges as of June 30, 2009. The net present value of the conditional pledges at June 30, 2009 was approximately $15,613,000.

NOTE F – INVESTMENTS

In July 2002, the Foundation combined its pooled investment securities with the investment pool of the University. This action was taken to maximize investment diversification and realize economies of scale with respect to costs of managing the investments. The Foundation continues to serve as trustee for these assets. The Foundation maintains individual records of each fund included in the transfer of assets to the investment pool of the University. Each fund subscribes to, or disposes of, units in the pool at the unit market value at the end of each quarter. Income is allocated to each fund in the pool based on units of participation. As of June 30, 2010 and 2009, the University is holding approximately $1,740,000 and $779,000, respectively, that is to be invested in the University investment pool. These amounts are recorded as cash equivalents in the Statements of Financial Position.

The Foundation also manages other investments, which amounted to approximately $35,069,000 and $35,164,000 as of June 30, 2010 and 2009, respectively. These funds represent separately invested endowments, temporary cash investments, and split-interest trusts where the Foundation is the remainderman.

The following presents investments held by the Foundation as of June 30, 2010 and 2009:

	2010 Market Value	2010 Cost	2009 Market Value	2009 Cost
Cash equivalents	$ 5,685,445	$ 5,685,445	$ 4,301,318	$ 4,301,318
US Government and agency obligations	2,271,053	2,168,994	3,141,045	2,904,349
Corporate bonds	6,143,320	5,957,913	8,994,626	8,850,053
Mutual funds	13,498,590	14,453,904	12,619,123	15,103,850
Common stocks & ETFs	9,210,016	9,344,248	6,887,762	7,462,572
University pooled investments	172,876,158	217,050,287	158,410,696	213,587,963
Total	$209,684,582	$254,660,791	$194,354,570	$252,210,105

NOTE F – INVESTMENTS (continued)

The number of units in the University investment pool owned by the Foundation totaled 2,235,849 and 2,087,670, which represents 27% and 26% share of the University investment pool, as of June 30, 2010 and 2009, respectively. The University pool holds primarily common stock, mutual funds, and corporate and government fixed income obligations, which are stated at fair value as determined by market prices. In addition, the pool invests in loans to certain not-for-profit entities for the purpose of developing residential and commercial facilities near the University's main campus. These loans are secured by mortgages, some of which are subordinated to external financing arrangements, on parcels of land purchased by these not-for-profit entities for development. Certain investments in the University investment pool are stated at fair value, as provided by the investment managers. Audited financial statements of the underlying investments in the University investment pool as of June 30, 2010 and 2009, are used as a basis for fair value when available. When not available, the fair value is based upon financial information as of an interim date, adjusted for cash receipts, cash disbursements and other distributions made through June 30, 2010 and 2009. The Foundation believes that the carrying value of these investments is a reasonable estimate of fair value at June 30, 2010 and 2009. Certain underlying investments in the University investment pool are not readily marketable; therefore, the estimated values of these investments are subject to certain risks. As a result, the fair value of the University pooled investments could differ from the value that may have been determined had a market for certain investments in the University investment pool existed.

The underlying investments that comprise the University investment pool as of June 30, 2010 and 2009 are as follows:

	2010	2009
U.S. equity securities	25%	37%
International equity securities	17	20
Fixed income securities	29	15
Private equity capital	10	8
Hedge funds	6	3
Real estate and community development	13	17
Total	100%	100%

NOTE G – ENDOWMENT FUNDS

Endowment assets are invested in a manner consistent with statutory fiduciary responsibilities and policies adopted by the Foundation's Board of Trustees. The primary objective is to produce long-term real growth in assets, net of administrative and investment fees, by generating a total endowment rate of return which is greater than the spending rate plus the Consumer Price Index. Strategies to achieve the primary objective at a prudent level of risk include: (a) diversification of assets among various classes; (b) diversification of investment styles within asset class: and (c) ongoing review of investment manager performance with respect to rate of return, adherence to investment style and compliance with investment guidelines.

