

University of Cincinnati

A Component Unit of the State of Ohio

Office of Management and Budget
Circular A-133 Reports for the
Year Ended June 30, 2015



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UNIVERSITY OF CINCINNATI
A COMPONENT UNIT OF THE STATE OF OHIO

BOARD OF TRUSTEES

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Independent Auditor's Report

Board of Trustees
University of Cincinnati
Cincinnati, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and discretely presented component unit of the University of Cincinnati (University), collectively a component unit of the State of Ohio, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the University of Cincinnati Foundation, a discretely presented component unit of the University, which statements reflect total assets of \$449,950,000 as of June 30, 2015 and total revenues of \$83,455,000 for the year then ended. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the University of Cincinnati Foundation, is based solely on the report of the other auditors. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the University as of June 30, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the University's 2014 financial statements, and we expressed unmodified audit opinions on those audited financial statements in our report dated October 9, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2015 the University adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The accompanying schedule of expenditures of federal awards required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and

reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2015, on our consideration of the University'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* in considering the University's internal control over financial reporting and compliance.

BKD, LLP

Cincinnati, Ohio
October 14, 2015

Management's Discussion and Analysis

Introduction

The following discussion and analysis provides an overview of the financial position of the University of Cincinnati (the "university") as of and for the year ended June 30, 2015, with comparative information as of and for the year ended June 30, 2014. Comments relate to the university and University Heights Community Urban Redevelopment Corporation (UHCURC), a blended component unit of the university. Comments do not pertain to the university's discretely presented component unit, the University of Cincinnati Foundation (the Foundation). The Foundation's financial results are presented in a columnar format with further information found in the notes to the financial statements. This overview has been prepared by management and should be read in conjunction with the financial statements and the notes that follow this section.

The university originated in 1819 and was city owned until becoming a state university on July 1, 1977. The university is a comprehensive public institution of higher learning with 44,251 students and 3,747 faculty members on three campuses. Among the university's student population are more than 3,330 international students from 106 different nations. The university offers a diverse range of degree programs from baccalaureate to post-doctoral levels through 14 colleges. University campuses include Uptown Campus, UC Blue Ash, and UC Clermont with student populations of 82%, 11%, and 7%, respectively. The university, in total, employs approximately 11,700 people, making it one of the largest employers in the Cincinnati region.

The university operates on a semester calendar, which creates numerous advantages for both the student and the university. Advantages include the student's ability to transfer among other public Ohio universities seamlessly. All public Ohio institutions are on the semester calendar.

The university has been designated by the Ohio Board of Regents as one of only two comprehensive graduate public universities in the state. The National Science Foundation ranks the university as 46th in the United States and 30th among public universities, based on Federally Financed Research and Development Expenditures. The university is also classified as a "Very High Research Activity" university by the Carnegie Foundation for the Advancement of Teaching, placing the university among 108 research-intensive universities (73 of these are public institutions) to receive the classification.

For the third consecutive year, the university opened its academic year with record enrollment – this time reaching 44,251 students. This record class size comes, in part, thanks to rising retention. A closer look at retention reveals gains across the board. All of the university's colleges are posting positive retention numbers. For instance, the Uptown Campus' first-year baccalaureate retention rate now stands at 88.3%, a historic high and up from 80% ten years ago. This latest baccalaureate retention number is nearing the target of 90.0% set for the university's bicentennial year of 2019. For associate-degree seeking students, retention stands at 63.0%, an increase of 3.7% compared to 2014.

Rising retention is also contributing to more graduating students. The university's six-year, overall graduation rate for students pursuing baccalaureate studies now stands at 66.0% (up from 49.7% ten years ago). In fact, the last two springs have brought record-setting spring commencement ceremonies at the university. In the spring 2015 ceremony alone, the university conferred more than 6,400 total degrees. In spring 2014, the university conferred more than 6,380 total degrees. These numbers represent the largest spring-term graduating classes and commencement ceremonies in the university's history.

The U.S. News & World Report rankings again named the university in the top tier of the country's "Best National Universities," at 140th in the U.S. and at 71 among top public universities. The university is also listed in the top 13 colleges with the best cooperative education (co-op) or internship opportunities, and the university has numerous programs ranked among the top 100 public universities in the nation.

The top co-op and experiential learning rankings combine with impressive student earnings. In the most recent figures available, university co-op students annually earned a collective \$50 million. This marks a steady rise in such earnings over the past five years, with collective student earnings rising at least \$600,000 each year for the past five years.

Princeton Review's 2016 edition of "The Best 380 Colleges" identified the university for the ninth year in a row among the nation's best institutions for an undergraduate education. The rankings rated the university very high for its environmental, go "green" efforts and specifically praised the university for:

- Rewarding educational programs, with many opportunities to stay involved;
- Attracting students from all walks of life, which makes the campus diverse and very interesting;
- Offering a million and one activities for students to participate in and where students can find their niche to come together and work on issues they care about, be it in LGBTQ groups, ethnic groups or academic groups and more;
- The cooperative education and internship program, which gives students a real edge in the job market;
- Ample green spaces and innovative architectural designs make up the beautiful campus.

Other national publications agree that the university's campus is beautiful. The September 13, 2015, New York Times Magazine contained an eight-page spread of images on the university's architecture, calling the dramatic campus renovation of the past quarter century "the most ambitious campus-design program in the country."

Financial Highlights

While many universities are challenged to meet their enrollment targets, the university welcomed the largest student body in its history in August 2015 for the fall semester with a total of 44,251 students. Enrollment compared to the previous fall term increased by 1.3%.

In 2015 and 2014, operating revenues totaled \$782 million and \$770 million, respectively; reflecting an increase of \$12 million in 2015. Student tuition and fee revenue accounts for a major portion of the university's operating revenue. Net student tuition and fee revenue increased from \$431 million to \$456 million, an increase of \$25 million.

The university's long-term bond rating was reaffirmed during 2015. In fiscal year 2012, both Moody's and Standard & Poor's increased the university's long-term bond rating. Moody's increased the rating from A1 (positive outlook) to Aa3 (stable outlook). Standard & Poor's increased its rating from A+ (stable outlook) to AA- (stable outlook). The rating increases came after an extensive review of the university's financial activities, strategic plans, and future prospects.

Using the Financial Statements

The university's financial report includes three financial statements and related notes:

- The Statement of Net Position
- The Statement of Revenues, Expenses, and Changes in Net Position
- The Statement of Cash Flows

These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles, which establish standards for external financial reporting for public colleges and universities. These principles require that financial statements focus on the university as a whole, with resources classified for accounting and reporting purposes into four net position categories.

Change in Accounting Principle

The 2015 Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position were restated to accommodate the implementation of GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* and an amendment of this statement, GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These statements establish new accounting and financial reporting requirements for pension plans provided by the university to its employees. University employees participate in cost-sharing, multiple-employer plans, which are within the scope of these statements. These statements require the university to recognize a net pension liability (asset), pension expense, and pension related deferred inflows and outflows of resources based on the university's proportionate share of collective amounts for all participating employers in the plans.

Adoption of these statements resulted in a cumulative effect of accounting change reduction to the beginning net position as of July 1, 2014 of \$523,793,000. The decrease is attributed to recognition of a net pension liability of \$555,386,000 and deferred outflows of resources related to the employer contributions made subsequent to the measurement date of \$31,593,000.

Statement of Net Position

The Statement of Net Position, which reports all assets, liabilities, deferred inflows and deferred outflows of the university, presents the financial position of the university at the end of the fiscal year. The university's net position is the residual value after subtracting liabilities and deferred inflows from the sum of assets and deferred outflows. Liabilities due within one year and assets available to pay those liabilities are classified as current. Other assets and liabilities are classified as noncurrent. Investment assets are carried at fair value. Capital assets are separated into two lines on the statement: those assets that are depreciated and those that are not depreciated. Items that are depreciated include buildings, equipment, infrastructure, land improvements, and library books. Items that are not depreciated include land, construction in progress, art, and rare book collections. There is no requirement to fund the accumulated depreciation. Instead, capital assets are largely funded by state capital appropriations, issuance of debt, and gifts from various donors. A summary of the university's net financial position at June 30, 2015, and 2014 follows:

Summary Statement of Net Position

	(in thousands)	2015	2014	Increase/(Decrease)		
				Amount	Percent	
Current assets	\$	348,244	\$	405,854	\$ (57,610)	-14.2%
Noncurrent assets						
Investments		228,503		263,130	(34,627)	-13.2%
Endowment investments		576,123		585,221	(9,098)	-1.6%
Accounts and notes receivable		30,463		30,024	439	1.5%
Investment in UC Health		420,645		420,645	-	0.0%
Capital assets, net of depreciation		1,531,066		1,484,887	46,179	3.1%
Total assets		3,135,044		3,189,761	(54,717)	-1.7%
Deferred outflows of resources		62,476		20,727	41,749	201.4%
Current liabilities		244,401		290,860	(46,459)	-16.0%
Noncurrent liabilities		1,614,397		1,200,785	413,612	34.4%
Total liabilities		1,858,798		1,491,645	367,153	24.6%
Deferred inflows of resources		68,131		-	68,131	
Net position	\$	1,270,591	\$	1,718,843	\$ (448,252)	-26.1%

Current Assets

Current assets consist primarily of cash and cash equivalents, short-term investment of operating funds and debt proceeds to be used for capital improvements, and accounts and notes receivable. Current assets decreased by \$58 million in 2015. The university invests its operating funds and borrowed proceeds to provide, in order of priority, safety of principal, liquidity, and maximum total return consistent with safety and liquidity.

Noncurrent Assets

Investments

Investments (excluding endowment investments) at June 30, 2015, totaled \$229 million, a \$35 million decrease from June 30, 2014. Funds are invested in the university's temporary investment pool. Investments with a maturity date less than one year after June 30, 2015, are classified as current.

Endowment Investments

The university's endowment totaled \$1.196 billion at June 30, 2015. The endowment includes Fund A (actively managed pooled investments), Fund B (certain real estate), separately invested assets, and beneficial interests in irrevocable trusts. Below is a summary of the market value for each category of the university's endowment:

	(in thousands)		Increase/(Decrease)				
			2015	2014	Amount	Percent	
Fund A (University's share)	\$	588,402	\$	557,347	\$	31,055	5.6%
Fund A (Foundation's share)		287,677		280,467		7,210	2.6%
Total Fund A		876,079		837,814		38,265	4.6%
Fund B		1,018		831		187	22.5%
Separately Invested		17,463		52,240		(34,777)	-66.6%
Beneficial Interests in Irrevocable Trusts		301,339		293,037		8,302	2.8%
Total Endowment Investments	\$	1,195,899	\$	1,183,922	\$	11,977	1.0%

Those amounts in the table above that are reported on the university's Statement of Net Position include the university's share of Fund A (excluding a \$13 million loan to UHCURC, accrued income of \$12 million, and the temporary investment pool's funds of \$7 million), Fund B, and separately invested funds. These investments total \$576 million. All endowment investments, including cash and cash equivalents are reported as noncurrent endowment investments due to the restrictions placed upon these assets.

Endowment funds consist of both permanent endowments and funds functioning as endowment (quasi-endowments and term endowments). Permanent endowments are funds received from donors with the stipulation that the principal remain inviolate and be invested in perpetuity to produce income that is expended for a specific purpose. Funds functioning as endowment consist of amounts (restricted gifts or unrestricted funds) that have been allocated by the university for the purpose of long-term investment, but are not limited by donor stipulations requiring the university to preserve principal in perpetuity. Programs supported by endowment funds include scholarships, fellowships, professorships, research efforts, and other major programs and activities.

Fund A, the university's principal investment pool, increased in 2015 from \$838 million to \$876 million, an increase of \$38 million (4.5%). The increase is net of the 4.5% endowment spending distribution plus a 5% fundraising fee allocation provided to the Foundation. Excluding Neighborhood Development Corporation loans of \$51 million (net of \$20 million of principal reserves), Fund A consists of approximately 14% cash and fixed income, 41% corporate stocks, 17% absolute return hedge funds, 20% private equity, and 8% real estate.

The university manages the endowment to support current operations in a way that generates a predictable stream of support while maintaining the purchasing power of endowment funds adjusted for inflation. The spending policy provides for annual distributions of 4.5% of the three-year quarterly moving-average market value of assets in the investment pool. The 2015 income distribution for endowment spending was reduced from 4.75% in 2014. The income distribution for endowment spending for fiscal year 2016 will be 4.5% times the previous twelve-quarter moving average of market value.

The university is the beneficiary of numerous trusts held and administered by external trustees. The market value of these external trustee assets totaled \$301 million and \$293 million as of June 30, 2015, and June 30, 2014, respectively. These external trusts are irrevocable, and the university has a vested beneficial interest in the net income payable by the trusts. In accordance with GASB, these external trust assets are not reported on the university's Statement of Net Position. Income is received annually and reported on the university's Statement of Revenues, Expenses, and Changes in Net Position. The university received income of \$10.0 million and \$9.0 million in 2015 and 2014, respectively. Income from the trusts will continue to be received in perpetuity.

Endowment investments recorded in the university's column of the financial report exclude both the Foundation's share of Fund A and the university's beneficial interests in irrevocable trusts.

Investment in UC Health

The university's interest in UC Health is valued at \$421 million. The university's value for its investment is based on the cost method of accounting as of July 1, 2011. For further discussion of UC Health, please refer to Note 4, Investment in UC Health.

Capital Assets

The university Campus Master Plan 2000 has driven \$2.3 billion of construction projects that transformed the Uptown Campus into a cohesive community that enhances the student, faculty, and staff experiences through improved teaching and research spaces. This additional space addresses recent enrollment growth the university has been privileged to experience plus provide accommodations for future enrollment growth. During 2015, the university completed and capitalized significant renovation projects including:

- Chemistry Building – Aerospace Research Addition
- Kettering Lab Building - Epigenetic Epidemiology
- Wilson Modular Buildings

Campus planners and communities around the country have recognized the significance of the university's physical campus. Forbes Magazine named the university as one of the most beautiful college campuses. The Princeton Review along with national press, New York Times, and Los Angeles Times have noted the strength of the campus plan and the design excellence of the buildings and other structures that shape the plan.

The university's strategic and academic plans set the stage for the physical plan that addresses stewardship of existing assets through the use of standards and design guides. The need to replace infrastructure in existing academic buildings is the driver of this plan along with the quest for improved energy efficiency and more flexible and radical use of space. Opportunities for changing classroom teaching and learning patterns will create more highly performing buildings that focus on both function and energy use. The strategy is sustainable and responsible given the recent completion of a major building initiative as well as constrained state and local resources available to fund major construction projects.

Capital asset additions are funded using a combination of state capital appropriations, debt, gifts, federal grants, and university funds. Capital additions totaled \$159 million in 2015 and \$129 million in 2014. Depreciation expense totaled \$110 million in 2015 and \$104 million in 2014. Capital additions are primarily comprised of capital projects that were either completed during the fiscal year or are in the construction or design phase at June 30 of each fiscal year.

Significant capital projects currently in design, construction or implementation phases include:

- Medical Sciences Building Rehabilitation, Phase 4
- Nippert Stadium Expansion
- PeopleSoft Student Information System Implementation
- Rieveschl Labs Renovation
- Scioto Hall Renovation
- Teachers College/Dyer Rehabilitation Phase 3

Planning related to the physical campus is in full support of the university's academic mission. Plans are developed in the context of a comprehensive physical, financial, and academic review. The university utilizes a 10-year capital project compendium to guide the prioritization of future capital projects.

Liabilities

Debt

Total debt representing bonds, notes and capital leases was \$1.123 billion at June 30, 2015; a decrease of \$113 million from \$1.236 billion at June 30, 2014.

During 2015, the university refunded and retired a total of \$154 million of existing debt to achieve debt service savings. The total cash flow differential from refunding and retiring the debt totaled \$23 million (see Note 6 – “Debt Refunding and Retirement” section).

The university entered into an interest rate swap which became effective May 1, 2009, and is currently associated with Series 2015A Floating Rate Notes (FRNs). The intent of this derivative instrument is to protect the university against the potential of rising interest rates. The university reevaluated the municipal market and the fair value of the swap in the spring of 2015 and decided to issue the FRNs to replace the maturing Bond Anticipation Notes associated with the swap. This same evaluation process is anticipated to take place in 2018 to determine the optimal refinancing method for the Series 2015A FRNs and the outstanding swap. The fair value of the swap at June 30, 2015, was a negative \$3.8 million and is reflected as an interest rate swap liability in the noncurrent liability section of the Statement of Net Position.

The ratings on university debt were maintained by Standard & Poor’s (S&P) and Moody’s during 2015. S&P’s rating on long-term bonds is AA-; S&P’s outlook for the university remained at stable during 2015. Moody’s rating for long-term bonds is Aa3; Moody’s outlook for the university remained at stable during 2015.

