Financial Statements and Report of Independent Certified Public Accountants

The University of Cincinnati Foundation

June 30, 2008 and 2007

Mary Taylor, CPA
Auditor of State

Board of Trustees
The 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, 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 University of Cincinnati Foundation is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

November 25, 2008

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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. (the Foundation) (a nonprofit organization) as of June 30, 2008 and 2007, 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 Foundation as of June 30, 2008 and 2007, 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 7, 2008 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 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 7, 2008

THE UNIVERSITY OF CINCINNATI FOUNDATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2008 and 2007

	2008	2007
ASSETS		
Cash	$ 12,321,093	$ 9,263,477
Due from University of Cincinnati	2,736,062	2,694,176
Accrued interest receivable	1,264,821	1,209,288
Stock proceeds receivable	7,092	215,823
Prepaid expenses	116,582	112,664
Pledges receivable, net of allowance	63,635,617	35,454,066
Trusts held by others	7,545,842	8,805,449
Cash surrender value of life insurance policies	818,318	967,034
Other	51,547	35,096
Investments, at fair value:		
Cash equivalents	2,610,254	5,446,265
Mutual funds	18,963,739	22,670,942
Common stocks	9,053,141	11,782,185
U.S. Government and agency obligations	4,665,538	3,940,447
Corporate bonds	4,387,019	6,146,844
University pooled investments	201,824,174	199,069,412
Total investments	241,503,865	249,056,095
Property and equipment:		
Leasehold improvements, net of accumulated amortization of $476,000 in 2008 and $358,000 in 2007	835,839	919,048
Equipment and automobile, net of accumulated depreciation of $1,662,000 in 2008 and $1,601,000 in 2007	415,125	301,044
	$ 331,251,803	$ 309,033,260

	2008	2007
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 508,059	$ 435,055
Accrued liabilities	411,169	366,548
Accrued compensated absences	398,893	299,984
Agency payable	1,038,264	1,252,604
Refundable deposits	713,279	835,001
Accrued interest income due to investment pool	937,198	905,699
Present value of annuities payable	8,277,238	8,663,694
TOTAL LIABILITIES	12,284,100	12,758,585
NET ASSETS		
Unrestricted	17,925,143	41,305,342
Temporarily restricted	80,842,404	69,065,588
Permanently restricted	220,200,156	185,903,745
TOTAL NET ASSETS	318,967,703	296,274,675
	$ 331,251,803	$ 309,033,260

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

THE UNIVERSITY OF CINCINNATI FOUNDATION

STATEMENT OF ACTIVITIES

Year ended June 30, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and other additions:				
Contributions:				
University	$ 1,646,417	$ 40,258,500	$ 33,894,592	$ 75,799,509
Foundation	-	76,247	-	76,247
University fee	1,128,839	-	-	1,128,839
Assessment fee	10,273,569	-	-	10,273,569
Change in value of split interest agreements	(104,928)	(174,012)	(980,667)	(1,259,607)
Other income	20,491	1,682,408	333,926	2,036,825
Investment income:				
Dividend and interest income	998,848	9,603,057	136,502	10,738,407
Net unrealized and realized losses	(14,994,622)	(3,220,686)	-	(18,215,308)
Reclassification of contributions pursuant to donor stipulation	(6,163,083)	5,263,612	899,471	-
Net assets released from restrictions - satisfaction of donor restrictions	41,308,050	(41,308,050)	-	-
Total revenues and other additions	34,113,581	12,181,076	34,283,824	80,578,481
Expenses and other deductions				
Distributions to or for the University of Cincinnati	40,360,524	-	-	40,360,524
Operating expenses	14,552,051	-	-	14,552,051
Assessment fee	2,581,205	-	-	2,581,205
Total expenses	57,493,780	-	-	57,493,780
Change in present value of annuities payable	-	404,260	(12,587)	391,673
Total expenses and other deductions	57,493,780	404,260	(12,587)	57,885,453
Change in net assets	(23,380,199)	11,776,816	34,296,411	22,693,028
Net assets at beginning of year	41,305,342	69,065,588	185,903,745	296,274,675
Net assets at end of year	$ 17,925,143	$ 80,842,404	$ 220,200,156	$ 318,967,703

