Housing for Ohio, Inc.
(a not-for-profit organization)

Financial Report

June 30, 2008 and 2007

Mary Taylor, CPA
Auditor of State

Board of Trustees
Housing for Ohio, Inc.
204 HDL Center
Athens, Ohio 45701

We have reviewed the *Independent Auditor's Report* of the Housing for Ohio, Inc., Athens County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2007 through June 30, 2008. 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 Housing for Ohio, Inc. is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 18, 2008

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

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plante moran

Plante & Moran, PLLC
Suite 600
65 E. State St.
Columbus, OH 43215
Tel: 614.849.3000
Fax: 614.221.3535
plantemoran.com

Independent Auditor's Report

To the Board of Trustees
Housing for Ohio, Inc.

We have audited the accompanying statement of financial position of Housing for Ohio, Inc. (the "Organization") (a not-for-profit organization) as of June 30, 2008 and the related statements of activities and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Housing for Ohio, Inc. as of June 30, 2007 were audited by other auditors, whose report dated September 28, 2007 expressed an unqualified opinion on those statements.

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. 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 audit provides 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 Organization as of June 30, 2008 and the changes in net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

October 13, 2008

Statement of Financial Position

	June 30	
	2008	2007
Assets		
Cash	$ 284,405	$ 372,960
Accounts receivable	11,881	12,587
Prepaid expenses	83,491	87,641
Property and equipment, less accumulated depreciation (Note 3)	22,442,445	23,250,553
Security deposits held in trust	103,646	110,700
Assets held by trustee (Note 4)	3,405,144	3,072,984
Deferred financing costs, less accumulated amortization of $221,273 in 2008 and $186,307 in 2007 (Note 5)	605,676	640,642
Prepaid lease expense, less accumulated amortization of $178,498 in 2008 and $155,711 in 2007 (Note 6)	732,980	755,767
Total assets	**$ 27,669,668**	**$ 28,303,834**
Liabilities and Deficiency in Net Assets		
Liabilities		
Accounts payable and accrued liabilities	$ 145,192	$ 215,060
Deferred rental income	147,711	93,159
Tenant security deposits	78,096	120,333
Note payable (Note 7)	420,000	490,000
Loan payable (Note 7)	29,500,000	30,075,000
Total liabilities	30,290,999	30,993,552
Deficiency in Net Assets - Unrestricted	(2,621,331)	(2,689,718)
Total liabilities and deficiency in net assets	**$ 27,669,668**	**$ 28,303,834**

Housing for Ohio, Inc.

Statement of Activities and Changes in Net Assets

	Year Ended June 30	
	2008	2007
Revenues		
Rental income	$ 3,616,013	$ 3,325,206
Other operating income related to rental activity	320,985	265,409
Interest income	104,994	232,708
Total revenues	4,041,992	3,823,323
Expenses		
Administrative	182,571	165,291
Advertising and promotion	40,665	40,715
Property management fees	177,662	170,507
Professional fees	25,680	21,840
Payroll and related expenses	264,416	230,709
Maintenance and repairs	152,496	128,621
Utilities	580,943	562,458
Tax and insurance	94,996	156,926
Depreciation	863,116	853,725
Amortization	57,753	57,752
Interest expense	878,023	1,099,476
Bond fees	355,284	359,800
Total expenses	3,673,605	3,847,820
Change in Net Assets	368,387	(24,497)
Deficiency in Net Assets - Beginning of year	(2,689,718)	(2,665,221)
Net Distributions	(300,000)	-
Deficiency in Net Assets - End of year	**$ (2,621,331)**	**$ (2,689,718)**

Statement of Cash Flows

	Year Ended June 30 2008	Year Ended June 30 2007
Cash Flows from Operating Activities		
Change in net assets	$ 368,387	$ (24,497)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	920,869	911,477
Changes in assets and liabilities:		
Accounts receivable	706	3,415
Due to The Ohio University Foundation	-	(24,147)
Prepaid expenses	4,150	309
Security deposits held in trust	7,054	3,840
Accounts payable and accrued liabilities	(69,868)	(492,282)
Deferred rental income	54,552	(38,726)
Tenant security deposits	(42,237)	37,933
Net cash provided by operating activities	1,243,613	377,322
Cash Flows from Investing Activities		
Increase in assets held by trustee	(332,160)	(280,382)
Purchases of property and equipment	(55,008)	(81,167)
Net cash used in investing activities	(387,168)	(361,549)
Cash Flows from Financing Activities		
Principal payments on note and loan payable	(645,000)	(600,000)
Capital distributions paid	(300,000)	-
Net cash used in financing activities	(945,000)	(600,000)
Net Decrease in Cash	(88,555)	(584,227)
Cash - Beginning of year	372,960	957,187
Cash - End of year	**$ 284,405**	**$ 372,960**
Supplemental Disclosure of Cash Flow Information -		
Cash paid during the year for interest	**$ 940,267**	**$ 1,125,610**