The university continues to invest in its expansion of research and educational facilities beyond the level provided by state capital appropriations through the issuance of debt. The extensive investment in these facilities is necessary to attract and maintain high quality students, faculty, and research funding in an increasingly competitive environment. The university’s future debt financing activity will focus on the construction of a new Health Sciences Building to replace Wherry Hall, construction of a midrise dining/residence hall, upgrades of existing facilities and building systems, and the strategic management of the debt portfolio.

Net Position

The four net position categories represent the residual interest in the university’s assets and deferred outflows of resources less liabilities and deferred inflows of resources. The university’s net position at June 30, 2015 and 2014 is summarized below.

	(in thousands)		Increase/(Decrease)	
	2015	2014	Amount	Percent
Net investment in capital assets	\$ 540,841	\$ 431,120	\$ 109,721	25.5%
Restricted for:				
Nonexpendable:				
Endowment and gifts	343,791	351,863	(8,072)	-2.3%
Investment in UC Health	420,645	420,645	-	0.0%
Expendable:				
Endowment and gifts	313,522	308,057	5,465	1.8%
Other, including debt service, debt proceeds & capital appr.	2,765	4,506	(1,741)	-38.6%
Unrestricted	(350,973)	202,652	(553,625)	-273.2%
Total Net Position	\$1,270,591	\$1,718,843	\$ (448,252)	-26.1%

Net investment in capital assets represents both the university’s non-depreciable and depreciable assets. Non-depreciable assets include land, construction in progress, art, and rare book collections. Depreciable assets include buildings, equipment, land improvements, and infrastructure. The amount included as invested in capital assets is also net of outstanding principal balances of debt attributable to the acquisition, construction, and improvement of those assets. During fiscal year 2015, net investment in capital assets increased by \$110 million. The change was a result of the addition of \$159 million in capital assets offset by \$110 million in depreciation expense plus a \$61 million net reduction in capital asset related debt.

Restricted nonexpendable net position includes, as a primary component, the university's permanently invested endowment and gift funds. These funds decreased by \$8 million. Restricted nonexpendable net position also includes the university's investment in UC Health.

Restricted expendable net position is subject to externally imposed provisions governing its use. This category of net position mainly includes restricted quasi-endowment funds, unspent expendable endowment funds (available through the endowment spending policy), and gifts. Restricted quasi-endowment funds totaled \$218 million and \$226 million in 2015 and 2014, respectively. Restricted expendable endowment funds available for spending totaled \$57 million in 2015 and \$55 million in 2014. Restricted gift funds totaled \$42 million and \$35 million in 2015 and 2014, respectively.

Unrestricted net position decreased from \$203 million in 2014 to a deficit of \$351 million in 2015, a decrease of \$554 million. A significant portion of the decrease was a result of the implementation of GASB Statement No. 68 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Pensions* and an amendment of this statement, GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These statements establish new accounting and financial reporting requirements for pension plans provided by the university to its employees. University employees participate in cost-sharing, multiple-employer plans, which are within the scope of these statements. These statements require the university to recognize a net pension liability (asset), pension expense, and pension related deferred inflows and outflows of resources based on the university's proportionate share of collective amounts for all participating employers in the plans. The decrease related to pension reporting in 2015 was \$515 million. The financial impact is summarized below.

	(in thousands)	2015	2014	Increase/(Decrease)	
				Amount	Percent
Unrestricted Net Position					
Balance before Reporting for Pensions*		\$ 163,950	\$ 202,652	\$ (38,702)	-19.1%
Impact of Implementation of Pension Standards					
Deferred Outflow s of Resources - Pensions		43,516	-	43,516	
Net Pension liability		(490,308)	-	(490,308)	
Deferred Inflow s of Resources - Pensions		(68,131)	-	(68,131)	
Net Impact of Implementation of Pension Standards		(514,923)	-	(514,923)	
Total Unrestricted Net Position		\$ (350,973)	\$ 202,652	\$ (553,625)	

* Reporting for Pensions (GASB 68 & 71) was implemented in 2015 (see Note 10)

The decrease in unrestricted net position from \$203 million in 2014 to \$164 million in 2015, prior to reporting for pensions, was due to the use of unrestricted cash to retire \$104 million of callable debt obligations during 2015 (see Note 6).

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses, and Changes in Net Position presents the results of the university's activities for the year. Listed below are summarized statements of the university's revenues, expenses, and changes in net position for the years ended June 30, 2015 and 2014.

SUMMARY STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	(in thousands)	2015	2014	Increase/(Decrease)	
				Amount	Percent
Operating Revenues	\$ 781,588	\$ 770,008	\$ 11,580	1.5%	
Operating Expenses	1,049,974	1,033,708	16,266	1.6%	
Operating Loss	(268,386)	(263,700)	(4,686)	1.8%	
Nonoperating Revenues (Expenses)					
State educational appropriations	199,740	190,826	8,914	4.7%	
Federal and state nonexchange grants	43,610	43,774	(164)	-0.4%	
Gifts	64,711	50,488	14,223	28.2%	
Net investment income	35,648	101,644	(65,996)	-64.9%	
Net interest on capital asset-related debt	(46,658)	(45,369)	(1,289)	2.8%	
Other nonoperating revenues (expenses)	14,192	(2,744)	16,936	-617.2%	
Capital appropriations, gifts, and grants	32,107	33,199	(1,092)	-3.3%	
Additions to permanent endowments	577	1,371	(794)	-57.9%	
Increase in net position	75,541	109,489	(33,948)	-31.0%	
Net position, beginning of year, as previously reported	1,718,843	1,609,354	109,489	6.8%	
Cumulative effect of change in accounting principle	(523,793)	-	(523,793)	-	
Net position, beginning of year, as restated	1,195,050	1,609,354	(414,304)	-25.7%	
Net position, end of year	\$ 1,270,591	\$ 1,718,843	\$ (448,252)	-26.1%	

Under GASB standards, revenues and expenses are categorized as either operating or nonoperating. Significant recurring sources of the university's revenues, including state appropriations, federal and state grants (nonexchange), and gifts are considered nonoperating as defined by GASB. Consequently, the operating loss of \$268 million does not account for these important revenue sources. Adding these three revenue sources, which total \$308 million for the fiscal year, offsets the operating loss. This provides a more accurate view of the university's operating results.

Both operating revenues and operating expenses increased during 2015, resulting in a net increase in operating loss of \$5 million. This increase in operating loss was offset by an increase in nonoperating revenues including state educational appropriations of \$9 million and gifts of \$14 million. Revenue earned from investment income decreased from \$102 million in 2014 to \$36 million in 2015, a decrease of \$66 million mainly due to challenging global market conditions. The overall operating and nonoperating results for 2015 were an increase in net position of \$76 million compared to an increase in 2014 of \$109 million.

REVENUES

One of the university's greatest strengths is the diverse stream of revenues that supplements its student tuition and fees including voluntary private support from individuals, foundations, and corporations along with government and other sponsored programs; state appropriations; and investment income. The university has aggressively sought, and will continue to seek, funding from all possible sources consistent with its mission to supplement student tuition and will prudently manage the financial resources realized from these efforts to fund its operating activities.

SUMMARY OF REVENUES

	(in thousands)	2015	2014	Increase/(Decrease)	
				Amount	Percent
Operating Revenues					
Net student tuition and fees	\$	455,673	\$	431,364	\$ 24,309 5.6%
Federal, state, & local grants and contracts		124,921		134,024	(9,103) -6.8%
Nongovernmental grants and contracts		20,489		20,788	(299) -1.4%
Sales and services of educational departments		62,482		66,201	(3,719) -5.6%
Auxiliary enterprises, net		103,848		102,005	1,843 1.8%
Other		14,175		15,626	(1,451) -9.3%
Total operating revenues		781,588		770,008	11,580 1.5%
Nonoperating Revenues					
State educational appropriations		199,740		190,826	8,914 4.7%
Federal and state nonexchange grants		43,610		43,774	(164) -0.4%
Gifts		64,711		50,488	14,223 28.2%
Net investment income		35,648		101,644	(65,996) -64.9%
Other nonoperating revenues		14,192		(2,744)	16,936 -617.2%
Capital appropriations, gifts, and grants		32,107		33,199	(1,092) -3.3%
Additions to permanent endowments		577		1,371	(794) -57.9%
Total nonoperating and other revenues		390,585		418,558	(27,973) -6.7%
Total revenues		\$ 1,172,173		\$ 1,188,566	\$ (16,393) -1.4%

Operating Revenues

Student tuition and fees are the primary source of operating revenue for the university. During 2015, the net revenue from student tuition and fees increased from \$431 million to \$455 million, an increase of \$24 million. The increase was a result of a 2% increase in tuition and fees coupled with improved student retention and an increase in incoming students. There will be no increase in tuition and fee rates for the 2016 academic year.

The university has a high level of commitment to research. Revenue from federal, state, and local grants and contracts was \$125 million and \$134 million in 2015 and 2014, respectively; a decrease of \$9 million in 2015. Research expenses decreased proportionately to the decrease in revenue. Annual research revenue as a percent of total operating revenue accounted for 16% of revenue in 2015. In a time of heightened competitiveness, especially for federal research funding, the university continues to focus on maintaining its research base.

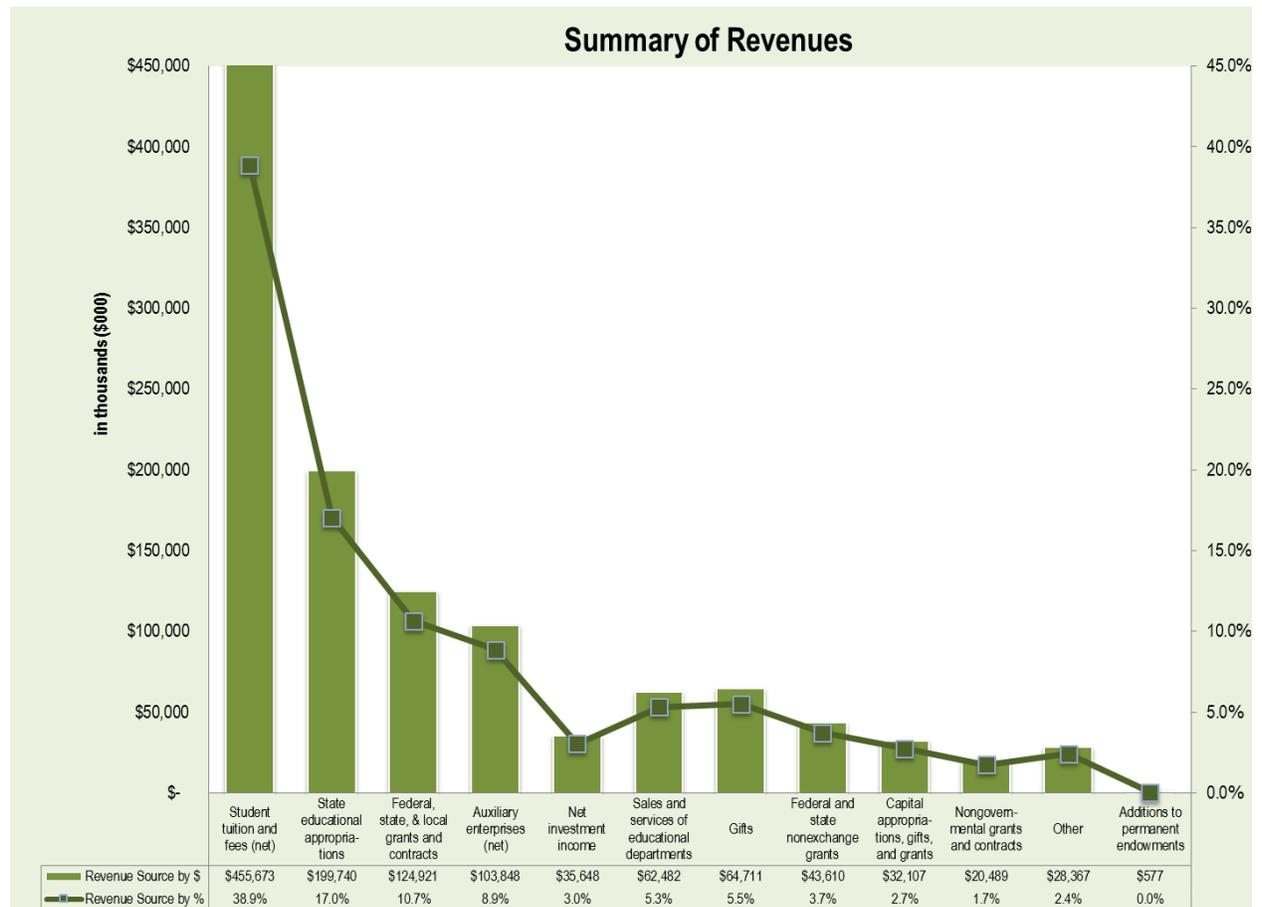
Nonoperating Revenues

State educational appropriations increased from \$191 million in 2014 to \$200 million in 2015, an increase of \$9 million. The State of Ohio's 2014-2015 approved budget appropriations bill included funding reforms for Ohio's public colleges and universities. The changes in the funding methodology reward the university for improving its graduation rates and course completions. Although state appropriations contribute a significantly lower percentage of the overall funding of university operations, particularly compared to tuition, the resources remain a vital source of funding for academic programs and administrative costs.

The results of fundraising efforts are an important component of the university's financial resources. Expendable gifts to the university received during 2015 totaled \$65 million, compared to \$50 million in 2014. The \$15 million increase was a result of the dedicated efforts of the Foundation. In alignment with UC's Creating Our Third Century focus on people, experiences and resources, the Foundation is working to develop the university's next fundraising campaign.

The university's investment income totaled \$36 million and \$102 million in 2015 and 2014 respectively, a decrease of \$66 million. Investment income includes both endowment income and temporary investment pool income. The decline in investment income is mainly due to challenging global market conditions.

The chart below summarizes by percentage all funding sources including revenues used for operating activities and those classified as nonoperating:



EXPENSES

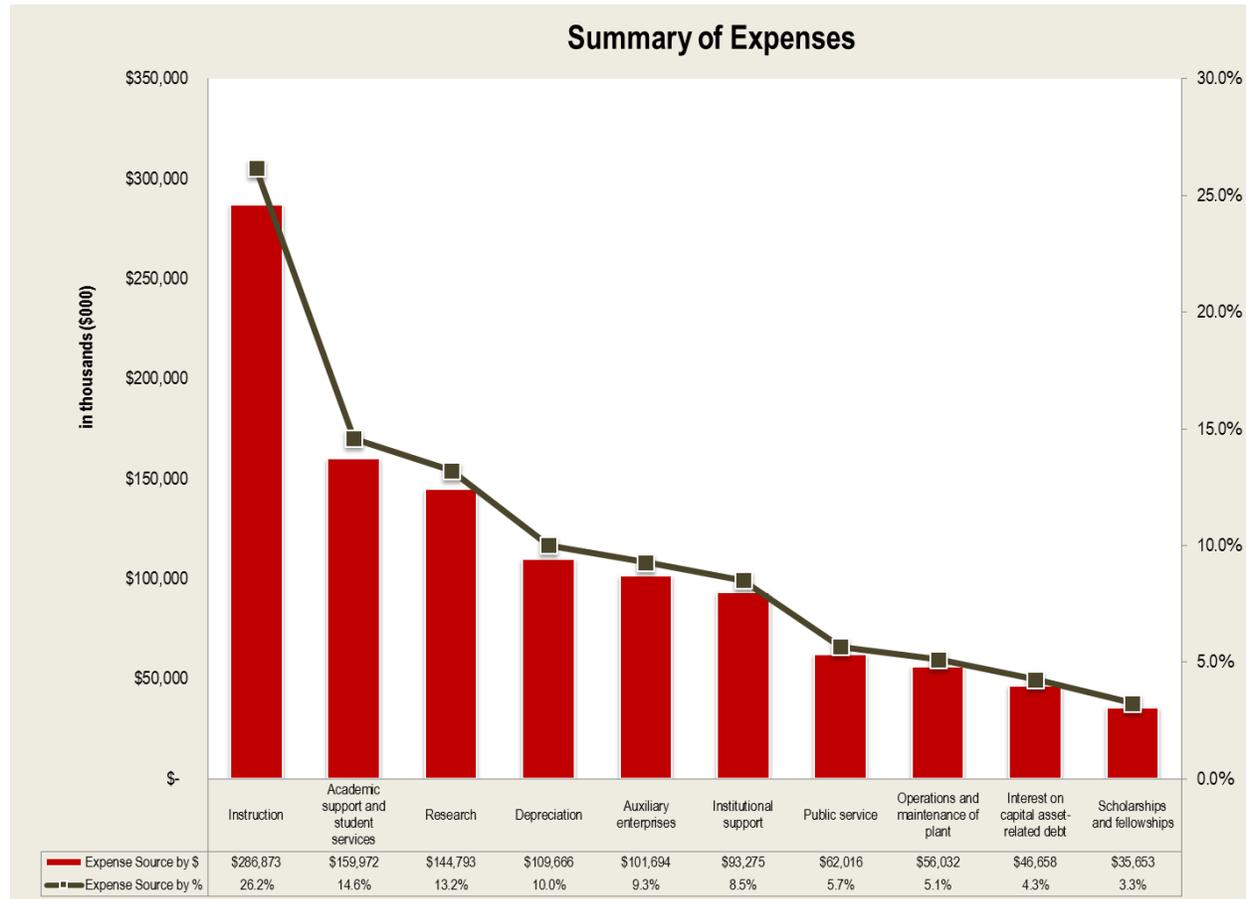
The university continues on its quest to contain costs and achieve efficiencies throughout the university while ensuring a focus on students and research.