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

THE UNIVERSITY OF CINCINNATI FOUNDATION

STATEMENT OF ACTIVITIES

Year ended June 30, 2007

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and other additions:				
Contributions:				
University	$ 418,066	$ 20,814,377	$ 19,110,038	$ 40,342,481
Foundation	-	35,630	-	35,630
University fee	1,090,689	40,681	-	1,131,370
Assessment fee	9,916,468	-	-	9,916,468
Change in value of split interest agreements	65,020	167,248	196,182	428,450
Other income	9,472	938,368	1,147,737	2,095,577
Investment income:				
Dividend and interest income	979,999	4,903,450	214,209	6,097,658
Net unrealized and realized gains	24,290,096	3,598,915	-	27,889,011
Reclassification of contributions pursuant to donor stipulation	(7,558,281)	5,538,527	2,019,754	-
Net assets released from restrictions - satisfaction of donor restrictions	36,308,577	(36,308,577)	-	-
Total revenues and other additions	65,520,106	(271,381)	22,687,920	87,936,645
Expenses and other deductions				
Distributions to or for the University of Cincinnati	35,649,813	-	-	35,649,813
Operating expenses	12,696,976	-	-	12,696,976
Assessment fee	2,224,090	-	-	2,224,090
Total expenses	50,570,879	-	-	50,570,879
Change in present value of annuities payable	-	750,168	120,908	871,076
Total expenses and other deductions	50,570,879	750,168	120,908	51,441,955
Change in net assets	14,949,227	(1,021,549)	22,567,012	36,494,690
Net assets at beginning of year	26,356,115	70,087,137	163,336,733	259,779,985
Net assets at end of year	$ 41,305,342	$ 69,065,588	$ 185,903,745	$ 296,274,675

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

THE UNIVERSITY OF CINCINNATI FOUNDATION

STATEMENTS OF CASH FLOWS

Years ended June 30, 2008 and 2007

		2008		2007
Operating activities:				
Payments to or for the University of Cincinnati	$	(42,286,491)	$	(48,246,120)
University fees, assessment fees and other		10,795,774		11,892,720
Cash paid for compensation		(9,028,362)		(7,853,371)
Cash received for gifts		13,100,070		30,185,817
Investment income available for distribution		10,657,576		7,561,915
Cash paid for operating expenses		(3,879,452)		(3,128,795)
Net cash used in operating activities		(20,640,885)		(9,587,834)
Investing activities:				
Proceeds from sale of investments		36,156,739		23,477,621
Purchase of investments		(50,915,435)		(30,538,243)
Purchase of property and equipment		(305,677)		(929,521)
Net cash used in investing activities		(15,064,373)		(7,990,143)
Financing activities:				
Proceeds from contributions to endowment and similar funds		35,901,565		19,110,038
Investment income restricted for reinvestment		25,298		35,630
Net cash provided by financing activities		35,926,863		19,145,668
Net increase in cash and cash equivalents		221,605		1,567,691
Cash and cash equivalents, beginning of year		14,709,742		13,142,051
Cash and cash equivalents, end of year	$	14,931,347	$	14,709,742
Reconciliation of change in net assets to net cash used in operating activities:				
Increase in net assets	$	22,693,028	$	36,494,690
Adjustments to reconcile increase in net assets to net cash used in operating activities:				
Provision for losses on pledges receivable		1,202,404		1,119,738
Depreciation and amortization		274,805		269,991
Increase in due from University of Cincinnati		(41,886)		(26,255)
(Increase) decrease in accrued interest receivable		(55,533)		1,499,719
Decrease in stock proceeds receivable		208,731		10,038,691
(Increase) decrease in prepaid expenses		(3,918)		23,210
(Increase) decrease in pledges receivable		(28,124,348)		2,453,766
Gifts to trusts held by others		-		(2,981,680)
Decrease (increase) in cash surrender value of life insurance policies		148,716		(92,266)
Increase in other assets		(16,451)		(23,559)
Decrease in life insurance benefits receivable		-		1,000,000
Increase (decrease) in accounts payable		73,004		(747,934)
Decrease in payment due to Health Alliance-Lindner Center		-		(10,174,828)
Increase in accrued liabilities		44,621		212,113
Increase in accrued compensated absences		98,909		30,422
(Decrease) increase in agency payable		(214,340)		23,060
(Decrease) increase in refundable deposits		(121,722)		80,800
Increase (decrease) in accrued interest income due to investment pool		31,499		(1,572,554)
(Decrease) increase in present value of annuities payable		(386,456)		248,171
Contributions to endowment and similar funds		(35,901,565)		(19,110,038)
Change in value of split interest agreements		1,259,607		(428,450)
Investment income restricted for reinvestment		(25,298)		(35,630)
Net loss (gain) on investments		18,215,308		(27,889,011)
Net cash used in operating activities	$	(20,640,885)	$	(9,587,834)