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

Note 1 - Nature of Entity

Housing for Ohio, Inc. (the "Organization") was organized as a managing corporation on November 18, 1999 under the laws of the State of Ohio for the purpose of acquiring, developing, constructing, and operating a 182-unit (582 bed) student housing facility. As defined in the American Institution of Certified Public Accountants' Statement of Position No. 94-3, *Reporting of Related Entities by Not-For-Profit Organizations,* the Organization is considered to be a controlled entity of 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.

The student housing facility is currently known as University Courtyard Apartments (the "Project") and is located in Athens, Ohio. Construction of the Project began in September 2000, and substantially all construction was completed in October 2001, at which time the Organization began operating and managing the student housing facility.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation - SFAS No. 117, *Financial Statements of Not-For-Profit Organizations*, requires that resources be classified into three net asset categories according to donor-imposed restrictions. A description of each category is as follows:

- **Unrestricted Net Assets** - Unrestricted net assets are free of donor-imposed restrictions and include all revenues, expenses, gains, and losses that are not changes in temporarily or permanently restricted net assets.

- **Temporarily Restricted Net Assets** - Temporarily restricted net assets include gifts and pledges receivable for which donor-imposed restrictions have not been met and for which the ultimate purpose of the proceeds are not permanently restricted.

- **Permanently Restricted Net Assets** - Permanently restricted net assets are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity. The income from these assets is included in the investment income of unrestricted and temporarily restricted funds, as appropriate, in the accompanying statement of activities and changes in net assets.

For the years ended June 30, 2008 and 2007, the Organization's deficiency in net assets was unrestricted.

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

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

Property and Equipment - Property and equipment additions are stated at cost. Interest incurred during the construction period was capitalized and is part of the historical cost of the student housing facility.

Property and equipment under construction are not depreciated until the assets are placed in service, which occurs once construction is substantially complete. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. Estimated useful lives by asset class are as follows:

	Estimated Useful Lives
Student housing facility and improvements	15-39 years
Furnishings and equipment	7 years

Deferred financing costs are amortized using the straight-line method over the terms of the related debt.

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, 2008 or 2007.

Note 2 - Summary of Significant Accounting Policies (Continued)

Recognition of Revenue - Rental income is recognized on a straight-line basis over the terms of the operating 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 financial position. 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 are included in other operating income related to rental activity in the accompanying statement of activities and changes in net assets.

Income Taxes - The Organization 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) whereby only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to federal income tax. The Organization had no significant unrelated business taxable income during fiscal years 2008 and 2007; accordingly, no provision or benefit for income taxes has been included in the accompanying financial statements.

Advertising Costs - Advertising and promotion costs are expensed as incurred. Advertising and promotion costs totaled approximately $41,000 during fiscal years 2008 and 2007.

New Accounting Pronouncements

Financial Accounting Standards Board (FASB) No. 157, *Fair Value Measurements* - (FAS 157), which was issued in September 2006, addresses how organizations should measure fair value when generally accepted accounting principles require use of fair value measurement for recognition and disclosure purposes. This standard is effective for financial statements issued for the fiscal year ending June 30, 2009. Management is currently evaluating the impact of FAS 157.

Financial Accounting Standards Board (FASB) No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* - (FAS 159), which was issued in February 2007, extended the availability of the fair value option to a wide range of financial instruments, both assets and liabilities. This standard is effective for financial statements issued for the fiscal year ending June 30, 2009. Management is currently evaluating the impact of FAS 159.

Note 3 - Property and Equipment

A summary of property and equipment at June 30, 2008 and 2007 are as follows:

	2008	2007
Student housing facility and improvements	$26,820,922	$ 26,798,741
Furnishings and equipment	1,292,919	1,260,093
Total property and equipment	28,113,841	28,058,834
Less accumulated depreciation	5,671,396	4,808,281
Net property and equipment	$22,442,445	$ 23,250,553

Depreciation expense totaled $863,116 and $853,725 during fiscal years 2008 and 2007, respectively.