SUMMARY OF EXPENSES

	(in thousands)	2015	2014	Increase/(Decrease)	
				Amount	Percent
Operating expenses					
Instruction	\$ 286,873	\$ 280,723	\$ 6,150	2.2%	
Research	144,793	154,381	(9,588)	-6.2%	
Public service	62,016	65,537	(3,521)	-5.4%	
Academic support and student services	159,972	157,600	2,372	1.5%	
Institutional support	93,275	88,591	4,684	5.3%	
Operations and maintenance of plant	56,032	53,418	2,614	4.9%	
Scholarships and fellow ships	35,653	34,557	1,096	3.2%	
Auxiliary enterprises	101,694	94,539	7,155	7.6%	
Depreciation	109,666	104,362	5,304	5.1%	
Total operating expenses	1,049,974	1,033,708	16,266	1.6%	
Nonoperating expenses					
Interest on capital asset-related debt	46,658	45,369	1,289	2.8%	
Total nonoperating expenses	46,658	45,369	1,289	2.8%	
Total expenses	\$ 1,096,632	\$ 1,079,077	\$ 17,555	1.6%	

Total university expenses (operating and nonoperating) increased by \$18 million in 2015. The increase was mainly attributable to increases in instruction, institutional support, auxiliary enterprises, and depreciation. Increases in instruction and auxiliary expenses are directly related to increases in enrollment. Research expenses decreased proportionately to the decrease in federal, state, and local grants and contracts revenue.

The chart below summarizes percentage of total operating expenses for each expense category:



ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The university is preparing for both its 200th anniversary in 2019 and its third century. The third century will be defined and propelled by a focused, sustained investment in people – in our faculty, students, staff and alumni. Having a clear understanding of our institutional priorities will help drive our most critical decisions, including: new investments in academic programs, teaching and research; the foci for our next comprehensive fundraising campaign; the sequencing of the campus master plan; and our capacity for debt.

The university achieved another unprecedented all-time enrollment high in autumn 2015. Total student headcount increased from 43,691 in 2014 to 44,251 in 2015, an increase of 560 students. Enrollment at the undergraduate level is 1.7% higher compared to 2014. First year retention for the 2014 full-time baccalaureate cohort is 88.3%, 2.1% higher than the 2013 cohort last year.

The university's research enterprise is essential to its mission and continues to contribute innovative ideas impacting science, medicine, business, education, engineering, and the arts through research. The university actively seeks not only federal and state awards but also private grants. The university's research affiliates include Cincinnati Children's Hospital Medical Center, Cincinnati Department of Veterans Affairs Medical Center, Shriners for Children-Cincinnati, and UC Physicians clinical trials. Additionally, the university works closely with University of Cincinnati Research Institute (UCRI), an independent not-for-profit commercialization mechanism providing the university with the ability to impact community economic growth and development. UCRI provides an effective interface for faculty and student interactions with its business and community partners. Leveraging research is a key focus of the university's third century.

Income distribution for endowment spending for 2016 has been reduced from 4.50% to 4.25%. The distribution calculation is based on the previous twelve-quarter moving average of market value. Additionally, both neighborhood development corporation loans and local real estate-related assets have been excluded from the distribution calculation. Reducing the spending policy and modifying the asset base used in the spending policy calculation are important steps to ensure the long-term protection of the endowment corpus and provide ongoing intergenerational equity.

University of Cincinnati

A COMPONENT UNIT OF THE STATE OF OHIO

Statement of Net Position (in thousands) as of June 30, 2015 (with comparative information as of June 30, 2014)	University		The University of Cincinnati Foundation	
	2015	2014	2015	2014
Assets				
Current assets				
Cash and cash equivalents	\$ 81,978	\$ 105,516	\$ 6,744	\$ 2,969
Current portion of investments	201,681	232,180		
Current portion of accounts receivable, net	48,209	49,706	2,589	2,561
Current portion of pledges receivable, net			26,026	18,178
Current portion of notes receivable, net	4,866	5,157		
Deposits with bond trustees	1,384	4,515		
Current portion of other assets	10,126	8,780	11,117	10,695
Total current assets	348,244	405,854	46,476	34,403
Noncurrent assets				
Investments	228,503	263,130		
Endowment investments	576,123	585,221	347,939	335,901
Accounts receivable, net	7,073	5,716		
Pledges receivable, net			51,755	57,426
Notes receivable, net	23,390	24,308		
Investment in UC Health	420,645	420,645		
Capital assets not being depreciated	278,680	173,815		
Capital assets being depreciated, net	1,252,386	1,311,072	3,780	1,995
Total noncurrent assets	2,786,800	2,783,907	403,474	395,322
Total Assets	3,135,044	3,189,761	449,950	429,725
Deferred Outflows of Resources				
Loss on refunding	18,960	20,727		
Pension	43,516			
Total Deferred Outflows of Resources	62,476	20,727	-	-
Liabilities				
Current liabilities				
Accounts payable	61,583	70,453	3,439	1,951
Accrued liabilities	40,387	30,438		
Current portion of accrued compensation	68,132	70,400		
Current portion of bonds, notes, and leases payable	42,469	78,379		
Deposits and advances	29,196	38,599		
Funds held on behalf of others	2,634	2,591		
Total current liabilities	244,401	290,860	3,439	1,951
Noncurrent liabilities				
Accrued compensation	17,608	18,065		
Government loan advances	21,862	21,203		
Bonds and leases payable	1,080,857	1,158,108		
Interest rate swap liability	3,762	3,409		
Net pension liability	490,308			
Other noncurrent liabilities			20,472	10,152
Total noncurrent liabilities	1,614,397	1,200,785	20,472	10,152
Total Liabilities	1,858,798	1,491,645	23,911	12,103
Deferred Inflows of Resources				
Pension	68,131			
Total Deferred Inflows of Resources	68,131	-	-	-
Net Position				
Net investment in capital assets	540,841	431,120	3,780	1,995
Restricted for:				
Nonexpendable:				
Endowment and gifts	343,791	351,863	308,239	288,782
Investment in UC Health	420,645	420,645		
Expendable:				
Endowment and gifts	313,522	308,057	136,520	142,841
Other, including debt service, debt proceeds, and capital appropriations	2,765	4,506		
Unrestricted	(350,973)	202,652	(22,500)	(15,996)
Total Net Position	\$1,270,591	\$1,718,843	\$ 426,039	\$ 417,622

The accompanying Notes to Financial Statements are an integral part of this statement.

University of Cincinnati

A COMPONENT UNIT OF THE STATE OF OHIO

Statement of Revenues, Expenses, and Changes in Net Position

Position (in thousands)	University		The University of Cincinnati Foundation	
	2015	2014	2015	2014
for the year ended June 30, 2015 (with comparative information for the year ended June 30, 2014)				
Operating Revenues				
Student tuition and fees	\$ 555,813	\$ 526,256		
Less scholarship allowances	100,140	94,892		
Net student tuition and fees	455,673	431,364		
Federal grants and contracts	111,237	122,631		
State and local grants and contracts	13,684	11,393		
Nongovernmental grants and contracts	20,489	20,788		
Sales and services of educational departments	62,482	66,201		
Auxiliary enterprises (net of scholarship allowances of \$9,219 in 2015 and \$8,213 in 2014)	103,848	102,005		
Other operating revenues	14,175	15,626	\$ 20,202	\$ 14,780
Total Operating Revenues	781,588	770,008	20,202	14,780
Operating Expenses				
Educational and general:				
Instruction	286,873	280,723		
Research	144,793	154,381		
Public service	62,016	65,537		
Academic support	96,795	97,771		
Student services	63,177	59,829		
Institutional support	93,275	88,591	22,635	18,511
Operations and maintenance of plant	56,032	53,418		
Scholarships and fellowships	35,653	34,557		
Auxiliary enterprises	101,694	94,539		
Depreciation	109,666	104,362	185	153
Total Operating Expenses	1,049,974	1,033,708	22,820	18,664
Operating Loss	(268,386)	(263,700)	(2,618)	(3,884)
Nonoperating Revenues (Expenses)				
State educational appropriations	199,740	190,826		
Federal nonexchange grants	40,316	40,708		
State nonexchange grants	3,294	3,066		
Gifts	64,711	50,488	59,698	67,649
Net investment income	35,648	101,644	3,555	39,486
Net interest on capital asset-related debt	(46,658)	(45,369)		
Payments to University of Cincinnati			(42,051)	(37,244)
Other nonoperating revenues (expenses)	14,192	(2,744)	(10,167)	(1,476)
Net Nonoperating Revenues	311,243	338,619	11,035	68,415
Income Before Other Revenues	42,857	74,919	8,417	64,531
Other Revenues				
State capital appropriations	25,043	23,386		
Capital gifts and grants	7,064	9,813		
Additions to permanent endowments	577	1,371		
Total Other Revenues	32,684	34,570	-	-
Increase in Net Position	75,541	109,489	8,417	64,531
Net Position, beginning of year, as previously reported	1,718,843	1,609,354	417,622	353,091
Cumulative effect of change in accounting principle (see Note 1)	(523,793)			
Net Position, beginning of year, as restated	1,195,050	1,609,354	417,622	353,091
Net Position, End of Year	\$ 1,270,591	\$ 1,718,843	\$ 426,039	\$ 417,622

The accompanying Notes to Financial Statements are an integral part of this statement.

University of Cincinnati

A COMPONENT UNIT OF THE STATE OF OHIO

Statement of Cash Flows (in thousands)

	University 2015	University 2014
for the year ended June 30, 2015 (with comparative information for the year ended June 30, 2014)		
Cash Flows from Operating Activities		
Student tuition and fees	\$ 454,240	\$ 438,270
Federal, state, and local grants and contracts	170,346	186,567
Sales and services of educational departments and auxiliary enterprises	169,920	169,672
Expenditures and other deductions:		
Compensation	(632,921)	(634,407)
Payments for materials, services and other	(344,890)	(327,820)
Loans issued	(5,081)	(5,144)
Loan principal collected	6,289	5,809
Interest on loans receivable	139	137
Other revenue	13,679	4,950
Net Cash Used for Operating Activities	(168,279)	(161,966)
Cash Flows from Noncapital Financing Activities		
State educational appropriations	199,498	190,507
Federal nonexchange grants	40,316	40,677
State nonexchange grants	3,294	3,066
Gift receipts for current use	64,897	50,058
Additions to permanent endowments	818	1,371
Net Cash Provided by Noncapital Financing Activities	308,823	285,679
Cash Flows from Capital and Related Financing Activities		
State capital appropriations	25,476	25,190
Private gifts	5,761	5,653
Grants	1,167	4,132
Other	2,630	2,747
Proceeds from issuance of capital debt	160,824	225,717
Purchases of capital assets	(158,797)	(115,194)
Proceeds from sale of capital assets	15,074	
Principal paid on capital debt and leases	(273,985)	(111,634)
Interest payments on capital debt and leases	(54,661)	(51,112)
Net Cash Used for Capital and Related Financing Activities	(276,511)	(14,501)
Cash Flows from Investing Activities		
Interest and dividends on investments, net	34,093	12,728
Proceeds from sales and maturities of investments	1,481,702	1,690,961
Purchases of investments	(1,400,061)	(1,756,120)
Other endowment expenditures	(3,305)	(2,724)
Net Cash Provided by (Used for) Investing Activities	112,429	(55,155)
Net (Decrease) Increase in Cash and Cash Equivalents	(23,538)	54,057
Cash and Cash Equivalents, Beginning of Year	105,516	51,459
Cash and Cash Equivalents, End of Year	\$ 81,978	\$ 105,516

University of Cincinnati

A COMPONENT UNIT OF THE STATE OF OHIO

Statement of Cash Flows (in thousands)

	University	University
for the year ended June 30, 2015 (with comparative information for the year ended June 30, 2014)	2015	2014
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:		
Operating loss	\$ (268,386)	\$ (263,700)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation expense	109,666	104,362
Changes in assets and liabilities:		
Accounts receivable, net	1,242	(2,208)
Notes receivable, net	1,208	665
Other assets	(811)	(1,035)
Accounts payable	(10,874)	6,742
Accrued compensation and other	6,003	(3,884)
Advances	(9,440)	3,302
Compensated absences	515	(474)
Deposits	188	(197)
Pension	(8,870)	
Other liabilities	11,280	(5,539)
Net Cash Used for Operating Activities	\$ (168,279)	\$ (161,966)

Noncash Transactions

Accrued liabilities for property, plant and equipment	\$ 25,268	\$ 25,212
Gifts of property, plant and equipment	137	44

The accompanying Notes to Financial Statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

1. Organization and Summary of Significant Accounting Policies

Organization

The University of Cincinnati (the university) originated in 1819 with the founding of Cincinnati College. In 1977, the university formally became part of the Ohio public university system. As such, it is a component unit of the State of Ohio. Under provisions of the Internal Revenue Code, Section 115, and the applicable income tax regulations of the State of Ohio, the university, as a state institution, is exempt from taxes on income other than unrelated business income. Since the university has no material net unrelated business income during the year ended June 30, 2015, there are no provisions for income taxes.

Under Ohio Revised Code 3361.01, the University of Cincinnati's Board of Trustees is the governing body of the University of Cincinnati. The board is composed of 11 members: nine (9) voting members and two (2) nonvoting student members. All board members are appointed by the Governor of Ohio with the advice and consent of the State Senate. Trustees are appointed to nine-year terms of office, with the exception of student trustees who are appointed to two-year terms.

The Board is responsible for selecting and appointing the president; setting the operating budget; approving personnel appointments; granting all degrees awarded by the university, including honorary degrees; establishing tuition and fee rates; approving contracts; and approving all rules, regulations, curriculum changes, new programs and degrees of the university.

Basis of Presentation

The accompanying financial statements present the accounts of the university and of the following entities:

- University Heights Community Urban Redevelopment Corporation (UHCURC), described more fully in Note 16, is a legally separate not-for-profit organization which owns a residence complex offering housing for university students. UHCURC is reported as a blended component unit of the university in accordance with the provisions of the Governmental Accounting Standards Board (GASB) and is included in the university's Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position and Statement of Cash Flows.
- The University of Cincinnati Foundation (the Foundation), described more fully in Note 17, is a legally separate not-for-profit organization engaged in fundraising activities almost exclusively for the benefit of the university. The Foundation is a discretely presented component unit of the university in accordance with the provisions of GASB on the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position.

Basis of Accounting

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by GASB. The university reports as a special purpose government engaged primarily in business type activities (BTA), as defined by GASB, on the accrual basis. Business type activities are those that are financed in whole or in part by fees charged to external parties for goods and services. In accordance with BTA reporting, the university presents Management's Discussion and Analysis, Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, Statement of Cash Flows, and Notes to the Financial Statements.

The university's financial resources are classified for accounting and reporting purposes into the following four net position categories:

- Net Investment in Capital Assets: Capital assets, net of accumulated depreciation, reduced by outstanding debt attributable to the acquisition, construction or improvement of those assets.

- Restricted for nonexpendable and expendable purposes:
 - Nonexpendable – The net position subject to externally-imposed restrictions, which must be retained in perpetuity by the university, is classified as nonexpendable net position. Such assets include the university's permanent endowment and the university's investment in UC Health.
 - Expendable – The net position whose use by the university is subject to externally-imposed restrictions that can be fulfilled by actions of the university pursuant to those restrictions or that expire by the passage of time are classified as expendable net position. Such assets include the spendable portion of endowment and gifts and other assets including debt service, debt proceeds, and capital appropriations.
- Unrestricted: The remaining net position that is neither the net investment in capital assets or restricted for nonexpendable and expendable purposes. The university's unrestricted net position may be designated for specific purposes by action of management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

Change in Accounting Principle

During 2015, the university adopted GASB Statement No. 68 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Pensions* and an amendment of this statement, GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These statements establish new accounting and financial reporting requirements for pension plans provided by the university to its employees. University employees participate in cost-sharing, multiple-employer plans, which are within the scope of these statements. These statements require the university to recognize a net pension liability (asset), pension expense, and pension related deferred inflows and outflows of resources based on the university's proportionate share of collective amounts for all participating employers in the plans.

Adoption of these statements resulted in a cumulative effect of accounting change reduction to the beginning net position as of July 1, 2014 of \$523,793,000. The decrease is attributed to recognition of a net pension liability of \$555,386,000 and deferred outflows of resources related to the employer contributions made subsequent to the measurement date of \$31,593,000.