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. 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 2008, the Foundation released approximately $41,308,000 in restricted assets ($1,641,000 for operations, maintenance, plant, $15,931,000 for college programs, $3,853,000 for instruction, $6,711,000 for auxiliary, $4,740,000 for scholarship, $5,101,000 for academic support, and $3,331,000 for other). In 2007, the Foundation released approximately $36,309,000 in restricted assets ($6,237,000 for operations, maintenance, plant, $10,853,000 for college programs, $4,368,000 for instruction, $4,160,000 for auxiliary, $4,016,000 for scholarship, $4,328,000 for academic support, and $2,347,000 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. 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.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. The Ohio Uniform Management of Institutional Funds Act (the Act) specifies 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 is classified as unrestricted net assets.

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.

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. Plough Foundation

Beginning in fiscal 1982, the Foundation transferred an amount of unrestricted money to the University to match an annual donation from the Plough Foundation to support scholarships in the College of Pharmacy. The final transfer was made in fiscal 1992. The terms of this agreement call for the transfers to be returned to the Foundation, over a ten-year period, beginning in fiscal 1998.

The amount of unrestricted funds, which would return to the Foundation, was approximately $42,500 as of June 30, 2007. The Foundation has recorded these amounts as an amount due from the University as of August 2007. The final payment was received from the University in August 2007.

3. Cash and Cash Equivalents

Cash equivalents consist principally of overnight funds, money market securities and certificates of deposit. As of June 30, 2008 and 2007, approximately $13,898,000 and $14,024,000 respectively, of cash and cash equivalents are in excess of federally insured limits.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Investment Securities

Investment securities, excluding University pooled investments, are carried at fair value based on quoted market prices. The Foundation has pooled certain investments with the University and owns units of that pool. Depending on the underlying investments in the pool, these units are carried at fair value based on quoted market prices or information provided by investment managers.

5. Investment Property

Investment property is recorded at fair market value at the date of the gift. Depreciation, recorded on the straight-line basis over the estimated useful life of the assets, is recorded on those properties that the Foundation intends to operate as rental properties.

6. 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 value 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.

7. 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 $1,038,000 and $1,253,000 at June 30, 2008 and 2007, respectively.

8. 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.

9. 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 contributions, revenues, gains, and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

10. 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.

Subsequent to year-end, the credit and liquidity crisis in the United States and throughout the global financial system has resulted in substantial volatility in world financial markets and the banking system. Several large banking and financial institutions have been: acquired by the federal government; granted government loan guarantees; taken over by federal regulators; sold in overnight auctions; or, have initiated bankruptcy proceedings. These and other events have had a significant negative impact on foreign and domestic financial markets. As a result, the Foundation's investment portfolio has declined in value since June 30, 2008, and will continue to experience volatility in fair value. However, because the values of the Foundation's individual investments have and will fluctuate in response to changing market conditions, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined.

11. Reclassifications

Certain 2007 amounts have been reclassified to conform to the 2008 presentation.