NOTE G – ENDOWMENT FUNDS (continued)

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) was passed into law by the State of Ohio in December 2008 with an effective date of June 1, 2009 and adopted by the Foundation as of June 30, 2009.

The Foundation's endowment pool and separately invested endowment funds include donor restricted endowment funds, funds designated by the Board of Trustees for reinvestment in the endowment funds, and investment income on the endowment funds that have been appropriated for expenditure. As required by US GAAP, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the absence or existence of donor imposed restrictions.

The Board of Trustees has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund 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.

In accordance with the Foundation's interpretation of UPMIFA, investment income and appreciation/depreciation earned on investments held in the permanently restricted endowment funds are credited to either unrestricted or temporarily restricted net assets, unless otherwise stipulated by the donor. Financial assets are to be invested in a manner consistent with statutory fiduciary responsibilities and policies adopted by the Foundation's Board of Trustees.

There are approximately 810 and 770 endowment funds, at June 30, 2010 and 2009, respectively. As of June 30, 2010 and 2009, the fair value of these funds collectively was $34,604,178 and $34,578,585 less than the original gift amounts, respectively. Of that amount, as of June 30, 2010 and 2009, approximately $33,181,589 and $33,259,605, respectively, relates to donor restricted gifts, and the remainder relates to board designated gifts also held in the endowment pool or invested separately.

Prior to the adoption of UPMIFA, the Ohio Uniform Management of Institutional Funds Act specified that the governing board of an institution may appropriate for expenditure for the uses and purposes for which an endowment fund is established, up to 100% of the net realized and unrealized appreciation in the fair value of the assets of the endowment fund over the historic value of the fund. Accordingly, 100% of the amount of realized and unrealized appreciation of endowment funds was classified as unrestricted net assets.

The Foundation has adopted a spending rate policy that limits the distribution of endowment income. The spending rate is 5% of the moving average market value for the twelve-quarter period ended each December. Earnings above the spend rate limit are reinvested in the endowment fund for the purposes of promoting endowment fund growth. During 2010 and 2009, income earned in the investment pool was less than the amount allocated for expenditure by approximately $8,232,000 and $8,799,000, respectively. This shortfall was funded by cumulative capital gains in the investment pool for the years ended June 30, 2010 and 2009.

NOTE G – ENDOWMENT FUNDS (continued)

The endowment net asset composition by type of fund as of June 30, 2010, was as follows:

	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$(33,483,325)	$43,865,915	$186,132,303	$196,514,893
Board designated endowment funds	2,498,278	-	-	2,498,278
Total	$(30,985,047)	$43,865,915	$186,132,303	$199,013,171

The change in endowment fund net assets for the year ended June 30, 2010, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$(32,080,943)	$41,024,780	$175,485,111	$184,428,948
Investment return:				
Investment income	439,642	8,392,205	54,983	8,886,830
Net realized/unrealized gain	1,712,789	1,926,280	-	3,639,069
Total investment return	2,152,431	10,318,485	54,983	12,525,899
Contributions	-	6,849,381	8,795,195	15,644,576
Appropriation of endowment assets for expenditure	(1,067,226)	(15,717,726)	(137,855)	(16,922,807)
Other changes:				
Other income	-	357,771	1,760,825	2,118,596
Transfers	-	491,019	(491,019)	-
Income reinvestment	10,691	542,205	665,063	1,217,959
Endowment net assets, end of year	$(30,985,047)	$43,865,915	$186,132,303	$199,013,171

NOTE G – ENDOWMENT FUNDS (continued)

The endowment net asset composition by type of fund as of June 30, 2009 was as follows:

	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$(35,242,059)	$41,024,780	$175,485,111	$181,267,832
Board designated endowment funds	3,161,116	-	-	3,161,116
Total	$(32,080,943)	$41,024,780	$175,485,111	$184,428,948