Recent Accounting Pronouncements

In January 2013, GASB issued a statement to establish accounting and financial reporting standards for government combinations and disposals of government operations. Government combinations include a variety of transactions referred to as mergers, acquisitions and transfers of operations of government or nongovernment entities to a new or continuing government. This Statement includes guidance for measuring the assets and liabilities that are acquired in a combination, either with or without consideration. Disposals of government operations that have been transferred or sold are generally reported as a special item in the period in which the disposal occurs. The requirements of this statement are for periods beginning after December 15, 2013. There was no significant impact on the financial statements related to the implementation of this statement.

Summary of Significant Accounting Policies

Investments are reported in four categories in the Statement of Net Position. Investments identified as current and noncurrent are used for operating and capital activities. Investments identified as endowment are those funds invested in portfolios that are considered by management to be of a long duration. The fourth investment is identified as the university's investment in UC Health.

Investments in marketable securities are carried at fair value, as established by the major securities markets. Purchases and sales of investments are accounted for on the trade date basis. Investment income is recorded on the accrual basis. Realized and unrealized gains and losses are reported in investment income.

The university's endowment portfolio includes alternative investments, such as limited partnerships, that are not publicly traded. These investments are generally carried at fair value provided by the management of the investment partnerships as of March 31, 2015, as adjusted by cash receipts, cash disbursements and securities distributions through June 30, 2015, in order to provide an approximation of fair value at June 30. In addition, the carrying amount of these investments is adjusted for June 30 information from management

of the investment partnerships when necessary to provide a reasonable estimate of fair value as of June 30, 2015. Because these investments are not readily marketable, the estimated value is subject to uncertainty. Therefore, the estimated value may differ from the value that would have been used had a ready market for the investments existed. Such differences could be material.

Accounts receivable are recorded net of an allowance for uncollectible accounts. The allowance is based on management's judgment of potential uncollectible amounts, based on historical experience and type of receivable. Accounts receivable primarily include tuition and fee charges to students and charges for auxiliary enterprise services provided to students, faculty and staff.

Pledged gifts for endowments from individuals, foundations, or corporations do not meet eligibility requirements as defined by GASB, to be recognized on the university's Statement of Net Position. The Foundation receives pledges and bequests for the benefit of the university and as a FASB entity, recognizes those gifts on its financial report. Once the gift is received by the Foundation and transferred to the university, the university recognizes the gift income.

Notes receivable are mainly loans made to students under various federal loan programs. Such loans are recorded net of estimated uncollectible amounts.

Capital assets are comprised of land, land improvements, infrastructure, buildings and equipment. Land, works of art and historical treasures are capitalized but not depreciated. All university assets are recorded at cost at date of acquisition, or market value at date of donation. The university's capitalization threshold is \$100,000 for major capital projects and intangible assets except for internally generated software which has a threshold of \$500,000. For all other items the capitalization threshold is \$5,000. Interest on related borrowing, net of interest earnings on invested proceeds, is capitalized during the period of construction. The university and its blended component unit's property and equipment are depreciated using the straight-line method over the estimated useful lives (from three to fifty years) of the respective assets. When plant assets are sold or disposed of, the carrying value of such assets and the associated depreciation are removed from the university's records.

Deferred outflows of resources are a consumption of net position by the university that is applicable to a future reporting period. Deferred outflows of resources are reported in the Statement of Net Position but are not recognized in the financial statements as expenses until the periods to which they relate. Deferred outflows of resources of the university consist of deferred losses on debt refundings (defeasance costs), certain changes in net pension liability not included in pension expense and employer pension contributions subsequent to the measurement date of the net pension liability.

Deferred inflows of resources are a gain in net position by the university that is applicable to a future reporting period. Deferred inflows of resources are reported in the Statement of Net Position but are not recognized in the financial statements as revenue until the periods to which they relate. Deferred inflows of resources of the university consist of certain changes in net pension liability not included in pension expense.

Compensated absences, reported as accrued compensation, include liabilities related to vacation and sick leave accruals. University employees earn vacation and sick leave on a monthly basis. All accrued vacation is considered a current liability. Employees hired before January 1, 2015 may accrue vacation benefits up to a maximum of three years' credit. Employees hired on or after January 1, 2015 may accrue up to a maximum of 30 days of vacation benefits. Earned but unused vacation days are payable upon termination. Sick leave accrues without limit; however, unused days are payable only upon retirement from the university, subject to 30- or 60-day limits depending on the date of hire. The termination payment method is utilized to compute the liability for sick leave.

Advances include receipts relating to tuition, student fees and athletic events received in advance of services to be provided. Advances also include the amounts received from grant and contract sponsors that have not yet been earned under the terms of the agreement. The university will recognize such amounts as revenue when services are provided.

Cost-Sharing Defined Benefit Pension Plans—The university participates in two cost-sharing, multiple-employer defined benefit pension plans, the Ohio Public Employees Retirement System and the State Teachers Retirement System of Ohio, (the Plans). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Plans and additions to/deductions from the Plans' fiduciary

net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefits payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Endowment spending policy— For donor restricted endowments, the Uniform Prudent Management of Institutional Funds Act, as adopted in Ohio, permits the university to distribute an amount of realized and unrealized endowment appreciation as the Board of Trustees determines to be prudent. The university's policy is to accumulate the undistributed realized and unrealized appreciation within the endowment, which is discussed in Note 2.

Student tuition and residence hall fees— Stipends and other payments made directly to students are presented as scholarship and fellowship expenses that offset tuition and fee revenue. Fee authorizations provided to graduate teaching, research and administrative associates as part of employment arrangement are presented in instruction, research and other functional categories of operating expense.

Auxiliary enterprise revenues primarily represent revenues generated by athletics, bookstores, the conference center, dining, housing, and parking.

Operating activities, as reported on the Statement of Revenues, Expenses and Changes in Net Position are those that generally result from exchange transactions such as payments received for providing services and payments made for services or goods received. Nearly all of the university's expenses are from exchange transactions. Certain significant revenue streams available to support operations are classified as nonoperating revenues (i.e. state educational appropriations, nonexchange federal and state grants, gifts, and investment income) in accordance with GASB standards.

Management 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, liabilities, deferred inflows and outflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Comparative Information— Financial information presented by the university for 2014 is for comparative purposes. This information should be read in conjunction with the university's financial statements for the year ended June 30, 2014, which were previously audited. An unmodified audit opinion was expressed on those financial statements.

Reclassifications— Certain amounts from the prior year have been reclassified to conform to current-year presentation. These reclassifications had no effect on the change in net position.

2. Cash, Cash Equivalents, and Investments

The classifications of cash, cash equivalents, and investments reported on the financial statements are based on criteria set forth by GASB. Cash equivalents are defined to include investments with original maturity dates of three months or less. Substantially all cash, cash equivalents, and investment assets reported on the Statement of Net Position are managed by the university.

The university accounts for temporary investment pool assets separate from its endowment assets. Temporary investment pool assets reported on the Statement of Net Position include the total value of cash and cash equivalents, and current and noncurrent investments. All investments, including cash and cash equivalents, related to the endowment are recorded as noncurrent endowment investments due to the restrictions placed upon these assets.

Temporary Investment Pool

The goal of the university's temporary investment pool investment policy is to invest operating funds and borrowed proceeds to provide, in order of priority, safety of principal, liquidity, and maximum total return consistent with safety and liquidity. The temporary investment pool is invested principally in investment grade money market and fixed income securities of relatively short duration. A portion of the temporary investment pool is invested in Fund A, the principal investment pool for endowment funds, as authorized under the university's investment policy. Diversification of the portfolio is in accordance with state law.

At June 30, 2015, the fair value of the temporary investment pool (*in thousands*) is as follows:

Temporary Investment Pool	Total	Current	Noncurrent
Cash & cash equivalents			
Petty cash	\$ 91	\$ 91	\$ -
Bank deposits - Federally insured	501	501	-
Bank deposits - Uninsured	2,788	2,788	-
Money market funds	90,857	90,857	-
Cash in-transit	(12,259)	(12,259)	-
Total cash & cash equivalents	\$ 81,978	\$ 81,978	\$ -
Investments			
U.S. Agency securities	\$ 28,228	\$ 13,565	\$ 14,663
U.S. Treasury securities	14,907	6,997	7,910
Corporate notes and bonds	379,265	180,943	198,322
Endowment Fund A	7,098	-	7,098
Municipal notes and bonds	686	176	510
Total investments	430,184	201,681	228,503
Total Temporary Investment Pool	\$ 512,162	\$ 283,659	\$ 228,503

Endowment Investments

Diversification is a fundamental risk management strategy for the endowment portfolio. Accordingly, the portfolio includes investments in domestic and non-U.S. stocks, bonds and loans; real estate; and limited partnerships for investment in real estate, private equity, and hedge funds. The approved asset mix may range from 70% to 90% variable investments and 10% to 30% fixed income investments, at any one time, at the discretion of the university's investment office.

The university has an established set of endowment investment guidelines for alternative investments related to targeted asset allocation and allowable ranges. The maximum allowable percentages the portfolio can hold for alternative investments is: real estate and private equity including natural resources 30% and hedge funds 25%. The Investment Committee has established the target allocations at the maximum allowable percentages.

Effective June 1, 2009, Ohio's version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) replaced the Ohio Uniform Management of Institutional Funds Act. UPMIFA provides statutory rules for the management and investment of endowment funds owned and controlled by charitable institutions. The university's endowment policies are governed and authorized under university rules and are structured to meet or exceed UPMIFA requirements.

At June 30, 2015, the fair value of the endowment (*in thousands*) is as follows:

Endowment Investments	Total	Fund A	Fund B	Separately Invested	Irrevocable External Trusts
Investment Type					
Cash & cash equivalents	\$ 12,917	\$ 12,223	\$ 187	\$ 507	\$ -
U.S. Agency securities	5,762	5,762	-	-	-
U.S. Treasury securities	16,393	16,372	-	21	-
Corporate notes and bonds	89,836	89,648	-	188	-
NDCL* - principal	63,887	50,855	-	13,032	-
NDCL* - accrued income	10,465	10,204	-	261	-
Corporate stocks	365,957	364,360	-	1,597	-
Alternative investments					
Private equity	172,891	172,033	-	858	-
Hedge funds	145,997	145,997	-	-	-
Real estate	10,455	8,625	831	999	-
Irrevocable external trusts	301,339	-	-	-	301,339
Total endowment investments	\$1,195,899	\$ 876,079	\$ 1,018	\$ 17,463	\$ 301,339
Shares held by UC Foundation	\$ (287,677)	\$ (287,677)	\$ -	\$ -	\$ -
Loan to UHCURC (component unit)	(13,498)	(13,498)	-	-	-
NDCL* - accrued income	(10,465)	(10,204)	-	(261)	-
Accrued income - other	(1,635)	(1,635)	-	-	-
TIP investment in Fund A	(7,098)	(7,098)	-	-	-
Fund A valuation timing adjustment	1,936	1,936	-	-	-
Irrevocable external trusts	(301,339)	-	-	-	(301,339)
University reported endowment investments	\$ 576,123	\$ 557,903	\$ 1,018	\$ 17,202	\$ -

* Neighborhood Development Corporation Loans (NDCL)

Endowment shares held by UC Foundation, investments held in irrevocable external trusts, a note payable from University Heights Community Urban Redevelopment Corporation (UHCURC), accrued income, and TIP investment in Fund A are excluded from endowment investments reported on the Statement of Net Position. The Foundation's share of Fund A is included in the Foundation's assets listed in a discretely presented column on the Statement of Net Position. In accordance with GASB standards, external trust assets are not reported on the Statement of Net Position. As explained in Note 16, UHCURC is a blended component unit of the university and as such, the note receivable is eliminated from endowment investments recorded on the Statement of Net Position. The TIP investment in Fund A is included in non-current investments recorded on the Statement of Net Position. Fund A valuation timing adjustment is included in endowment investments recorded on the Statement of Net Position.

Fund A

Fund A is the principal investment pool for both university and Foundation endowment funds that may be pooled legally or by donor concurrence. The university's endowment investment policy goal for Fund A is to produce real growth in assets net of administrative and investment fees, by generating a total rate of return which is greater than, or equal to, the combination of the spending rate established by the university's endowment spending policy, the Foundation's fund raising fee, and the rate of inflation. The Foundation's fund raising fee totaled \$9.6 million in 2015. The university employs the share method of accounting for Fund A investments and for proportionate distribution of income to each fund that participates in the pool.

The university has adopted a spending rate policy which limits the distribution of income earned in Fund A. Distributions are made from Fund A to university departments that benefit from those funds. The 2015 endowment spending policy provided for an annual distribution of 4.5% of the twelve-quarter moving-average market value of endowment units net of NDCL's and strategic real estate.

At June 30, 2015, Fund A shares totaled 10,598,016 with a market value of \$876,079,000. The Foundation owned 3,527,734 of those shares with a market value of \$287,677,000 (excludes accrued income). The Foundation's share of Fund A is approximately 33.3%. Since 2002, substantially all Foundation endowments held in trust have been invested in Fund A.

Fund A includes loans made to certain nonprofit neighborhood development corporations for the purpose of developing residential and commercial facilities on the borders of the campus. The outstanding balance recorded for these loans totals \$61,059,000 and includes principal of \$50,855,000, net of \$19,575,000 of loan loss reserves and accrued interest of \$10,204,000, net of \$30,224,000 of interest reserves. A loan to UHCURC (a blended component unit) for \$13,498,000, net of reserves is eliminated for the purpose of financial statement presentation. These loans are secured primarily by mortgages on parcels of land purchased by these nonprofit entities. Some of these mortgages are subordinated to external financing arranged by these entities. These university loans bear interest at 6%. The university expects repayment once the residential and commercial facilities have streams of rental income. Loan loss reserves are estimated based on aggregate cash flow projections for the projects and independent appraisals of the underlying real estate. Changes in loan loss reserves are reflected in non-operating revenues (expenses), as a component of net investment income.

Fund A also includes alternative investments consisting of private equity, hedge funds, and real estate. The private equity portion of the portfolio totals \$172,033,000. Certain of these private equity investments are valued based on their value as of March 31, 2015 adjusted for cash receipts, cash disbursements, and securities distributions through June 30, 2015 (please refer to Note 1, Summary of Significant Accounting Policies, regarding valuation of alternative investments). The hedge fund portion of the portfolio totals \$145,997,000. Real estate holdings in Fund A total \$8,625,000. The university's outstanding commitment to purchase various alternative investments at June 30, 2015, is \$73,955,000.

At June 30, 2015, the net loss per share for Fund A is as follows (*in thousands*):

Endowment Fund A	Fair Value	Net Cost	Gain/(Loss)	Shares Outstanding	Price Per Share
Beginning balance	\$837,814	\$802,476	\$ 35,338	9,694	\$ 86.43
Ending balance	876,079	864,641	11,438	10,598	82.66
Unrealized annual net loss			(23,900)		
Realized annual net gain			22,882		
Total annual net loss			\$ (1,018)		
Total loss per share			\$ (0.10)		

Fund B and Separately Invested Assets

Fund B is comprised of real estate holdings received through donor bequest and cash generated from the sale of donated real estate assets. Fund B totals \$1,018,000 with \$831,000 held in real estate and \$187,000 in cash. Separately invested funds are invested separate from Fund A as required by donor stipulation; their value totaled \$17,202,000 at June 30, 2015.

Real Estate

Fund A, Fund B, and separately invested assets each include land and other real estate held as investments. At June 30, 2015, the fair market value totaled \$10,455,000 including \$8,625,000 in Fund A, \$831,000 in Fund B, and \$999,000 in separately invested endowments. Independent real estate appraisals are obtained on a three-year cycle; however, relevant real estate markets are reviewed between appraisal periods to determine if the reported market values remain reasonable. Appraisers usually consider the use of three valuation approaches when developing a market value opinion for real property. These are the cost approach, sales comparison approach, and income capitalization approach. The most recent appraisals were received for June 2015.

Beneficial Interest in Irrevocable External Trusts

The university is the beneficiary of numerous trusts held and administered by external trustees. The market value of these external trustee assets totaled \$301,339,000 at June 30, 2015. These external trusts are irrevocable, and the university has a vested beneficial interest in the net income payable by the trusts. In accordance with GASB standards, these external trust assets are not reported on the university's Statement of Net Position. Income is received annually and reported on the university's Statement of Revenues, Expenses, and Changes in Net Position. In 2015, the university received income of \$10,159,000. Income from the trusts will continue to be received in perpetuity.

Off-Balance-Sheet Risk

The university's investment strategy incorporates certain financial instruments which involve, to varying degrees, elements of risk that could reduce the value of investment assets reported on the financial statements. These risks include interest rate, credit, and custodial credit. Policies established by the university have been developed to balance the university's exposure to risk while maximizing investment returns.

Interest Rate Risk

Interest rate risk is the risk an investment portfolio may encounter should interest rate variances affect the fair value of investments. The university's investment policy minimizes the risk of the loss of value due to changing interest rates through the use of targeted durations. The university's investment policy stipulates that the weighted average maturity of investments in the temporary investment pool will not exceed three years. There is no stipulation for the endowment portfolio.