Note 4 - Assets Held by Trustee

Assets held by trustee represent cash and cash equivalents that, under the terms of the bond issue trust indenture agreement (Trust Indenture), are restricted for various purposes (see Note 7). 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 trustee is then authorized, without further direction from the Organization, to transfer funds out of the revenue funds to other funds as outlined in the Trust Indenture.

Funds held by the trustee consist of cash and money market investments that are primarily issued by the United States government. These short-term investments are stated at fair market value.

Note 4 - Assets Held by Trustee (Continued)

At June 30, 2008 and 2007, fund balances held by the trustee were as follows:

	2008	2007
Reimbursement fund	$ 6,285	$ 146,412
Debt service reserve fund	2,533,859	2,468,407
Operating and maintenance fund	-	185,174
Capitalized fees fund	1,300	1,251
Pledged revenue fund	230,451	94,017
Replacement reserve fund	398,397	17,618
Operating reserve fund	234,852	160,105
Total	$ 3,405,144	$ 3,072,984

Note 5 - Deferred Financing Costs

At June 30, 2008 and 2007, deferred charges consisted of the following:

	2008	2007
Deferred financing costs	$ 826,949	$ 826,949
Less accumulated amortization	221,273	186,307
Total	$ 605,676	$ 640,642

Amortization expense associated with deferred charges totaled $34,966 in 2008 and 2007.

Note 6 - Prepaid Lease Expenses

The Organization (Borrower) and Ohio University (Lessor) have entered into a ground lease for the term beginning September 1, 2000 through September 1, 2040. The Borrower pays an annual amount at least equal to the Local Government Support Payment (LGSP) to the City of Athens pursuant to and as defined in the agreement titled *Local Government Support Payment for University Courtyard Project between the Lessor and the City of Athens* (the Agreement). The LGSP payment is limited by the Agreement to one-half of the cash distribution received by the Organization not to exceed the Valuation Payment as defined in the Agreement. Related to this agreement, the Organization incurred $69,163 in 2008 and $70,257 in fiscal 2007. These amounts are included in taxes and insurance in the accompanying statement of activities and changes in net assets. Total amortization expense for the periods ended June 30, 2008 and 2007 was $22,787.

Note 7 - Long-term Debt

Note Payable

The Organization agreed, as part of its settlement agreement with the Project's developer (see Note 8), to issue a promissory note to the developer in the amount of $700,000, of which $70,000 was payable to the Project's construction company and $630,000 was payable to the Project's developer. The note is payable in 10 annual installments of $70,000 each, commencing June 1, 2005 with the first payment made to the construction company and all payments thereafter to the developer. Each subsequent installment is payable to the developer on or before June 1 for each succeeding year until paid in full. The payment terms are predicated on the Project's current management company (which is a related party to the developer and contractor) 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 believes that the present value discount of future payments and the calculation of imputed interest on this note are not material to the financial statements.

Maturities of the note payable at June 30, 2008 are as follows:

2009	$ 70,000
2010	70,000
2011	70,000
2012	70,000
2013	70,000
2014	70,000
Total	$ 420,000

Note 7 - Long-term Debt (Continued)

Loan Payable

Permanent financing for the Project was provided by funds generated from the sale of tax-exempt bonds (the Series 2000 Bonds) issued by Athens County Port Authority (the Issuer). Proceeds from the sale of the Series 2000 Bonds were loaned to the Organization with repayment terms sufficient in time and amount to pay all bond service charges when due. The tax-exempt bonds of $31,985,000 have a final maturity on June 1, 2032, require monthly payments of interest and an annual principal payment on June 1 and bear interest at a variable rate as determined by a remarketing agent. Interest is payable on the first business day of each month beginning October 1, 2000 and ending June 1, 2032. Outstanding principal for the borrowing totaled $29,500,000 and $30,075,000 at June 30, 2008, and 2007, respectively.

The Organization has the ability under certain specified circumstances to select different interest rate options based on short-term and long-term periods, as defined for the Series 2000 Bonds. The average weekly interest rates for fiscal 2008 and 2007 were 2.97 percent and 3.68 percent, respectively, and the actual interest rates at June 30, 2008 and 2007 were 1.65 percent and 3.79 percent, respectively.