The change in endowment fund net assets for the year ended June 30, 2009, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$14,117,165	$42,466,088	$179,335,291	$235,918,544
Net asset reclassification based on change in law	(11,153,054)	11,153,054	-	-
Endowment net assets after reclassification	2,964,111	53,619,142	179,335,291	235,918,544
Investment return:				
Investment income	403,523	8,729,960	-	9,133,483
Net realized/unrealized (loss) gain	(50,682,956)	82,971	-	(50,599,985)
Total investment return	(50,279,433)	8,812,931	-	(41,466,502)
Contributions	-	5,853,164	11,726,431	17,579,595
Appropriation of endowment assets for expenditure	(1,482,087)	(28,336,186)	(449,985)	(30,268,258)
Other changes:				
Other reclassifications	16,687,458	-	(16,687,458)	-
Other income	981	470,173	1,309,610	1,780,764
Split interest agreements	(663,474)	-	663,474	-
Transfers	616,821	192,563	(809,384)	-
Income reinvestment	74,680	412,993	397,132	884,805
Endowment net assets, end of year	$(32,080,943)	$41,024,780	$175,485,111	$184,428,948

NOTE H – FAIR VALUE MEASUREMENTS

Fair value is defined as the price that will be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements and disclosures are based on a three level hierarchy as follows:

Level 1 Inputs are quoted prices (unadjusted) in active markets for identical investments that the Foundation has the ability to access at the measurement date.

Level 2 Inputs are quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; other-than-quoted prices that are observable for the asset or liability; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 Inputs are unobservable and significant to the fair value measurement.

Fair value instruments measured at fair value on a recurring basis using quoted prices for identical instruments in an active market (or level 1 inputs) include equity securities and mutual funds. Fair value instruments measured at fair value using inputs based on quoted market prices for similar instruments in active markets (or level 2 inputs) include money markets, certificates of deposit, U.S. Treasury and agency obligations, corporate obligations and repurchase agreements. The Foundation also invests in the University investment pool which is stated at fair value using the net asset value of the underlying investments. For those investments in the pool where pricing information is not available as of the measurement date, the fair value is determined based on information as of an interim date, adjusted for distributions, redemptions, market changes, and other financial and operational information obtained by the Foundation's management. These fair value instruments are measured at fair value on a recurring basis using significant unobservable inputs (or level 3 inputs).

NOTE H – FAIR VALUE MEASUREMENTS (continued)

The following table summarizes the valuation of financial instruments measured at fair value on a recurring basis included in investments on the statement of financial position at June 30, 2010:

	Balance at June 30, 2010	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Equity securities:				
Consumer	$ 2,364,406	$ 2,364,406	$ -	$ -
Health Care	1,292,327	1,292,327	-	-
Financial	1,095,752	1,095,752	-	-
Technology	962,248	962,248	-	-
Materials	910,397	910,397	-	-
Energy	816,125	816,125	-	-
Industrial	585,323	585,323	-	-
Utilities	400,268	400,268	-	-
Telecommunication	391,743	391,743	-	-
Other	238,815	238,815	-	-
Services	152,612	152,612	-	-
Total equity securities	9,210,016	9,210,016	-	-
Mutual funds:				
Fixed	5,826,537	5,826,537	-	-
Value	2,674,787	2,674,787	-	-
Growth	2,328,876	2,328,876	-	-
Index	1,476,029	1,476,029	-	-
Blended	1,104,201	1,104,201	-	-
Other	88,160	88,160	-	-
Total mutual funds	13,498,590	13,498,590	-	-
Corporate bonds	6,143,320	-	6,040,448	102,872
U.S. treasury and agency obligations	2,271,053	-	2,271,053	-
University pooled investments	172,876,158	-	-	172,876,158
Total assets at fair value	$203,999,137	$22,708,606	$ 8,311,501	$172,979,030

See Note F for a breakout of the underlying investments in the University pooled investments.

NOTE H – FAIR VALUE MEASUREMENTS (continued)

The Foundation's investments in cash equivalents are carried at amortized cost. These investments do not qualify as securities as defined in FASB ASC 320, *Investments – Debt and Equity Securities*, thus the fair value disclosures required by ASC 820 are not provided.