At June 30, 2015, the university's investment maturities (*in years, in thousands*) are as follows:

Investments	Fair Value	Less than 1	1 to 5	6 to 10	More than 10
Temporary Investment Pool					
U.S. Agency securities	\$ 28,228	\$ 13,565	\$ 14,444	\$ 219	\$ -
U.S. Treasury securities	14,907	6,997	7,910	-	-
Corporate notes and bonds	379,265	180,943	179,429	17,979	914
Municipal notes and bonds	686	176	510	-	-
Total Temporary Investment Pool	\$ 423,086	\$ 201,681	\$ 202,293	\$ 18,198	\$ 914
Endowment Investments					
U.S. Agency securities	\$ 3,844	\$ -	\$ -	\$ 1,027	\$ 2,817
U.S. Treasury securities	10,944	2,012	4,389	1,403	3,140
Corporate notes and bonds	58,904	2,481	18,617	17,599	20,207
NDCL* - principal	33,460	107	13,249	2,282	17,822
Total Endowment Investments	\$ 107,152	\$ 4,600	\$ 36,255	\$ 22,311	\$ 43,986

* Neighborhood Development Corporation Loans (NDCL)

Interest rate risk for the temporary investment pool's share of Fund A is included in endowment investments above.

The portion of endowment investments, after exclusions, not subject to interest rate risk is \$476,069,000 (includes temporary investment pool share) and is comprised mainly of endowment portfolio investments in equity securities. Amounts reflected as maturities for neighborhood development corporation loans represent management's best estimate of anticipated collections for these demand notes.

Credit Risk

Credit risk is the possibility that a loss may occur due to the failure of a counterparty to perform according to the terms of the contract. The university's risk of loss in the event of counterparty default is typically limited to the amounts reported on the Statement of Net Position and is not represented by the contract or notional amounts of the instruments. In accordance with the university's investment policy, the university's bond and other fixed income investments are rated by nationally recognized rating organizations.

At June 30, 2015, the university's investment credit risk is as follows (in thousands):

	Total	AAA	AA	A	BBB	BB & B	Not Rated
Temporary Investment Pool							
U.S. Agency securities	\$ 28,228	\$ 28,228	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. Treasury securities	14,907	14,907	-	-	-	-	-
Corporate notes and bonds	379,265	69,510	51,986	237,796	19,973	-	-
Municipal notes and bonds	686	-	686	-	-	-	-
Total Temporary Investment Pool	\$ 423,086	\$ 112,645	\$ 52,672	\$ 237,796	\$ 19,973	\$ -	\$ -
Endowment Investments							
U.S. Agency securities	\$ 3,844	\$ 3,844	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. Treasury securities	10,944	10,944	-	-	-	-	-
Corporate notes and bonds	58,904	10,481	4,369	21,904	11,063	2,377	8,710
NDCL* - principal	33,460	-	-	-	-	-	33,460
Total Endowment Investments	\$ 107,152	\$ 25,269	\$ 4,369	\$ 21,904	\$ 11,063	\$ 2,377	\$ 42,170

* Neighborhood Development Corporation Loans (NDCL)

Credit risk for the temporary investment pool's share of Fund A is included in the endowment investment amounts above.

The temporary investment pool permits investments in investment grade securities at the time of purchase, as well as a limited amount (10% or less of the temporary investment pool portfolio) of unrated securities. Endowment investment grade bonds are limited to those in the first four grades of any rating system. Below-investment grade high yield bond investments and certain unrated investments having strategic value to the university are permitted. Securities ratings downgraded below investment grade after purchase are permitted to be retained.

The portion of endowment investments, after exclusions, not subject to credit risk is \$476,069,000 (includes temporary investment pool share) and is comprised mainly of endowment portfolio investments in equity securities.

Custodial Credit Risk

The university does not have exposure to custodial credit risk. Custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, a government entity will not be able to recover the value of its investment or collateral securities that are in possession of an outside party. The university's investments are held in trust or by a custodian in the university's name or directly held in the university's name.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the university's investment in a single issuer. The university has separate investment policies for the endowment and its temporary

investment pool that limit the concentration of credit risk. As of June 30, 2015, the university had no investment in any one issuer that was 5% or more of plan net assets for either the endowment or the temporary investment pool.

3. Accounts and Notes Receivable

Accounts and notes receivable as of June 30, 2015 is as follows (*in thousands*):

Accounts receivable	\$ 44,647
Notes receivable	28,256
Accrued interest receivable	<u>10,635</u>
Total	83,538
Less current receivables	<u>53,075</u>
Noncurrent receivables	<u>\$ 30,463</u>

Allowances for uncollectible receivables have been provided in the amount of approximately \$6,337,000 for accounts receivable and \$6,372,000 for notes receivable as of June 30, 2015.

An allowance for uncollectible accrued interest receivable has been provided in the amount of approximately \$24,114,000 related to loans made to certain nonprofit entities as of June 30, 2015.

4. Investment in UC Health

UC Health (legally known as UC Healthcare System and Affiliate) is an Ohio private nonprofit corporation that is qualified as a tax-exempt organization and is a "public hospital agency" within the meaning of Chapter 140 of the Ohio Revised Code. UC Health is the renamed and reorganized Ohio nonprofit corporation formerly referred to as The Health Alliance of Greater Cincinnati (the Alliance). UC Health's mission is to provide life changing, patient centered medical care, drive innovation through groundbreaking research, and educate and inspire the next generation of healthcare professionals within an integrated health care delivery system. Its vision is to be the region's quality health care partner and a national leader in solving complex medical problems. UC Health includes University of Cincinnati Medical Center, West Chester Hospital, Drake Center, Lindner Center of HOPE, Bridgeway Pointe, and University of Cincinnati Physicians, Inc.

UC Health operates under an affiliation agreement that was entered into between the university, UC Health, and UC Healthcare System on June 28, 2012. Pursuant to the affiliation agreement, the university retained its equity interest in the net assets of UC Health. The equity interest is recorded on the university's Statement of Net Position in the noncurrent section and is valued based on the cost method. Management believes that the cost method is the preferred valuation method to reflect the relationship change from a joint venture structure under the Alliance agreement to a single member relationship as defined in the June 28, 2012 affiliation agreement. The value of the investment is recorded at \$421 million and has been since 2011. The university monitors any potential changes to the investment valuation such as impairment. There were no changes to the investment value in UC Health for the year ended June 30, 2015.

UC Health provides the university an annual education and research payment and programmatic support that must be used exclusively for Academic Health Center purposes. The total of these payments and support for the year ended June 30, 2015 was \$18,421,000. The university also provides various shared services, consisting mainly of utilities and various administrative services to UC Health for which the university is reimbursed on a cost basis. The total cost of these services for the year ended June 30, 2015 was approximately \$13,510,000.

5. Capital Assets

Capital asset activity for the year ended June 30, 2015 is summarized as follows *(in thousands)*:

	Balance July 1, 2014	Additions	Retirements/ Transfers	Balance June 30, 2015
Land	\$ 26,565	\$ -	\$ (1,330)	\$ 25,235
Land improvement	104,479	-	(113)	104,366
Buildings	2,108,993	-	19,842	2,128,835
Construction in progress	131,721	140,028	(33,837)	237,912
Infrastructure	119,701	-	228	119,929
Building equipment	15,720	-	-	15,720
Moveable equipment	204,312	10,986	1,908	217,206
Computer software	39,096	-	448	39,544
Library books	176,843	7,972	(300)	184,515
Collections	15,529	4	-	15,533
	2,942,959	158,990	(13,154)	3,088,795
Less: Accumulated depreciation	1,458,072	109,666	(10,009)	1,557,729
Capital assets, net	<u>\$ 1,484,887</u>	<u>\$ 49,324</u>	<u>\$ (3,145)</u>	<u>\$ 1,531,066</u>

Land, construction in progress and collections, as shown above, represent nondepreciable items. Therefore, there is no accumulated depreciation for those categories.

6. Bonds, Notes, Capital Leases, and Other Debt

Bonds, notes, capital leases, and other debt at June 30, 2015 comprise the following (*in thousands*):

	<u>Issue Date</u>	<u>Maturity Dates Through</u>	<u>Interest Rates</u>	<u>Amount</u>
Bond Series – Fixed Rate Debt				
2006A	2006	2031	3.75 - 5.00%	\$ 13,305
2007A	2007	2031	4.25 - 5.00%	47,670
2007G	2008	2034	3.88 - 5.00%	46,800
2008C	2008	2031	3.25 - 5.00%	31,665
2008G	2009	2020	5.00 - 5.50%	10,930
2009C	2010	2030	3.50 - 5.00%	92,500
2009E	2010	2030	3.25 - 4.65%	4,965
2010C (Taxable Build America Bonds)	2011	2039	4.03 - 6.48%	91,265
2010F	2011	2034	3.00 - 5.00%	77,920
2010G (Taxable Build America Bonds)	2011	2032	4.72 - 6.28%	14,880
2011A	2011	2021	3.50 - 5.00%	11,210
2011C	2011	2031	3.00 - 5.25%	25,100
2011E	2012	2028	3.38 - 5.00%	28,720
2012A	2012	2031	2.00 - 5.00%	84,430
2012C	2013	2033	4.00 - 5.00%	81,255
2013A	2013	2034	3.12 - 5.00%	16,120
2013C	2014	2039	5.00%	54,125
2013D (Taxable)	2014	2033	4.64 - 5.15%	37,365
2014B	2014	2036	3.00 - 5.00%	94,460
2014C	2015	2041	3.25 - 5.00%	30,415
2014D	2015	2036	5.00%	54,130
Total bonds – fixed rate debt				<u>949,230</u>
Notes Series – Floating Rate Debt				
2015A	2015	2018	0.5743%	<u>24,085</u>
Total notes – floating rate debt				<u>24,085</u>
Capital Leases (Fixed Rate Debt)				
King Highland-Stetson	2006	2033	4.25-5.97%	775
King Highland-Turner	2006	2033	4.25%	235
King Highland-Stetson/Turner Refunding	2015	2038	3.00 – 5.00%	<u>37,585</u>
Total capital leases				<u>38,595</u>
Total bonds, notes, and capital leases				<u>1,011,910</u>
Other Debt				
UHCURC/Hamilton County Bonds-Series 2010 (fixed rate)*	2011	2039	3.13-5.00%	48,210
Premium				<u>63,206</u>
Total other debt				<u>111,416</u>
Total bonds, notes, capital leases, and other debt				<u>\$ 1,123,326</u>

*University Heights Community Urban Redevelopment Corporation (see Note 16)

Debt Issuances

During the year ended June 30, 2015, the university issued the following general receipt obligations:

Fixed Rate Bonds

Series 2014C tax exempt green bonds were issued on December 19, 2014 in the amount of \$30,415,000. This series was issued at a premium and bears interest at rates ranging from 3.25% to 5.00%. The final maturity of Series 2014C is June 1, 2041. The proceeds were issued to fund the construction costs for the Scioto Hall Renovation project, associated bond issuance costs and capitalized interest.

Series 2014D tax exempt bonds were issued on December 19, 2014 in the amount of \$54,130,000. This series was issued at a premium and bears a 5.00% interest rate. The final maturity of Series 2014D is June 1, 2036. The proceeds were issued to fund the final phase of the MSB Rehabilitation project, advance refund a portion of Series 2007A and Series 2007G bonds and fund associated bond issuance costs.

Floating Rate Notes (FRNs)

Series 2015A tax exempt FRNs were issued on May 8, 2015 in the amount of \$24,085,000. These notes bear interest at the Applicable Index-Based Rate which is equal to the index average rate of 67% one month London Interbank Offered Rate (LIBOR) plus a spread of .45%. Interest on Series 2015A is due semi-annually; the note matures on June 1, 2018. Series 2015A was issued to current refund \$23,900,000 of Series 2014A Bond Anticipation Notes (BANS) on May 8, 2015.

Debt Refunding and Retirement

During the year ended June 30, 2015, the university refunded the following general receipt obligations:

A portion of the Series 2014D general receipt bonds issued on December 19, 2014 advance refunded a total of \$50,265,000 in existing debt which included \$19,695,000 of Series 2007A and \$30,570,000 of Series 2007G fixed rate bonds. The purpose of this transaction was to refund future callable maturities to achieve debt service savings. The cash flow differential from the refunding equals \$5,056,000 and will be realized over a period of 11 years as a reduction of interest expense. The transaction also produced an economic gain (the difference between the present values of the debt service payments on the old and new debt) of \$4,213,000. As a result of the refunding, \$4,515,000 has been recorded as a loss on refunding within the deferred outflows of resources on the Statement of Net Position and will be amortized into income from 2015-2025. The loss on refunding reflects the difference between the refunding reacquisition price for the respective portion of Series 2014D and the net carrying amount of the outstanding principal balances of the refunded debt issues.

Series 2015A general receipt FRNs were issued on May 8, 2015 in the amount of \$24,085,000 for the purpose of current refunding \$23,900,000 of Series 2014A Bond Anticipation Notes (BANS). There was no gain or loss on the refunding transaction.

During the year ended June 30, 2015, the university retired a total \$103,505,000 of callable obligations:

Series 2004E - \$1,685,000 representing the remaining 2016 maturity;

Series 2005A - \$52,275,000 representing the remaining 2016-2020 maturities;

Series 2005D - \$13,430,000 representing the remaining 2016-2019 maturities;

University Center Project capital lease obligations - \$36,115,000 representing the remaining 2016-2024 maturities.

The cash flow differential from the debt retirement equals \$18,300,000 and will be realized over a period of 9 years as a reduction of interest expense.

Capital Lease Obligations

The university has capital lease obligations in connection with the financing of two buildings (One Stetson Square and the Turner Center) which are owned by King Highland Community Urban Redevelopment Corporation and occupied, all or in part, by the university. As of June 30, 2015, the university's capital lease obligation for One Stetson Square and Turner Center was \$38,595,000. This financing was affected by the issuance of economic development revenue bonds by the County of Hamilton, Ohio (the "King Highland

Bonds”). The leases for One Stetson Square and the Turner Center also constitute unconditional obligations to make lease payments which pay the principal and interest on the King Highland Bonds. The university has not pledged its general receipts to the payment of these leases. Holders of the general receipt bonds and the floating rate notes have a prior and superior claim to the general receipts than does King Highland.

Collateralization and Debt Service Reserves

The general receipts bonds and floating rate notes are collateralized by a pledge of the university's general receipts. The capital lease obligations and capital leases (Stetson and Turner) are secured by base rent payments under the leases. The net book value of assets under capital lease obligations is \$27,256,000 as of June 30, 2015. Payment of base rents is subordinate to debt service payments on the university's general receipt bonds and bond anticipation notes.

Debt service reserves are required for debt issued under the Original Trust Agreement dated May 1, 1974. The Amended and Restated Trust Agreement dated May 1, 2001 removed the debt service reserve requirement for subsequent bond issues, but required the debt service reserves on pre-amended bonds to remain in place until they were fully refunded or retired. All pre-amended bonds have been fully refunded or retired and thus the university no longer maintains any debt service reserves.

Derivative Transactions

The university has one pay-fixed interest rate swap in effect at June 30, 2015, which has been in existence since May 1, 2009. The initial objective of this interest rate swap was to protect the university against the potential of rising interest rates within the fixed rate market. Through the evaluation process outlined in GASB standards, the university has determined its interest rate swap to be ineffective, thus it is considered to be an investment derivative versus a hedging derivative. The fair value of the swap on June 30, 2015 was (\$3,762,000). The fair value decreased by \$352,352 in 2015; this change is reported as an investment loss within the Statement of Revenues, Expenses and Changes in Net Position and increases the interest rate swap liability on the Statement of Net Position.

The following table summarizes the university's pay-fixed interest rate swap agreement as of June 30, 2015:

Associated Debt Issue	Outstanding Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Index Received	Fair Value	Swap Termination Date	Counterparty Rating
2015A FRNS	\$24,075,000	5/1/2009	3.163%	USD- 67% LIBOR-BBA-1M	(\$3,762,000)	6/1/2030	AA-/Aa3

Based on the swap agreement, the university pays to the swap counterparty (Royal Bank of Canada) interest calculated at a fixed rate. In return, the swap counterparty pays the university interest based on a specified index. Only the net difference in interest payments is actually exchanged between the parties. The university continues to pay interest on the 2015A FRNs obligations as due. The university has no collateral posting requirements on this swap.

Risks

Credit Risk: There are no counterparty collateral posting requirements on the swap. The university was not exposed to credit risk of the counterparty as the swap had a negative fair value throughout fiscal year 2015. A derivative management guideline is in place at the university, which addresses diversifying counterparty risk and limiting the university's credit exposure on derivative transactions.

Basis Risk: The swap exposes the university to basis risk should the interest rate received on the swap be less than the interest rate paid on the obligation. This mismatch will effectively result in a higher synthetic fixed rate and the expected savings may not be realized. As of June 30, 2015, the university is experiencing basis risk due to the issuance of FRNs at a higher rate of interest than what is being received on the swap.