NOTE C - TEMPORARILY RESTRICTED NET ASSETS

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

	2008	2007
Capital projects	$ 10,966,518	$ 9,652,922
College programs	27,162,030	22,618,042
Instruction	5,872,849	5,996,549
Scholarship	14,686,039	9,483,502
Academic support	6,876,173	8,036,879
Auxiliary	6,532,678	4,492,788
Research	2,288,792	1,929,857
Annuity and life income funds	4,734,851	5,551,817
Other	1,722,474	1,303,232
Total temporarily restricted net assets	$ 80,842,404	$ 69,065,588

NOTE D - PERMANENTLY RESTRICTED NET ASSETS

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

	2008	2007
College programs	$ 99,221,074	$ 76,744,482
Instruction	23,574,593	22,996,603
Scholarship	41,790,267	30,048,689
Academic support	29,939,514	30,971,027
Auxiliary	8,210,097	7,900,970
Research	11,665,175	9,701,191
Annuity and life income funds	1,413,801	2,179,072
Other	4,385,635	5,361,711
Total permanently restricted net assets	$ 220,200,156	$ 185,903,745

NOTE E - PLEDGES RECEIVABLE

Contributors to the Foundation have made unconditional pledges totaling approximately $83,124,000 and $53,010,000 as of June 30, 2008 and 2007, respectively. For payments that extend beyond one year, these pledges receivable have been discounted at rates ranging from 3.6% to 6.0%, to a net present value of approximately $66,014,000 and $37,884,000 as of June 30, 2008 and 2007, respectively. As of June 30, the unpaid pledges are due as follows:

	2008	2007
Less than one year	$ 18,683,442	$ 10,776,553
One to five years	30,037,023	14,464,145
More than five years	17,293,152	12,643,368
	66,013,617	37,884,066
Less allowance for uncollectible pledges	(2,378,000)	(2,430,000)
Total	$ 63,635,617	$ 35,454,066

Amounts due from irrevocable bequests as of June 30, 2008 and 2007 of approximately $14,713,000 and $10,025,000, respectively, are included in the total amount of unconditional pledges due in more than five years.

NOTE E - PLEDGES RECEIVABLE (continued)

Fifteen donors currently have outstanding conditional pledges to the Foundation. As of June 30, 2008, 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 $18,039,000 as of June 30, 2008. There were eleven donors with outstanding conditional pledges as of June 30, 2007. The net present value of the conditional pledges at June 30, 2007 was approximately $23,846,000.

NOTE F - 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, 2008 and 2007. The face value of these policies, which would be paid only upon death of the insured and maturity of the contracts, approximated $3,561,000 and $4,461,000 as of June 30, 2008 and 2007, respectively.

NOTE G - 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, 2008 and 2007, the University is holding approximately $771,000 and $4,188,000, 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 has adopted a spending rate policy that limits the distribution of endowment income earned in the investment pool. The spending rate was 6.00% of the moving average market value for the twelve-quarter period ended each December. Earnings above this limit are reinvested in the endowment fund for the purposes of promoting endowment fund growth. During 2008 and 2007, income earned in the investment pool was less than the amount allocated for expenditure by approximately $6,168,000 and $7,607,000, respectively. This shortfall was funded by cumulative capital gains in the investment pool for the years ended June 30, 2008 and 2007.

The Foundation also manages other investments, which amounted to approximately $38,908,000 and $45,799,000 as of June 30, 2008 and 2007, respectively. These funds represent separately invested endowments, temporary cash investments, and split-interest trusts where the Foundation is the remainderman.

NOTE G – INVESTMENTS (continued)

The following presents investments held by the Foundation as of June 30, 2008 and 2007:

	2008 Market Value	2008 Cost	2007 Market Value	2007 Cost
Cash equivalents	$ 2,610,254	$ 2,610,254	$ 5,446,265	$ 5,446,265
US Treasury and agency obligations	4,665,538	4,596,902	3,940,447	4,610,558
Corporate bonds	4,387,019	4,356,436	6,146,844	5,552,442
Mutual funds	18,963,739	18,679,990	22,670,942	19,170,668
Common stocks	9,053,141	8,224,110	11,782,185	9,137,230
University pooled investments	201,824,174	208,152,861	199,069,412	188,491,177
Total	$ 241,503,865	$ 246,620,553	$ 249,056,095	$ 232,408,340

The number of units in the University investment pool owned by the Foundation totaled 1,921,304 and 1,696,539 as of June 30, 2008 and 2007, 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. Approximately 32% and 30% of the pool is invested in alternative investment instruments, including hedge funds, and private equity interests at June 30, 2008 and 2007, respectively. 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. Alternative investments are stated at fair value, as provided by the investment managers. Audited financial statements as of June 30, 2008 and 2007, 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, 2008 and 2007. The Foundation believes that the carrying value of these investments is a reasonable estimate of fair value at June 30, 2008 and 2007. Alternative investments 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 the alternative investments existed.