Assets measured and recorded at fair value are presented on the statement of financial position at June 30, 2010 as follows:

	Balance at June 30, 2010	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash and cash equivalents	$ 5,942,115	$ -	$ 5,942,115	$ -
Investments	207,425,758	22,708,606	11,738,122	172,979,030
	$213,367,873	$22,708,606	$17,680,237	$172,979,030

The following table summarizes the valuation of financial instruments measured at fair value on a recurring basis, included in investments on the statement of financial position at June 30, 2009:

	Balance at June 30, 2009	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Equity securities:				
Consumer	$1,533,701	$1,533,701	$ -	$ -
Health Care	1,038,297	1,038,297	-	-
Energy	990,538	990,538	-	-
Technology	757,965	757,965	-	-
Industrial	635,966	635,966	-	-
Financial	632,065	632,065	-	-
Materials	467,339	467,339	-	-
Utilities	355,403	355,403	-	-
Telecommunication	235,300	235,300	-	-
Services	135,484	135,484	-	-
Other	105,704	105,704	-	-
Total equity securities	$6,887,762	$6,887,762	$ -	$ -

NOTE H – FAIR VALUE MEASUREMENTS (continued)

	Balance at June 30, 2009	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Mutual funds:				
Fixed	$ 5,348,610	$ 5,348,610	$ -	$ -
Value	2,637,139	2,637,139	-	-
Growth	1,716,920	1,716,920	-	-
Index	1,604,438	1,604,438	-	-
Blended	1,089,723	1,089,723	-	-
Other	222,293	222,293	-	-
Total mutual funds	12,619,123	12,619,123	-	-
U.S. treasury and agency obligations	3,141,045	-	3,141,045	-
Corporate bonds	8,994,626	-	8,881,573	113,053
University pooled investments	158,410,696	-	-	158,410,696
Total assets at fair value	$190,053,252	$19,506,885	$12,022,618	$158,523,749

Realized and unrealized gains and (losses) related to these fair value instruments total $12,543,328 and $(53,564,139) as of June 30, 2010 and 2009, respectively, and are included in net realized/unrealized gains (losses) on investments in the accompanying statements of activities, except for those fair value instruments where the Foundation is not the beneficiary.

A reconciliation of the balance of the Level 3 fair value instruments at July 1, 2009 to the balance as of June 30, 2010, is as follows:

Beginning balance	$158,523,749
Investments	12,573,083
Interest and dividend income	3,497,025
Reinvested income	943,366
Liquidations	(13,160,177)
Net realized and unrealized gains	10,601,984
Ending balance	$172,979,030

NOTE H – FAIR VALUE MEASUREMENTS (continued)

A reconciliation of the balance of the Level 3 fair value instruments at July 1, 2008 to the balance as of June 30, 2009, is as follows:

Beginning balance	$201,931,010
Investments	14,964,591
Interest and dividend income	4,509,904
Reinvested income	758,901
Liquidations	(15,343,448)
Net realized and unrealized losses	(48,297,209)
Ending balance	$158,523,749

Gains and losses for these Level 3 fair value instruments are included in net realized/unrealized gains (losses) in the accompanying consolidated statements of activities. The total amount of gains (losses) above included in changes in net assets that is attributable to assets held at June 30, 2010 and 2009 is $(419,751) and $(57,452,952), respectively.

NOTE I – FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate fair value of each class of financial instruments for which it is practicable to estimate fair value:

The carrying amounts of cash and cash equivalents, receivables (other than pledges receivable), prepaid expenses, cash surrender value of life insurance policies, accounts payable, accrued liabilities and accrued compensated absences approximate fair value because of the short maturity of these instruments.