The Trust Indenture specifies that certain reserves be maintained for as long as any of the principal and interest on the bonds is outstanding and unpaid. During the construction period, there were more than 10 reserve accounts maintained by the trustee. Currently, there are six separate reserves, the largest of which is a substantial debt service reserve as required by the Trust Indenture (see Note 4).

Pursuant to the loan documents, the Organization grants to the trustee first lien security title and a security interest in the real estate, property and revenues of the Organization. The Organization also assigned to the trustee its rights under various agreements and contracts. The Series 2000 Bonds may be redeemed at the option of the bondholders under certain circumstances, and the Organization has the option to redeem the Series 2000 Bonds under certain circumstances.

The Issuer and the trustee agreed that the Organization would have no liability under the various agreements delivered in connection with the issuance of the bonds beyond its interest in the Project. Although the trustee may bring appropriate action to enforce the various agreements, such as a foreclosure action or an action for specific performance, both the Issuer and the trustee agreed not to sue for, seek or demand any deficiency against the Organization in connection with the loan agreements or bond documents.

Note 7 - Long-term Debt (Continued)

Maturities of bonds payable at June 30, 2008 are as follows:

2009	$ 635,000
2010	670,000
2011	705,000
2012	740,000
2013	780,000
Thereafter	25,970,000
Total	$ 29,500,000

In connection with the issuance of the Series 2000 Bonds, the Organization was required to obtain an irrevocable letter of credit in the amount of $32,528,745 from a financial institution. The letter of credit serves as credit enhancement and as security for the Series 2000 Bonds and was set to expire on October 15, 2008. In April 2008, the letter of credit agreement was extended to October 14, 2009. The Organization is subject to an annual fee of 0.90 percent of the letter of credit amount, and this fee is payable in advance. Letter of credit fee expense totaled $280,878 and $285,115 at June 30, 2008 and 2007, respectively, which is included in bond fees in the accompanying statement of activities and changes in net assets.

The Organization is subject to various financial and nonfinancial covenants under certain bond documents. The Trust Indenture contains significant limitations and restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds and minimum bond coverages.

Note 8 - Commitments

The Organization entered into a management agreement with an unrelated management company (the "Manager"), pursuant to which the Manager is responsible for the general management of the Project. The initial term of the agreement expired in September 2006; however, the agreement is automatically renewed annually for an additional year at the option of the Manager unless terminated by the Organization prior to that date in accordance with the agreement. For each month, the management company receives compensation equal to $8,000 plus 5 percent of Project revenues for the month, not to exceed an additional $8,000. The management company's total compensation is not to exceed $16,000 monthly. The payment of such management fees is subject to the maintenance of a required debt service coverage ratio and a required debt service reserve. Management fees are cumulative in the event that debt service requirements are not met. Management fees totaled $177,662 and $170,507 for fiscal 2008 and 2007, respectively. The terms of the agreement are subordinate to the Bonds and related agreements and any other debt of the Organization.

Note 9 - Subsequent Event

Subsequent to year end, a significant portion of the outstanding Series 2000 variable rate general receipts bonds were tendered to the Organization due primarily to the credit crisis in the capital markets exacerbated by a lack of liquidity. To support the tendered bonds, the Organization has drawn on a letter of credit ("LOC") provided by Wachovia at a rate of prime plus 1.0 percent. The Organization has access to the LOC for a period of 90 days during which George K. Baum & Company will continue to remarket the bonds pursuant to a remarketing agreement. Thereafter, in the event that buyers are not identified for the bonds, the Organization has access to a take-out facility at a rate of prime plus 2.0 percent which can be utilized for a period of up to five years.

Organization is currently investigating alternative financing options in the event that market variable rates do not return to more normalized levels.

Plante & Moran, PLLC
Suite 600
65 E. State St.
Columbus, OH 43215
Tel: 614.849.3000
Fax: 614.221.3535
plantemoran.com

Independent Auditors' 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
Housing for Ohio, Inc.
Athens, OH

We have audited the accompanying financial statements of Housing for Ohio, Inc. (the "Organization"), a not-for-profit corporation, as of and for the year ended June 30, 2008, and have issued our report thereon dated October 13, 2008. 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 Organization'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 Organization's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or 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 a 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.

To the Board of Trustees
Housing for Ohio, Inc.

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 Organization'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*.

This report is intended solely for the information and use of the board of trustees and management of the Organization 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 13, 2008

HOUSING FOR OHIO, 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 2, 2008

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