NOTE H – 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 $7,546,000 and $8,805,000 as of June 30, 2008 and 2007, respectively.

NOTE I - EQUIPMENT AND AUTOMOBILE

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

	2008	2007
Office equipment	$ 625,731	$ 620,570
Software	966,636	858,132
Automobile	25,068	17,980
Computer equipment	460,054	405,050
	2,077,489	1,901,732
Accumulated depreciation and amortization	(1,662,364)	(1,600,688)
	$ 415,125	$ 301,044

NOTE J - LEASES

Rental expense for operating leases was $239,470 in 2008 and 2007. 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:

2009	$ 239,470
2010	239,470
2011	239,470
2012	239,470
2013	239,470
Thereafter	2,694,040
Total minimum lease payments	$ 3,891,390

NOTE K - 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.

NOTE K - FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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, 2008 and 2007, respectively. The Foundation believes that the carrying value of these alternative investments is a reasonable estimate of fair value at June 30, 2008 and 2007. 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 L - 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 M - 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 for 2008 and 2007 was 1.85%. Revenue to the Foundation from the fee was approximately $10,274,000 and $9,916,000 in 2008 and 2007, respectively, and is used to fund Foundation operations. Approximately $2,581,000 and $2,224,000 of this fee was recorded from funds held by the Foundation in 2008 and 2007, respectively.

NOTE N - 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 $572,000 and $493,000 for the years ended June 30, 2008 and 2007, respectively.

The Foundation also maintains a Section 457 plan for highly compensated employees. The Foundation is making annual contributions on behalf of the President for calendar years 2006 through 2008 in keeping with the employment agreement. 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. The amount contributed by the Foundation totaled $4,500 and $30,500 for the years ended June 30, 2008 and 2007, respectively.

NOTE O - 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:

	2008	2007
Annuities		
Investments, at fair value	$ 1,765,412	$ 1,604,151
Less present value of annuities payable	(1,318,231)	(1,051,242)
	$ 447,181	$ 552,909

	2008	2007
Trusts		
Investments, at fair value	$ 14,814,169	$ 17,957,260
Less present value of amounts payable from trusts	(6,959,007)	(7,612,452)
	$ 7,855,162	$ 10,344,808

NOTE P – RELATED PARTIES

Certain board members of the Foundation made contributions of $3,143,856 and $171,306 during fiscal year 2008 and 2007, respectively. In addition, certain board members are employees of organizations which provide services to the Foundation. Total fees paid to these organizations were $164,216 and $71,953 for the years ended June 30, 2008 and 2007, respectively.

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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, 2008 and 2007 and have issued our report thereon dated October 7, 2008, 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 7, 2008