The fair values of investments are generally estimated based on quoted market prices for those investments. Certain investments held in the University's investment pool do not have readily determinable market values. These investments are carried at estimated fair value provided by the investment managers. The majority of these investments are valued based upon independently audited financial information as of June 30 or information provided as of an interim date, which is adjusted for cash receipts, cash disbursements, and other distributions made through June 30, 2010 and 2009, respectively. The Foundation believes that the carrying value of these investments in the University investment pool is a reasonable estimate of fair value at June 30, 2010 and 2009. See also Notes F and H.

The carrying amounts of pledges receivable and annuities payable, which are anticipated to be collected and distributed in cash, respectively, are recorded at the net present value of such amounts.

NOTE J – EQUIPMENT AND AUTOMOBILE

Equipment and automobile as of June 30 consist of the following:

	2010	2009
Office equipment	$ 587,961	$ 589,341
Software	1,103,896	1,042,368
Automobile	22,320	25,068
Computer equipment	474,685	449,076
	2,188,862	2,105,853
Accumulated depreciation and amortization	(1,801,468)	(1,674,606)
	$ 387,394	$ 431,247

NOTE K – LEASES

Rental expense for operating leases was $239,470 for both 2010 and 2009. The Foundation leases certain office space directly from the University. The lease expires on September 30, 2024, and is renewable for two additional terms of 20 years each.

Future minimum lease payments under noncancelable operating leases (with initial or remaining terms in excess of one year) as of June 30 are:

2011	$ 239,470
2012	239,470
2013	239,470
2014	239,470
2015	239,470
Thereafter	2,215,100
Total minimum lease payments	$3,412,450

NOTE L – LIFE INSURANCE POLICIES

The Foundation is the beneficiary of certain life insurance policies that are recorded at their cash surrender value in the Statements of Financial Position. The cash surrender value represents the amount the Foundation, as beneficiary, would realize if such policies were surrendered as of June 30, 2010 and 2009. The face value of these policies, which would be paid only upon death of the insured and maturity of the contracts, approximated $5,174,115 and $4,115,000 as of June 30, 2010 and 2009, respectively.

NOTE M – BENEFICIAL INTEREST IN TRUSTS – OTHER TRUSTEES

The Foundation has been notified of fourteen trusts held by other trustees where the remainder interest will irrevocably benefit the University. In addition, the Foundation has been notified of two charitable lead unitrusts held by other trustees where annual payments are received by the Foundation. The Foundation values these assets by projecting the value of the trust assets to future periods and then discounting the anticipated cash flows at a rate of 6%.

Beneficial interest in trusts held by other trustees amounted to approximately $6,722,000 and $5,979,000 as of June 30, 2010 and 2009, respectively. There were no contributions of beneficial interest in trusts during the years ended June 30, 2010 or 2009.

NOTE N – UNIVERSITY FEE

In accordance with an agreement with the University, the Foundation receives interest income earned on unexpended gift fund balances held at the University. The Foundation also receives reimbursement from certain colleges of the University for salaries and fringe benefits paid to college development employees below the director level.

NOTE O – ASSESSMENT FEE

The Foundation is primarily funded by a fee assessed on certain endowment funds held by the University and the Foundation. Funds that are eligible for the fee assessment include quasi-endowment funds, funds that are broadly restricted by college or department, funds whereby the donor has given permission to assess the fee, and unrestricted funds that do not have an internal designation. The gross assessment rate was 2% and 1.85% in 2010 and 2009, respectively. Revenue to the Foundation from the fee was approximately $11,802,000 and $11,121,000 in 2010 and 2009, respectively, and is used to fund Foundation operations. Approximately $3,356,000 and $2,935,000 of this fee was recorded from funds held by the Foundation in 2010 and 2009, respectively.