Termination Risk: The university or counterparty may terminate the swap if either party fails to perform under the terms of the agreement. Termination provisions may result in the university paying or receiving a termination payment, depending on the value of the swap at that point in time.

Market-access Risk: Market conditions in the spring of 2009 prevented the university from issuing a variable rate bond series to coincide with the June 1, 2030 maturity date of the swap, therefore Series 2009A BANS were issued on May 12, 2009. Subsequent BANS have been issued on an annual basis to refund maturing notes; Series 2015A FRNs is the current debt issue associated with the swap. The university will again reevaluate the municipal market and the fair value of the swap in the spring of 2018 to take appropriate actions relating to the Series 2015A FRNs and the outstanding swap.

Fair Value

As of June 30, 2015, the fair value of the swap agreement was a liability of \$3,762,000 (reported as interest rate swap liability on the Statement of Net Position), indicating the amount that the university would be required to pay the counterparty to terminate the swap agreement. The fair value was estimated using the income approach, which converts future cash flows to a single present value using discounting. That value is then adjusted to incorporate non-performance risk for the university since the swap is a liability. The fair value of the swap agreement was developed by an independent third party with no vested interest in the swap transaction.

Debt Service Commitments

For bonds and notes payable at June 30, 2015 (including the UHCURC/Hamilton County bonds), scheduled annual debt service payments subsequent to June 30, 2015 are as follows (*in thousands*):

Fiscal Year	Principal*	Interest**	Total
2016	\$ 33,920	\$ 49,059	\$ 82,979
2017	36,845	47,621	84,466
2018	63,845	45,924	109,769
2019	39,580	43,949	83,529
2020	47,315	42,020	89,335
2021-2025	260,770	171,839	432,609
2026-2030	247,025	110,110	357,135
2031-2035	184,115	55,476	239,591
2036-2040	104,405	15,819	120,224
2041	3,705	185	3,890
Total	\$ 1,021,525	\$ 582,002	\$ 1,603,527

* Fiscal year 2018 principal includes \$24,085,000 of FRNs that are outstanding as of June 30, 2015. These FRNs are expected to be retired, renewed or refunded into long term debt.

** Amounts do not reflect federal subsidies to be received for Build America Bonds interest.

The university's \$24,075,000 LIBOR swap is currently associated with the Series 2015A FRNs. Debt service for this series is reflected within the above debt service table; the swap payments associated with the LIBOR swap are not reflected in the table.

Scheduled principal and interest payments on capital leases subsequent to June 30, 2015 are (in thousands):

Fiscal Year	Principal	Interest	Total
2016	\$ 1,010	\$ 1,565	\$ 2,575
2017	-	1,581	1,581
2018	-	1,581	1,581
2019	-	1,581	1,581
2020	-	1,581	1,581
2021-2025	6,640	7,600	14,240
2026-2030	9,805	6,013	15,818
2031-2035	12,355	3,474	15,829
2036-2038	8,785	712	9,497
Total	\$ 38,595	\$ 25,688	\$ 64,283

Defeased Debt

Debt defeased by the university for which amounts remain outstanding at June 30, 2015, is (in thousands):

Bond Series	Maturity Dates	Interest Rate(s)	Amount Outstanding
Series 2006A	2018-2026	4.15%-5.00%	\$ 22,305
Series 2007A	2019-2025	5.00%	19,695
Series 2007G	2019-2025	5.00%	<u>30,570</u>
Total			<u>\$ 72,570</u>

Neither the outstanding indebtedness nor the related trust accounts are reflected in the accompanying financial statements for the fully defeased bonds listed above. United States Treasury obligations and/or cash in an amount sufficient to pay principal and interest on the defeased obligations, when due, has been deposited with a trustee in accordance with the defeasance of the debt.

Other

Interest expense on indebtedness, net of the Build America Bond federal interest subsidy (\$2,127,000), for the year ended June 30, 2015 was \$46,658,000. Capitalized interest expense on construction-related debt, net of the Build America Bond Federal interest subsidy (\$12,000), and interest earnings (\$468,000) was \$8,003,000.

7. Long-Term Liabilities

Long-term liabilities as of June 30, 2015 are as follows *(in thousands)*:

	Balance July 1,2014	Additions	Reductions	Balance June 30,2015	Current Portion	Noncurrent Portion
Bonds, notes and capital leases:						
Bonds and notes payable	\$1,095,585	\$108,630	\$182,690	\$1,021,525	\$33,920	\$987,605
Capital lease obligations	80,230	37,585	79,220	38,595	1,010	37,585
Premium	60,672	14,609	12,075	63,206	7,539	55,667
Total bonds, notes and capital leases	1,236,487	160,824	273,985	1,123,326	42,469	1,080,857
Other long-term liabilities:						
Compensated absences	55,438	7,796	7,280	55,954	38,346	17,608
Government loan advances	21,203	733	74	21,862	-	21,862
Interest rate swap liability	3,409	353	-	3,762	-	3,762
Total other long-term liabilities	80,050	8,882	7,354	81,578	38,346	43,232
Total	\$1,316,537	\$169,706	\$281,339	\$1,204,904	\$80,815	\$1,124,089

8. Operating Leases

The university leases various office space, campus housing and equipment under operating lease arrangements. These facilities and equipment are not recorded as assets on the Statement of Net Position. The total rental expense under all arrangements was \$12,685,000 for the year ended June 30, 2015.

There are two significant operating leases that the university has entered into with initial or remaining terms in excess of one year as of June 30, 2015. In August 2010, the university entered into an operating lease arrangement with IRG Batavia I, LLC for the use of two buildings and common space located in Batavia, Ohio. This lease has an initial term of five years with four renewal options of five year terms each. The expense for this lease in 2015 was \$456,000. In May 2013, the university entered into an operating lease arrangement with USquare, LLC for the use of office space adjacent to the Uptown campus. This lease has an initial term of ten years with renewal options of two consecutive five year terms. The expense for this lease in 2015 was \$414,000.

Commencing in fiscal year 2016, the university has entered into multi-year lease agreements with 222 Senator Place, LLC (two year term) and Block 3 Community Redevelopment Corporation (three year term with one additional year renewal option) to expand housing capacity for students. The new lease agreement with Block 3 Community Redevelopment Corporation replaces a one-year arrangement that had an expense of \$2,891,000 in 2015.

Future minimum payments for the above four operating leases as of June 30, 2015, are as follows (*in thousands*):

<u>Year Ended June 30,</u>	
2016	\$ 8,035
2017	8,840
2018	8,253
2019	1,788
2020	1,230
2021-2023	<u>1,878</u>
	<u>\$ 30,024</u>

9. State Support

The university is a state-assisted institution of higher education and receives from the State of Ohio a state share of instruction that is student-enrollment based. This subsidy is determined annually by the Ohio Board of Regents. The State also provides line-item appropriations that support, in part, the current operations of various activities including clinical teaching expenditures.

In addition to the operating subsidies, the State of Ohio provides funding for construction and renovation of major plant facilities on the university's campuses. The state passes a capital appropriations bill biannually for both major capital projects and basic renovation projects of which the university receives a share. Such facilities are reported as capital assets on the Statement of Net Position.

10. Retirement Plans and Other Postemployment Benefits

Retirement benefits are available for substantially all employees under one of three contributory retirement plans. Employees not certified as teachers are covered by the Ohio Public Employees Retirement System (OPERS). Certified teachers are covered by the State Teachers Retirement System (STRS Ohio). Employees may opt out of OPERS and STRS Ohio and participate in the Alternative Retirement Plan (ARP) if they meet certain eligibility requirements.

OPERS and STRS Ohio are cost-sharing, multiple-employer statewide retirement systems each comprised of three separate plans: (1) a defined benefit plan, (2) a defined contribution plan, and (3) a combined defined benefit/defined contribution plan. Each of the three options is discussed in greater detail in the following sections. In addition to retirement benefits, the systems also provide disability, survivor and postretirement health benefits to qualifying members of the defined benefit plan, combined plan and beneficiaries. Benefits provided under the plans are established by state statute.

Both plans issue separate, publicly available financial reports that include financial statements and required supplementary information. These reports may be obtained by contacting each organization as follows:

OPERS
277 East Town Street
Columbus, Ohio 43215-4642
Telephone (800) 222-7377
www.opers.org

STRS Ohio
275 East Broad Street
Columbus, Ohio 43215-3771
Telephone (888) 227-7877
www.strsoh.org

Benefits Provided

Plan benefits for OPERS are established under Chapter 145 of the Ohio Revised Code (ORC). Members are categorized into three groups with varying provisions of the law applicable to each group. Members who were eligible to retire on January 7, 2013 and those eligible to retire no later than five years after that date comprise transition group A. Members who have 20 years of service credit prior to January 7, 2013 or are eligible to retire no later than 10 years after January 7, 2013 are included in transition group B. Group C includes those members who are not in either of the other groups and members who were hired on or after January 7, 2013. Additionally, OPERS has three separate divisions with varying degrees of benefits: (1) state and local, (2) law enforcement and (3) public safety. The university does not have any employees included in the public safety division.

Benefits for state and local members are calculated on the basis of age, final average salary, and service credit. State and local members in transition groups A and B are eligible for retirement benefits at age 60 with 60 contributing months of service credit or at age 55 with 25 or more years of service credit. Group C for state and local is eligible for retirement at age 57 with 25 years of service or at age 62 with 5 years of service. For groups A and B, the annual benefit is based on 2.2% of final average salary multiplied by the actual years of service for the first 30 years of service credit and 2.5% for years of service in excess of 30 years. For group C the annual benefit applies a factor of 2.2% for the first 35 years and a factor of 2.5% for the years of service in excess of 35. Final average salary represents the average of the three highest years of earnings over a member's career for groups A and B. Group C is based on the average of the five highest years of earnings over a member's career. Members who retire before meeting the age and years of service credit requirement for unreduced benefit receive a percentage reduction in the benefit amount.

Members within the law enforcement division, as defined in ORC Chapter 145, are eligible for special retirement options under the defined benefit plan and are not eligible to participate in the defined contribution plan or combined plan. Group A law enforcement officers are eligible for full retirement at age 52 or older with 15 or more years of credited service. Law enforcement group B is eligible at age 48 or older with 25 years or at age 52 or older with 15 years of service. Law enforcement group C is eligible at age 48 or older with 25 years of service or at age 56 with 15 years of service. Annual benefits are calculated by multiplying 2.5% of final average salary by the actual years of service for the first 25 years of service credit, and 2.1% of final average salary for each year of service over 25 years. These options also permit early retirement under qualifying circumstances as early as age 48 with a reduced benefit.

OPERS offers a combined plan that has elements of both a defined benefit and defined contribution plan. In the combined plan, employee contributions are invested in self-directed investments, and the employer

contribution is used to fund a reduced defined benefit. Eligibility requirements under the combined plan for age and years of service are identical to the defined benefit plan described earlier. The benefit formula for the defined benefit component of the plan for state and local members in transition groups A and B applies a factor of 1.0% to the member's final average salary for the first 30 years of service. A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition group C applies a factor of 1.0% to the member's final average salary and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Members retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit.

A cost-of-living adjustment is provided each year and is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3% simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3%.

Plan benefits for STRS Ohio are established by ORC Chapter 3307. The STRS Ohio defined benefit plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by 2% of the original base benefit. For members retiring August 1, 2013 or later, the first 2% is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or at age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 and five years of service on August 1, 2026.

STRS Ohio also offers a combined plan that features elements of both a defined benefit and a defined contribution plan. In the combined plan, employee contributions are invested in self-directed investments, and the employer contribution is used to fund a reduced defined benefit. The defined benefit portion payment is payable to the member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

An annual COLA adjustment is applied to each STRS Ohio retirement allowance subsequent to the employee's retirement date. For members retired before August 1, 2013, the annual COLA adjustment is 2.0% simple per year. For members retired or retiring after August 1, 2013, the annual 2.0% simple COLA adjustment is delayed until the fifth anniversary of retirement date.

Contributions

The ORC provides OPERS and STRS Ohio statutory authority over employee and employer contributions. The required contractually determined contribution rates, respectively of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The contractually required contribution rates for the employee and the university are as follows for the year ended June 30, 2015:

	OPERS (Staff)	OPERS (Law Enforcement Staff)	STRS Ohio
Employee	10%	13.00%	12%
University	14%	18.10%	14%

For the year ended June 30, 2015, contributions to the pension plans from the university were \$21,736,000 for OPERS and \$18,360,000 for STRS Ohio.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the university reported a liability of \$135,910,000 and \$354,398,000 for OPERS and STRS Ohio, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014 for OPERS and June 30, 2014 for STRS Ohio and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The university's proportion of the net pension liability was based on a projection of the university's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015, the university's proportion was 1.13% for OPERS Traditional Pension Plan, 1.44% for OPERS Combined Plan and 1.46% for STRS Ohio.

For the year ended June 30, 2015, the university recognized pension expense of \$15,266,000 and \$16,373,000 for OPERS and STRS Ohio, respectively. At June 30, 2015, the university reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (*in thousands*):

	Deferred Outflows of Resources		
	OPERS	STRS Ohio	Total
Differences between expected and actual experience	\$ -	\$ 3,412	\$ 3,412
Net difference between projected and actual earnings on pension plan investments	7,315	-	7,315
University's contributions subsequent to the measurement date	10,979	21,810	32,789
	<u>\$ 18,294</u>	<u>\$ 25,222</u>	<u>\$ 43,516</u>

	Deferred Inflows of Resources		
	OPERS	STRS Ohio	Total
Differences between expected and actual experience	\$ 2,566	\$ -	\$ 2,566
Net difference between projected and actual earnings on pension plan investments	-	65,565	65,565
	<u>\$ 2,566</u>	<u>\$ 65,565</u>	<u>\$ 68,131</u>

At June 30, 2015, the university reported \$10,979,000 and \$21,810,000 for OPERS and STRS Ohio, respectively, as deferred outflows of resources related to pensions resulting in university contributions subsequent to the measurement date that will be used as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2015 related to pensions will be recognized in pension expense as follows (*in thousands*):

Year ended June 30,	OPERS	STRS Ohio	Total
2016	\$ 703	\$ (15,538)	\$ (14,835)
2017	703	(15,538)	(14,835)
2018	1,624	(15,538)	(13,914)
2019	1,809	(15,539)	(13,730)
2020	(20)	-	(20)
Thereafter	(70)	-	(70)
	<u>\$ 4,749</u>	<u>\$ (62,153)</u>	<u>\$ (57,404)</u>

Actuarial Assumptions

For OPERS, the total pension liability was determined by an actuarial valuation as of December 31, 2014, using the following actuarial assumptions, applied to all prior periods in the measurement:

OPERS	Traditional Pension Plan	Combined Plan
Valuation date	December 31, 2014	December 31, 2014
	Period ended	Period ended
Experience study	December 31, 2010	December 31, 2010
Inflation	3.75%	3.75%
Salary increases	4.25% - 10.05% including inflation at 3.75%	4.25% - 8.05% including inflation at 3.75%
Investment rate of return	8.00%	8.00%
Cost-of-living adjustments	3.00% simple	3.00% simple

For STRS Ohio, the total pension liability was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all prior periods included in the measurement:

STRS Ohio	
Valuation date	June 30, 2014
Experience study	Period ended June 30, 2012
Inflation	2.75%
Salary increases	12.25% at age 20 to 2.75% at age 70
Investment rate of return	7.75%, net of investment expenses
Cost-of-living adjustments	2% simple for members retiring before August 1, 2013; 2% simple delayed until fifth anniversary of retirement date for members retiring August 1, 2013 or later

Mortality rates for OPERS are the RP-2000 mortality table projected 20 years using Projection Scale AA. For males, 105% of the combined healthy male mortality rates were used. For females, 100% of the combined healthy female mortality rates were used. Mortality rates for STRS Ohio are the RP-2000 combined mortality table using Project Scale AA. For males, ages are set back two years through age 89 and no set back for age 90 and above. For females, those younger than age 80 are set back four years, one year set back from age 80 through 89 and no set back from age 90 and above.

The long-term expected rate of return on OPERS defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return were developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target allocation percentage, adjusted for inflation. STRS Ohio utilizes investment consultants to determine the long-term expected rate of return by developing best estimates of expected future real rates for each major asset class. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	OPERS		STRS Ohio	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equities	20%	5.84%	31%	8.00%
International equities	19%	7.40%	26%	7.85%
Fixed income	23%	2.31%	18%	3.75%
Real estate	10%	4.25%	10%	6.75%
Alternative investments	10%	9.25%	14%	8.00%
Other investments	18%	4.59%	1%	3.00%
	<u>100%</u>		<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability (asset) was 8.0% for OPERS and 7.75% for STRS Ohio. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that participating employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the university's proportionate share of the OPERS and STRS Ohio net pension liability (asset) calculated using a discount rate 1% higher and 1% lower than the plans' current rate (*in thousands*):

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
OPERS	\$ 251,124	\$ 135,910	\$ 38,903

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
STRS Ohio	\$ 507,359	\$ 354,398	\$ 225,044

Pension Plan Fiduciary Net Position

Detailed information about the pension plans' fiduciary net position is available in the separately issued OPERS and STRS Ohio financial report.