THE UNIVERSITY OF CINCINNATI FOUNDATION

SCHEDULE OF DETAIL OF OPERATING EXPENSES

Years ended June 30, 2008 and 2007

	Foundation Operations	College/ University Expenses	Total 2008	Total 2007
Salaries and wages	$ 6,133,956	$ 663,438	$ 6,797,394	$ 5,952,024
Fringe benefits	2,218,419	156,082	2,374,501	2,143,880
Professional services	1,316,728	-	1,316,728	1,056,815
Provision for losses on pledges receivable	-	1,202,404	1,202,404	1,101,295
Depreciation and amortization	274,805	-	274,805	269,991
Travel	228,751	-	228,751	197,520
Building lease	239,470	-	239,470	239,470
Telephone and postage	293,222	2,204	295,426	268,427
Promotional materials and events	483,112	-	483,112	337,339
General support- Alumni Association	251,554	-	251,554	82,000
Business meetings	167,288	-	167,288	147,329
Computer and word processing	175,848	-	175,848	115,525
Development and recruiting	156,995	-	156,995	241,795
Cleaning	106,618	-	106,618	94,993
Direct marketing	79,502	-	79,502	76,745
Membership dues	46,889	-	46,889	37,225
Miscellaneous	56,594	-	56,594	39,730
Utilities, repairs and maintenance	57,920	-	57,920	63,036
Resource materials	38,480	-	38,480	34,967
Public relations	37,653	-	37,653	46,014
Supplies	35,784	-	35,784	37,921
Copying charges	49,259	-	49,259	41,471
Parking	42,898	-	42,898	36,490
Insurance	30,593	-	30,593	32,300
Gift annuity reserve	5,585	-	5,585	2,674
	$ 12,527,923	$ 2,024,128	$ 14,552,051	$ 12,696,976

THE UNIVERSITY OF CINCINNATI FOUNDATION

SCHEDULE OF ACTIVITIES - UNRESTRICTED NET ASSETS

Year ended June 30, 2008

	Gifts and Transfers	Foundation Operations	Total
Revenues and other additions:			
Contributions:			
University	$ 1,646,417	$ -	$ 1,646,417
University fee	-	1,128,839	1,128,839
Assessment fee	-	10,273,569	10,273,569
Change in value of split interest agreement	(104,928)	-	(104,928)
Other income	13,403	7,088	20,491
Investment income:			
Dividend and interest income	481,235	517,613	998,848
Net unrealized and realized losses	(14,777,951)	(216,671)	(14,994,622)
Reclassification of contributions pursuant to donor stipulation	(6,203,065)	39,982	(6,163,083)
Net assets released from restrictions-satisfaction of donor restrictions	41,308,050	-	41,308,050
Total revenues and other additions	22,363,161	11,750,420	34,113,581
Expenses and other deductions:			
Distributions to or for the University of Cincinnati	40,360,524	-	40,360,524
Operating expenses	2,024,128	12,527,923	14,552,051
Assessment fee	2,581,205	-	2,581,205
Total expenses and other deductions	44,965,857	12,527,923	57,493,780
Change in net assets	(22,602,696)	(777,503)	(23,380,199)
Net assets, beginning of year	37,411,842	3,893,500	41,305,342
Net assets, end of year	$ 14,809,146	$ 3,115,997	$ 17,925,143

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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*

Board of Trustees
The University of Cincinnati Foundation

We have audited the financial statements of The University of Cincinnati Foundation (the Foundation) as of and for the year ended June 30, 2008, and have issued our report thereon dated October 7, 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 Foundation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion.

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 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. We consider the deficiency in the following paragraph to be a significant deficiency in internal control over financial reporting.

The Foundation entered into a business collaboration in fiscal year 2007 with two other organizations to fund certain health services in a local Ohio county. During fiscal year 2007, the Foundation recorded a $2 million gift related to this collaboration as contribution revenue. During fiscal 2008 when more information became available, the Foundation determined that the gift should have been recorded as an agency transaction. The Foundation recorded an

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adjustment of $2 million to the statement of activities in 2008 in an effort to correct the 2007 error. We, therefore, recommend that a communication protocol be developed between the Foundation and other organizations with whom the Foundation collaborates to ensure that all information is available and all parties are aware of the nature of the transactions involved.

Management Response: The Foundation makes every effort to obtain all the necessary information necessary to accurately record accounting transactions. The Foundation agrees that a communication protocol would be helpful and will work to develop such a process.

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 entity's 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 above and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses in the Foundation's internal control over financial reporting. However, we do not believe that the significant deficiency described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 noted certain matters that we have reported to management of the Foundation in a separate letter dated October 7, 2008.

The Foundation's response to the significant deficiency identified in our audit is described above. We did not audit the Foundation's response and, accordingly, we express no opinion on it.

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

Grant Thornton LLP

Cincinnati, Ohio
October 7, 2008

Mary Taylor, CPA
Auditor of State

THE 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 9, 2008