NOTE P – ANNUITY AND LIFE INCOME FUNDS

The Foundation actively markets annuities and life income agreements as part of the development program. These agreements include gift annuities and split-interest trusts where the income beneficiaries receive an income stream for their lifetimes, or a fixed number of years, and the Foundation is the remainderman. The assets and liabilities of these funds as of June 30 are:

	2010	2009
Annuities		
Investments, at fair value	$1,662,334	$1,465,227
Less present value of annuities payable	(1,288,358)	(1,211,155)
	$ 373,976	$ 254,072

NOTE P – ANNUITY AND LIFE INCOME FUNDS (continued)

	2010	2009
Trusts		
Investments, at fair value	$10,141,763	$9,436,776
Less present value of annuities payable	(5,105,774)	(4,631,760)
	$ 5,035,989	$4,805,016

For the year ended June 30, 2010, the Foundation received contributions of approximately $262,000 and $290,000 for annuities and trusts, respectively. For the year ended June 30, 2009, the Foundation received contributions of approximately $85,000 and $236,000 for annuities and trusts, respectively.

The Foundation monitors applicable state laws related to legally-mandated reserves for charitable gift annuities, and maintains reserves for various states, as appropriate.

NOTE Q – RETIREMENT PLANS

The Foundation participates in a retirement plan (TIAA/CREF) covering employees who meet length of service requirements. Under this arrangement, the Foundation and plan participants make annual contributions to purchase individual annuities equivalent to retirement benefits earned. The Foundation's share of the cost of these benefits was approximately $411,000 and $698,000 for the years ended June 30, 2010 and 2009, respectively.

The Foundation also maintains a Section 457 plan for highly compensated employees. Accounts for other participating employees are currently funded solely by salary reduction contributions. The plan is structured to permit Foundation contributions on behalf of the participants, as defined. There were no amounts contributed by the Foundation for the years ended June 30, 2010 and 2009.

NOTE R – RELATED PARTY TRANSACTIONS

Certain board members of the Foundation made contributions of $158,634 and $216,648 during fiscal year 2010 and 2009, respectively. In addition, certain board members are employees of organizations which provide services to the Foundation. Total fees paid to these organizations were $184,325 and $138,989 for the years ended June 30, 2010 and 2009 respectively.

NOTE S – SUBSEQUENT EVENTS

The Foundation evaluated its June 30, 2010 financial statements for subsequent events through October 13, 2010, the date the financial statements were available to be issued. The Foundation is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

SUPPLEMENTAL SCHEDULES

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Report of Independent Certified Public Accountants on Supplementary Information

The Board of Trustees
The University of Cincinnati Foundation

We have audited the basic financial statements of The University of Cincinnati Foundation as of and for the years ended June 30, 2010 and 2009 and have issued our report thereon dated October 13, 2010, which is presented in the preceding section of this report. Our audits were performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Detail of Operating Expenses and Schedule of Activities – Unrestricted Net Assets are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Grant Thornton LLP

Cincinnati, Ohio
October 13, 2010

THE UNIVERSITY OF CINCINNATI FOUNDATION

SCHEDULE OF DETAIL OF OPERATING EXPENSES

Years ended June 30, 2010 and 2009

	Foundation Operations	College/ University Expenses	Total 2010	Total 2009
Salaries and wages	$ 6,761,335	$ 299,936	$ 7,061,271	$ 7,303,145
Fringe benefits	2,395,489	154,760	2,550,249	2,796,621
Professional services	1,173,920	16,751	1,190,671	1,133,968
Provision for losses on pledges receivable	-	1,172,929	1,172,929	1,269,754
Telephone and postage	306,281	-	306,281	314,707
Promotional materials and events	290,947	-	290,947	1,058,916
Depreciation and amortization	247,468	-	247,468	272,513
Building lease	239,470	-	239,470	239,470
Public relations	227,268	-	227,268	159,701
Travel	207,152	-	207,152	205,597
General support- Alumni Association	196,892	-	196,892	304,444
Development and recruiting	142,127	-	142,127	175,333
Computer and word processing	139,780	-	139,780	140,383
Business meetings	128,706	-	128,706	121,737
Cleaning	107,236	-	107,236	96,230
Miscellaneous	38,037	19,426	57,463	26,021
Utilities, repairs and maintenance	54,438	-	54,438	58,237
Direct marketing	48,514	-	48,514	79,417
Copying charges	44,286	-	44,286	50,466
Parking	37,134	-	37,134	40,360
Resource materials	35,487	-	35,487	37,008
Membership dues	35,108	-	35,108	46,342
Insurance	33,598	-	33,598	32,990
Supplies	24,596	-	24,596	39,769
Gift annuity reserve	16,162	-	16,162	7,780
	$ 12,931,431	$ 1,663,802	$ 14,595,233	$ 16,010,909