Defined Contribution Plans

OPERS also offers a defined contribution plan, the Member-Directed Plan (MD). The MD plan does not provide disability benefits, annual cost-of-living adjustments, postretirement health care benefits or death benefits to plan members and beneficiaries. Benefits are entirely dependent on the sum of contributions and investment returns earned by each participant's choice of investment options.

STRS Ohio also offers a defined contribution plan in addition to its long established defined benefit plan. All employee contributions and employer contributions at a rate of 9.5% are placed in an investment account directed by the employee. Disability benefits are limited to the employee's account balance. Employees electing the defined contribution plan receive no postretirement health care benefits.

On June 23, 1998, pursuant to Ohio House Bill 586, the university created an Ohio Alternative Retirement Plan (ARP), which is designed to aid the university in recruiting and retaining employees by offering a portable retirement option. The ARP is a defined contribution plan that provides full and immediate vesting of all contributions made on behalf of the participant. Contributions are directed to one of eight investment management companies, which allow the participant to manage the investment of all retirement funds. New employees who qualify for the ARP have 120 days from the date of hire to elect the ARP option. Once this window has passed, the employee will not have the option to elect into the ARP. ARP does not provide disability benefits, annual cost-of-living adjustments, postretirement health care benefits or death benefits to plan members and beneficiaries. Benefits are entirely dependent on the sum of contributions and investment returns earned by each participant's choice of investment options.

At June 30, 2015, there were 2,201 members in the plan. Under the provisions of ARP, the required rate for plan participants electing out of OPERS and STRS Ohio was 10% and 12%, respectively. The employer contribution rate for participants electing out of OPERS and STRS Ohio was 14% for 2015. During 2015, 2014, and 2013, the employer contributions were \$17,080,000, \$15,953,000, and \$16,174,000, respectively. A portion of the employer contribution rate for those employees that elect to participate in the ARP is directed to the unfunded liability accounts for both OPERS and STRS Ohio. The rates for fiscal year 2015

were 0.77% to OPERS and 4.5% to STRS Ohio. The employer contributions to the OPERS unfunded liability account during 2015, 2014, and 2013 were \$612,000, \$563,000, and \$538,000, respectively. The employer contributions to the STRS Ohio unfunded liability account during 2015, 2014, and 2013 were \$3,449,000, \$3,113,000, and \$2,457,000, respectively.

Payables to the Pension Plans

At June 30, 2015, the university reported a payable of \$3,388,000 and \$3,258,000 for OPERS and STRS Ohio, respectively, for the outstanding amount of contributions to the pension plans required for the year ended June 30, 2015.

Other Postemployment Benefits

OPERS provides postemployment health care benefits to retirees with ten or more years of qualifying service credit under the Traditional Pension and Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including postemployment health care coverage. The plan benefits include a medical plan, prescription drug program and Medicare Part B premium reimbursement. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code (ORC) permits, but does not require OPERS to provide Other Postemployment Benefits (OPEB) to its eligible benefit recipients. Authority to establish and amend health care coverage is provided in Chapter 145 of the ORC.

Each year the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For the calendar year ended December 31, 2014, OPERS allocated 2.0% of the employer contribution rate to fund the health care program for members in the Traditional Pension Plan and Combined Plan. Payment amounts vary depending on the number of covered dependents and the coverage selected. University employer contributions to OPERS to fund OPEB for 2015, 2014, and 2013 were approximately \$3,079,000, \$1,550,000, and \$6,026,000 respectively.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing on January 1, 2014. OPERS expects to be able to consistently allocate 4.0% of the employer contributions toward the health care fund after the end of the transition period.

STRS Ohio also provides access to health care coverage to eligible retirees who participate in the Defined Benefit and Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Pursuant to Chapter 3307 of the ORC, STRS Ohio has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of monthly premiums.

For the fiscal years ended June 30, 2014 and 2013, STRS Ohio allocated employer contributions equal to 1.0% of covered payroll to a Health Care Stabilization Fund from which payments for health care benefits are paid. Effective July 1, 2014, no percentage of covered payroll was allocated to postemployment healthcare. University employer contributions to STRS Ohio to fund OPEB for 2014 and 2013 were approximately \$1,511,000 and \$1,350,000, respectively.

11. Risk Management and Self-Insurance Funds

The university is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters and employee health and accident benefits. Settled claims have not exceeded commercial coverage in any of the three preceding years. The state of Ohio self-insures workers' compensation benefits for all state employees, including university employees. Workers' compensation claims are administered by CareWorks.

The university provides for medical professional and general liability insurance through a combination of an actuarially funded self-insurance program sponsored by the university and has purchased commercial insurance in excess of the self-insurance amount. The medical professional liability insurance program also includes qualified not-for-profit physician practice corporations, largely subsumed into University of Cincinnati Physicians, Inc. Medical professional self-insurance limits were \$4 million per occurrence for 2015. An

additional \$30 million in commercial excess professional liability insurance was provided above the self-insured retention.

The university's self-insurance program is based on calculations by independent actuaries and funds are deposited directly into two irrevocable self-insurance trust funds, one for medical and professional liability and one for general liability. In the opinion of management, trust assets totaling approximately \$25,218,000 are adequate to cover estimated liabilities resulting from known claims and incidents and incurred-but-not-reported incidents as of June 30, 2015 for the university and University of Cincinnati Physicians, Inc. Trust assets recorded on the university's financial report total \$4,281,000 included in current portion of other assets and liabilities of \$641,000 included in accrued liabilities in the Statement of Net Position as of June 30, 2015.

General liability coverage is also provided as part of a group insurance program of Ohio state universities known as the Inter-University Council of Ohio Insurance Consortium (IUC-IC). This program provided for \$10 million retention per occurrence with the first \$100,000 funded by UC, \$900,000 funded by pooled funds held through the IUC-IC and \$9 million reinsured through a commercial reinsurance agreement. Excess commercial coverage for general liability was provided with total limits of \$50 million shared with the other participating universities. In addition, educators' legal liability coverage was provided through the IUC-IC program with \$50 million in total limits also shared among the participating institutions. The IUC-IC self-insurance pools are funded by an agreed formula among the participating universities. This program qualifies as a public entity risk pool as defined by GASB standards and is classified as a risk-sharing pool. Under this arrangement, there is a transfer of risk from the university to the pool. Therefore, there is no recognition in the university's financial statements of assets or liabilities related to the IUC-IC program.

Property insurance is also provided through the IUC-IC program, consisting of commercial property insurance with a \$350,000 retention, and a self-insurance pool to fund retained losses subject to a \$100,000 university deductible. Total insurance expense paid through the IUC-IC program was \$1,755,000.

The university is also self-insured for a portion of medical, dental, and pharmacy benefits provided to employees. The cost of such self-insured benefits provided during 2015 was approximately \$78,154,000. In addition, \$5,780,000 was accrued for 2015, for estimated claims incurred but not reported.

12. Other Commitments and Contingencies

The university is currently a defendant in various legal actions. Although the final outcome of such actions cannot currently be determined, the university's administration is of the opinion that the eventual liability, if any, will not have a material effect on the financial position or operations of the university.

The university receives grants and contracts from certain federal, state and local agencies to fund research and other activities. The costs, both direct and indirect, that have been charged to the grants or contracts are subject to examination and approval by the granting agency. It is the opinion of management that any disallowance or adjustment of such costs would not have a material effect on the financial statements.

The university's utility plant is exposed to market price fluctuations on its purchase of natural gas. Purchase commitments have been issued with certain suppliers of natural gas whereby the university has locked in the price of natural gas for specified amounts to stabilize costs.

13. Capital Project Commitments

At June 30, 2015, the university is committed to future capital expenditures as follows (*in thousands*):

Contractual commitments	\$ 103,992
Estimated completion costs of projects	<u>86,664</u>
Total	<u>\$ 190,656</u>

These projects are being funded through various resources, including the State of Ohio, as follows (*in thousands*):

Approved state appropriations requested and released as of June 30, 2015	\$ 8,035
Approved state appropriations not yet requested	7,217
University funded prior to June 30, 2015	112,584
Funds to be provided subsequent to June 30, 2015, from various available sources	<u>62,820</u>
Total	<u>\$ 190,656</u>

The \$62,820,000 of funding to be provided subsequent to June 30, 2015 will come from state funds, debt, and university funds.

14. Restricted Net Position

Restricted net position is either nonexpendable or expendable. Nonexpendable restricted net position consists primarily of endowments whose corpus is held in perpetuity. Only the income and net appreciation is used for the purpose specified by the donor. The principal of expendable restricted net position may be used for the donor-specified purpose. Restricted nonexpendable and expendable net position is held for the following purposes (*in thousands*):

Restricted nonexpendable:	
Instruction	\$ 107,234
Research	35,690
Academic support	43,323
College/programs	83,782
Scholarships	75,180
Interest in UC Health	420,645
Other	<u>12,080</u>
	777,934
Less: UHCURC Elimination	<u>13,498</u>
Total	<u>\$ 764,436</u>

Restricted expendable:	
Instruction	\$ 29,784
Research	99,643
Academic support	26,760
College/programs	107,969
Scholarships	37,816
Student loans	10,250
Grants and contracts	1,783
Capital projects	<u>2,282</u>
Total	<u>\$ 316,287</u>

15. Related Organization

The University of Cincinnati Physicians, Inc. (UCP) is a legally separate nonprofit corporation formed under Chapter 1702 of the Ohio Revised Code through which the faculty of the University of Cincinnati's College of Medicine engage in clinical practice. In 2011, UCP entered into an integration of operations and assets agreement with UC Health and UC Health's wholly-owned subsidiary, University of Cincinnati Physicians Company (UCPC), an Ohio non-profit corporation, to form a common medical enterprise. This agreement facilitates the legal arrangements for UCP to lease certain of its employees and provide administrative and operational support services to UCPC. The agreement also facilitated the conveyance, transfer, and deliverance to UCPC assets and liabilities used in connection with the operations of the medical practices and related businesses.

The university appoints a voting majority of UCP's Board of Directors. However, the university's accountability for UCP does not extend beyond making these appointments. As such and per GASB standards, UCP does not qualify as a component unit of the university.

16. University Heights Community Urban Redevelopment Corporation

University Heights Community Urban Redevelopment Corporation (UHCURC) is organized as a not-for-profit corporation under the laws of the state of Ohio. Its mission is to revitalize the University Heights neighborhood adjacent to the University of Cincinnati. UHCURC was organized by three founding members: The Heights Community Council, the Greek Affairs Council and the University of Cincinnati. The corporation owns a student housing complex that consists of 20 buildings with the capacity to house approximately 700 students.

The governance structure of UHCURC's Board of Trustees gives the university a voting majority on the board. Due to this structure and the fact the university can impose its will on UHCURC, the organization is reported as a blended component unit of the university. Accordingly, all significant intercompany accounting transactions have been eliminated as required by generally accepted accounting principles.

UHCURC's fiscal year end is August 31. As GASB standards require, the reporting entity should incorporate financial statements for the blended component unit's fiscal year ended during the reporting entity's fiscal year. Therefore, UHCURC's financial statements for the year ended August 31, 2014 have been blended with the university's financial statements for the fiscal year ended June 30, 2015.

A condensed statement of net position for UHCURC as of August 31, 2014 and the related statement of revenues, expenses and changes in net position and statement of cash flows for the year then ended are as follows (*in thousands*):

Statement of Net Position

	8/31/2014
Current assets	\$ 50
Capital assets not being depreciated	4,788
Capital assets being depreciated, net	<u>43,220</u>
Total assets	<u>48,058</u>
Deferred outflows of resources	<u>829</u>
Current liabilities	574
Long-term debt – current portion	1,050
Long-term debt	46,530
Accrued interest payable – University of Cincinnati	10,464
Notes payable – University of Cincinnati	<u>16,998</u>
Total liabilities	<u>75,616</u>
Net investment in capital assets	(532)
Unrestricted	<u>(26,197)</u>
Total net position	<u>(\$ 26,729)</u>

Statement of Revenues, Expenses and Changes in Net Position

	<u>8/31/2014</u>
Operating revenues	\$ 3,346
Operating expenses	3,432
Depreciation	<u>1,550</u>
Operating loss	(1,636)
Other nonoperating expenses	<u>(4)</u>
Decrease in net position	(1,640)
Net position, beginning of the year	<u>(25,089)</u>
Net position, end of the year	<u><u>(\$ 26,729)</u></u>

Statement of Cash Flows

	<u>8/31/2014</u>
Net cash from operating activities	\$ 1,036
Net cash used for capital and financing activities	<u>(1,030)</u>
Net increase in cash and cash equivalents	6
Cash and cash equivalents, beginning of the year	<u>44</u>
Cash and cash equivalents, end of the year	<u><u>\$ 50</u></u>

17. University of Cincinnati Foundation

The University of Cincinnati Foundation is a legally separate, tax-exempt component unit of the university. The Foundation complies with FASB pronouncements for reporting purposes. The principal function of the Foundation is to solicit, reserve, hold, invest and administer funds and to make distributions to or for the benefit of the university. Since these resources held by the Foundation can be used only by or for the benefit of the university, the Foundation is considered a component unit of the university and is discretely presented in the university's financial statements. The university received \$42,051,000 in payments from the Foundation for the year ended June 30, 2015. These payments are reported as gifts on the university's Statement of Revenues, Expenses, and Changes in Net Position.

Separate financial information regarding the Foundation may be obtained by contacting the Foundation at University of Cincinnati Foundation, University Hall, Suite 100, 51 Goodman Drive, Cincinnati, Ohio 45221-0064. Selected disclosures from the University of Cincinnati Foundation financial statements can be found beginning on the following page.

THE UNIVERSITY OF CINCINNATI FOUNDATION NOTES TO FINANCIAL STATEMENTS

PLEDGES RECEIVABLE

Contributors to the Foundation have made unconditional pledges totaling approximately \$90,419,000 as of June 30, 2015. For payments that extend beyond one year, these pledges receivable have been discounted at rates ranging from 0.8% to 6% to a net present value of approximately \$80,776,000 as of June 30, 2015.

As of June 30, the unpaid pledges are due as follows:

	2015
Less than one year	\$ 28,378,632
One to five years	27,206,305
More than five years	<u>34,834,227</u>
	90,419,164
Less discount to present value	(9,642,684)
Less allowance for uncollectible pledges	<u>(2,995,000)</u>
	\$ <u>77,781,480</u>

The Foundation records unconditional promises to give at fair value on the date the promise to give is received using the expected present value technique ("EPV"). EPV calculates present value by discounting risk-adjusted expected cash flows using a risk-free interest rate (yield to maturity on U.S. Treasuries representing the average pledge term). Amortization of the discount is recorded as additional contribution revenue.

Amounts due from irrevocable bequests, which are unconditional promises to give, as of June 30, 2015 of approximately \$14,423,000 are included in the total amount of unconditional pledges due in more than five years. The allowance for uncollectible pledges includes approximately \$32,000 associated with the irrevocable bequests, as of June 30, 2015.

Nine donors currently have outstanding conditional pledges to the Foundation. As of June 30, 2015, 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 \$1,088,000 as of June 30, 2015.

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.

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 Trustees to function as endowments, are classified and reported based on the absence or existence of donor-imposed restrictions.

The Board of Trustees has interpreted the State of Ohio's 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 1,009 endowment funds, at June 30, 2015. As of June 30, 2015, the fair value of these funds collectively was \$27,999,305 less than the original gift amounts.

The Foundation has adopted a spending rate policy that limits the distribution of endowment income. The spending rate in fiscal year 2015 was 4.5% 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 2015, income earned in the investment pool was less than the amount allocated for expenditure by approximately \$6,074,000. This shortfall was funded by cumulative capital gains in the investment pool for the year ended June 30, 2015.

The endowment net asset composition by type of fund as of June 30, 2015 was as follows:

	2015			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	\$ 78,754,894	\$ 273,076,168	\$ 351,831,062
Board designated endowment funds	(23,890,377)	-	-	(23,890,377)
Total	\$ (23,890,377)	\$ 78,754,894	\$ 273,076,168	\$ 327,940,685

The change in endowment fund net assets for the year ended June 30, 2015, is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ (17,477,637)	\$ 82,626,183	\$ 253,684,457	\$ 318,833,003
Investment income:				
Interest and dividend income	326,288	10,177,632	11,579	10,515,499
Net realized/unrealized loss	(6,418,970)	(6,698,158)	-	(13,117,128)
Total investment income	(6,092,682)	3,479,474	11,579	(2,601,629)
Contributions and other transfers	-	2,303,869	18,430,543	20,734,412
Appropriation of endowment assets for expenditure	(325,876)	(10,574,629)	(91,364)	(10,991,869)
Other changes:				
Other income	-	741,691	700,569	1,442,260
Income reinvestment	5,818	178,306	340,384	524,508
Endowment net assets, end of year	\$ (23,890,377)	\$ 78,754,894	\$ 273,076,168	\$ 327,940,685

Permanently restricted endowment assets appropriated for expenditure relate primarily to contributions received where a donor originally permanently restricted the donation and subsequently changed the nature of the restriction.