THE UNIVERSITY OF CINCINNATI FOUNDATION

SCHEDULE OF ACTIVITIES - UNRESTRICTED NET ASSETS

Year ended June 30, 2010

	Gifts and Transfers	Foundation Operations	Total
Revenues and other additions:			
Contributions	$ 755,080	$ -	$ 755,080
University fee	-	852,483	852,483
Assessment fee	-	11,801,669	11,801,669
Change in value of split interest agreements	11,542	-	11,542
Other income	162	665	827
Investment income:			
Dividend and interest income	439,642	250,375	690,017
Net unrealized and realized gains	9,969,065	(64,020)	9,905,045
Reclassification of contributions pursuant to donor stipulation	(7,811,817)	33,799	(7,778,018)
Net assets released from restrictions-satisfaction of donor restrictions	50,130,367	-	50,130,367
Total revenues and other additions	53,494,041	12,874,971	66,369,012
Expenses and other deductions:			
Distributions to or for the University of Cincinnati	46,304,384	-	46,304,384
Operating expenses	1,663,802	12,931,431	14,595,233
Assessment fee	3,356,470	-	3,356,470
Total expenses and other deductions	51,324,656	12,931,431	64,256,087
Change in net assets	2,169,385	(56,460)	2,112,925
Net assets, beginning of year	(31,232,474)	1,622,282	(29,610,192)
Net assets, end of year	$ (29,063,089)	$ 1,565,822	$ (27,497,267)

Grant Thornton

Report of Independent Certified Public Accountants 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*

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The Board of Trustees
The University of Cincinnati Foundation

We have audited the financial statements of The University of Cincinnati Foundation (the "Entity") as of and for the year ended June 30, 2010, and have issued our report thereon dated October 13, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants 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 Entity's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control over financial reporting. Accordingly, we express no such opinion.

A deficiency in internal control over financial reporting 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 over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control would not necessarily identify all deficiencies in internal control over financial reporting that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in the Entity's internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

Our audit was also not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency in the Entity's internal control over financial reporting, which is discussed in the following paragraph.

During our testing of pledges receivable, we noted two conditional pledges that were improperly recorded. In both cases, the pledge was recorded as revenue or as an agency payable prior to the related condition being met. The combined effect of these two errors was a decrease to net assets of approximately $900,000, a decrease to pledges receivable of approximately $4,700,000, and a decrease to agency payable of approximately $3,800,000. We therefore recommend that pledge terms are carefully reviewed by management to ensure that (1) only unconditional pledges are recorded by the Entity, and (2) the individual making a pledge on behalf of an organization is the individual authorized to make a legally-binding pledge.

Management's Response: The recording of an anticipated matching gift ($900,000) on the general ledger was an error. Gift coding procedures will be revised to ensure such transactions are excluded from the general ledger in the future. We believe the circumstances surrounding the other transaction were very unusual as there was every indication the officer had adequate authority to make the commitment.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Entity'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 did not audit the Entity's written response to the matters described above and accordingly, we express no opinion on it.

We noted certain matters that we have reported to management of the Entity in a separate letter dated October 13, 2010.

This report is intended solely for the information and use of management, the Board of Trustees, others within the Entity, and the Auditor of State of Ohio, and is not intended to be and should not be used by anyone other than these specified parties.

Grant Thornton LLP

Cincinnati, OH
October 13, 2010

Mary Taylor, CPA
Auditor of State

UNIVERSITY OF CINCINNATI FOUNDATION

HAMILTON 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 23, 2010

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