INVESTMENTS

The Foundation combines its pooled investment securities with the investment pool of the University in order 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, 2015, the University is holding approximately \$4,188,000 that is to be invested in the University pooled investments. This amount is recorded as other investments in the Statements of Financial Position.

The Foundation also manages other investments, which amounted to approximately \$52,133,000 as of June 30, 2015. 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, 2015:

	2015 Fair Value	2015 Cost
Cash equivalents	\$ 5,507,699	\$ 5,507,699
U.S. Government and agency obligations	3,655,349	3,629,709
Corporate bonds	10,927,129	11,099,614
Mutual funds	21,538,293	19,656,681
Common stocks and exchange traded funds	14,692,874	11,693,687
University pooled investments	<u>291,617,756</u>	<u>306,414,857</u>
Total	<u>\$ 347,939,100</u>	<u>\$ 358,002,247</u>

The number of units in the University pooled investments owned by the Foundation totaled 3,527,734, which represents 33% share of the University investment pool as of June 30, 2015. The University pooled investments 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 pooled investments are stated at fair value, as provided by the investment managers. Audited financial statements of the underlying investments in the University pooled investments as of June 30, 2015, 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, 2015. The Foundation believes that the carrying value of these investments is a reasonable estimate of fair value at June 30, 2015. Certain underlying investments in the University pooled 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 certain investments in the University investment pool existed.

The underlying investments that comprise University pooled investments as of June 30 are as follows:

	2015
U.S. and international equity securities	21%
Fixed income securities	14
Hedge funds and private equity capital	57
Real estate and community development	<u>8</u>
Total	<u>100%</u>

BENEFICIAL INTEREST IN TRUSTS – OTHER TRUSTEES

The Foundation has been notified of thirteen 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 reflective of the credit risk involved. Beneficial interest in trusts held by other trustees amounted to approximately \$9,457,000 as of June 30, 2015.

Required Supplementary Information

**Schedules of the University's Proportionate Share of the Net Pension Liability (Asset)
Ohio Public Employees Retirement System (OPERS)
State Teachers Retirement System of Ohio (STRS Ohio)
Last 10 Years*
(Dollar amounts in millions)**

OPERS	<u>2015</u>
University's proportion of the net pension liability	1.13%
University's proportionate share of the net pension liability	\$ 135.9
University's covered-employee payroll	\$ 150.5
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	90.32%
Plan fiduciary net position as a percentage of the total pension liability	86.53%
STRS Ohio	<u>2015</u>
University's proportion of the net pension liability	1.46%
University's proportionate share of the net pension liability	\$ 354.4
University's covered-employee payroll	\$ 128.9
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	275.03%
Plan fiduciary net position as a percentage of the total pension liability	74.71%

*The amounts presented for 2015 were determined as of December 31, 2014 for OPERS and June 30, 2014 for STRS Ohio. These are 10-year schedules – however, the information is not required to be presented retroactively. Years will be added to these schedules in future fiscal years until 10 years of information is available.

**Schedules of the University's Contributions
Ohio Public Employees Retirement System (OPERS)
State Teachers Retirement System of Ohio (STRS Ohio)
Last 10 Years*
(Dollar amounts in millions)**

	2015 OPERS	2015 STRS Ohio
Contractually required contribution	\$ 21.7	\$ 18.4
Contributions in relation to the contractually required contribution	(21.7)	(18.4)
Contribution deficiency (excess)	\$ -	\$ -
University's covered-employee payroll	\$ 154.0	\$ 131.1
Contributions as a percentage of covered-employee payroll	14.12%	14.00%

*The amounts presented for 2015 were determined as of June 30, 2015. These are 10-year schedules – however, the information is not required to be presented retroactively. Years will be added to these schedules in future fiscal years until 10 years of information is available.

Notes to Required Supplementary Information

Changes of Benefit Terms

Amounts reported in 2015 for OPERS reflect the following plan changes:

- The minimum age and number of years of service required to receive an unreduced benefit were each increased by two years for members in the state and local divisions. The minimum retirement age required for law enforcement members did not change, however, the minimum retirement age was increased by two years.
- Final average salary (FAS) increased to the highest five years (up from three years).
- The benefit multiplier used for the first 30 years (2.2% of FAS) was increased to the first 35 years of service.
- Age and service reduction factors changed to represent actuarially determined rates for each year a member retires before attaining full retirement.
- The Cost of Living Adjustment (COLA) was changed for new retirees from a simple 3% applied to the benefit value at date of retirement, to a rate based on the change in the Consumer Price Index, not to exceed 3%.

Amounts reported in 2015 for STRS Ohio reflect the following plan changes:

- No COLAs were granted for the fiscal year ended June 30, 2014 and reduced to 2% for future periods. COLA deferred until the fifth anniversary of retirement for members retiring after July 1, 2013.
- New members require five years of qualifying service credit to be eligible for survivor benefits and 10 years of service of qualifying service to be eligible for disability benefits.

Changes of Assumptions

There were no changes of assumptions for OPERS or STRS Ohio for the fiscal years presented.

University of Cincinnati

A Component Unit of the State of Ohio

Schedule of Expenditures of Federal Awards

for the year ended June 30, 2015

Federal Agency	Federal CFDA Number	Program Title or Pass Through Entity ID	Federal Expenditures
Student Financial Assistance Cluster			
Student Financial Assistance - Direct Funds			
Department of Education			
Office of Student Financial Assistance Programs	84.007	Federal Supplemental Educational Opportunity Grants	\$1,820,809
Office of Student Financial Assistance Programs	84.033	Federal Work-Study Program	1,685,255
Office of Student Financial Assistance Programs	84.038	Federal Perkins Loan Program_Federal Capital Contributions	21,690,659
Office of Student Financial Assistance Programs	84.063	Federal Pell Grant Program	38,495,409
Office of Student Financial Assistance Programs	84.268	Federal Direct Student Loans	283,718,913
Department of Education	84.379	Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	120,220
Total Department of Education			347,531,265
Department of Health and Human Services			
Health Resources and Services Administration	93.264	Nurse Faculty Loan Program (NFLP)	822,951
Health Resources and Services Administration	93.342	Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students	727,385
Health Resources and Services Administration	93.364	Nursing Student Loans	720,961
Total Department of Health and Human Services			2,271,297
Total Student Financial Assistance - Direct Funds			349,802,562
Total Student Financial Assistance Cluster			349,802,562
Research and Development Cluster			
Research and Development - Direct Funds			
Department of Agriculture			
Department of Agriculture	10	Forest Service 12-JV-11221636-169-M2	14,158
Agricultural Research Service	10.001	Agricultural Research_Basic and Applied Research	57,654
Foreign Agricultural Service	10.961	Scientific Cooperation and Research	22,205
Total Department of Agriculture			94,017
Department of Commerce			
National Institute of Standards and Technology (NIST)	11.609	Measurement and Engineering Research and Standards	30,773
Department of Defense			
Department of Defense	12	ARMY W81XWH-14-1-0347	97,653
Department of Defense	12	ARMY W913ES-14-C-0007	27,651
Department of the Navy, Office of the Chief of Naval Research	12.300	Basic and Applied Scientific Research	57,506
Office of the Secretary of Defense	12.351	Basic Scientific Research - Combating Weapons of Mass Destruction	565,775
U.S. Army Medical Command	12.420	Military Medical Research and Development	1,336,704
U.S. Army Materiel Command	12.431	Basic Scientific Research	116,444
Department of the Air Force, Materiel Command	12.800	Air Force Defense Research Sciences Program	2,049,129
National Security Agency	12.901	Mathematical Sciences Grants Program	8,076
Advanced Research Projects Agency	12.910	Research and Technology Development	898,849

University of Cincinnati

A Component Unit of the State of Ohio

Schedule of Expenditures of Federal Awards

for the year ended June 30, 2015

Federal Agency	Federal CFDA Number	Program Title or Pass Through Entity ID	Federal Expenditures
Total Department of Defense			5,157,787
Department of Education			
Institute of Education Sciences	84.324	Research in Special Education	300,702
Office of Special Education and Rehabilitative Services	84.325	Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	2,341
Total Department of Education			303,043
Department of Energy			
Department of Energy	81	EIC Laboratories DE-SC0009718	29,079
Department of Energy	81.049	Office of Science Financial Assistance Program	822,650
Department of Energy	81.057	University Coal Research	68,722
Total Department of Energy			920,451
Department of Health and Human Services			
Department of Health and Human Services	93	CDC NIOSH 200-2013-M-56581	6,519
Department of Health and Human Services	93	CDC NIOSH 200-2013-M-56642	49,328
Department of Health and Human Services	93	CDC NIOSH 200-2013-M-57090	21,522
Department of Health and Human Services	93	CDC NIOSH 200-2014-M-59605	2,724
Department of Health and Human Services	93	CDC NIOSH 200-2014-M-60794	538
Department of Health and Human Services	93	CDC NIOSH 200-2015-M-62133	8,038
Department of Health and Human Services	93	CDC NIOSH 211-2013-M-56540	50,224
Department of Health and Human Services	93	CDC NIOSH 212-2012-M-51462	22,985
Department of Health and Human Services	93	CDC NIOSH 212-2015-M-62326	8,932
Department of Health and Human Services	93	CDC NIOSH 214-2014-M-60428	50,307
Department of Health and Human Services	93	CDC NIOSH 254-2012-M-52789	10,993
Department of Health and Human Services	93	CDC NIOSH 254-2013-M-57525	73,820
Department of Health and Human Services	93	NIAID HHSN272201000029I / HHSN27200003 Task A63	621,900
Department of Health and Human Services	93	NICHD HHSN275201300014I / HHSN27500001 TASK 1	24,588
Department of Health and Human Services	93	NICHD HHSN275201300014I / HHSN27500002 TASK 2	357,416
Department of Health and Human Services	93	NICHD HHSN275201300014I / HHSN27500003 TASK 3	44,418
Department of Health and Human Services	93	NICHHD HHSN275200403377I / HHSN275201100056U TASK 7	-6,907
Centers for Disease Control and Prevention	93.070	Environmental Public Health and Emergency Response	37,241
Food and Drug Administration	93.103	Food and Drug Administration_Research	1,546,501
Health Resources and Services Administration	93.110	Maternal and Child Health Federal Consolidated Programs	877,153
National Institutes of Health	93.113	Environmental Health	6,867,638
National Institutes of Health	93.121	Oral Diseases and Disorders Research	314,109
Health Resources and Services Administration	93.124	Nurse Anesthetist Traineeships	35,441
National Institutes of Health	93.142	NIEHS Hazardous Waste Worker Health and Safety Training	1,429,800
National Institutes of Health	93.173	Research Related to Deafness and Communication Disorders	267,471
Health Resources and Services Administration	93.178	Nursing Workforce Diversity	344,950

University of Cincinnati

A Component Unit of the State of Ohio

Schedule of Expenditures of Federal Awards

for the year ended June 30, 2015

Federal Agency	Federal CFDA Number	Program Title or Pass Through Entity ID	Federal Expenditures
Agency for Healthcare Research and Quality	93.226	Research on Healthcare Costs, Quality and Outcomes	332,690
National Institutes of Health	93.242	Mental Health Research Grants	2,528,972
Health Resources and Services Administration	93.247	Advanced Nursing Education Grant Program	278,611
Health Resources and Services Administration	93.250	Geriatric Academic Career Awards	171,727
Centers for Disease Control and Prevention	93.262	Occupational Safety and Health Program	2,244,613
Centers for Disease Control and Prevention	93.270	Adult Viral Hepatitis Prevention and Control	106,040
National Institutes of Health	93.279	Drug Abuse and Addiction Research Programs	2,796,031
National Institutes of Health	93.281	Mental Health Research Career/Scientist Development Awards	186,448
National Institutes of Health	93.282	Mental Health National Research Service Awards for Research Training	8,470
National Institutes of Health	93.286	Discovery and Applied Research for Technological Innovations to Improve Human Health	387,060
National Institutes of Health	93.307	Minority Health and Health Disparities Research	7,000
National Institutes of Health	93.350	National Center for Advancing Translational Sciences	3,709,858
National Institutes of Health	93.361	Nursing Research	56,860
Health Resources and Services Administration	93.365	Sickle Cell Treatment Demonstration Program	208,190
National Institutes of Health	93.389	National Center for Research Resources	-4,456
National Institutes of Health	93.393	Cancer Cause and Prevention Research	914,560
National Institutes of Health	93.394	Cancer Detection and Diagnosis Research	-3,314
National Institutes of Health	93.395	Cancer Treatment Research	672,532
National Institutes of Health	93.396	Cancer Biology Research	1,907,445
National Institutes of Health	93.398	Cancer Research Manpower	829,211
Administration for Children and Families	93.632	University Centers for Excellence in Developmental Disabilities Education, Research, and Service	607,365
Administration for Children and Families	93.674	Chafee Foster Care Independence Program	246,310
National Institutes of Health	93.702	National Center for Research Resources, Recovery Act Construction Support	298,081
National Institutes of Health	93.837	Cardiovascular Diseases Research	5,988,528
National Institutes of Health	93.838	Lung Diseases Research	969,690
National Institutes of Health	93.839	Blood Diseases and Resources Research	267,716
National Institutes of Health	93.846	Arthritis, Musculoskeletal and Skin Diseases Research	587,885
National Institutes of Health	93.847	Diabetes, Digestive, and Kidney Diseases Extramural Research	4,999,120
National Institute of Diabetes and Digestive and Kidney Disease	93.848	Digestive Diseases and Nutrition Research	59,340
National Institute of Diabetes and Digestive and Kidney Disease	93.849	Kidney Diseases, Urology and Hematology Research	29,258
National Institutes of Health	93.853	Extramural Research Programs in the Neurosciences and Neurological Disorders	12,088,387
National Institutes of Health	93.855	Allergy, Immunology and Transplantation Research	3,368,717
National Institutes of Health	93.859	Biomedical Research and Research Training	3,236,974
National Institutes of Health	93.865	Child Health and Human Development Extramural Research	450,064
National Institutes of Health	93.866	Ageing Research	233,226

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Federal Agency	Federal CFDA Number	Program Title or Pass Through Entity ID	Federal Expenditures
National Institutes of Health	93.867	Vision Research	1,421,238
Health Resources and Services Administration	93.884	Grants for Training in Primary Care Medicine and Dentistry	359,618
Fogarty International Center	93.934	Fogarty International Research Collaboration Award	329,020
Total Department of Health and Human Services			65,946,734
Department of Housing and Urban Development			
Department of Housing and Urban Development	14	HUD OHHHU0027-14	57,669
Department of Justice			
Federal Bureau of Investigation	16.307	Combined DNA Index System	153,142
Office of Juvenile Justice and Delinquency Prevention	16.540	Juvenile Justice and Delinquency Prevention_Allocation to States	140,057
National Institute of Justice	16.562	Criminal Justice Research and Development_Graduate Research Fellowships	21,188
Bureau of Prisons	16.601	Corrections_Training and Staff Development	28,340
Bureau of Justice Assistance	16.812	Second Chance Act Prisoner Reentry Initiative	27,468
Total Department of Justice			370,195
Department of the Interior			
U.S. Geological Survey	15.807	Earthquake Hazards Reduction Program	25,744
U.S. Geological Survey	15.816	Minerals Resources External Research Program	12,106
Total Department of the Interior			37,850
Department of Transportation			
Federal Aviation Administration (FAA)	20.108	Aviation Research Grants	402,410
Department of Veterans Affairs			
Department of Veterans Affairs	64	VAMC VA250-13-C-0058 - PO539-C45179	193,516
Environmental Protection Agency			
Office of Research and Development	66.500	Environmental Protection_Consolidated Research	34,775
Office of Research and Development	66.511	Office of Research and Development Consolidated Research/Training/Fellowships	454,179
Office of Research and Development	66.516	P3 Award: National Student Design Competition for Sustainability	38,920
Total Environmental Protection Agency			527,874
National Aeronautics and Space Administration			
National Aeronautics and Space Administration	43	NASA NNX10AQ44G 01-04	61,814
National Aeronautics and Space Administration	43	NASA NNX13AF46A	48,578
National Aeronautics and Space Administration	43	NASA NNX13AR77H	61,134
National Aeronautics and Space Administration	43.002	Aeronautics	22,488
Total National Aeronautics and Space Administration			194,014
National Science Foundation			
National Science Foundation	47.041	Engineering Grants	1,727,641
National Science Foundation	47.049	Mathematical and Physical Sciences	1,882,763
National Science Foundation	47.050	Geosciences	366,104
National Science Foundation	47.070	Computer and Information Science and Engineering	651,952

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National Science Foundation	47.074	Biological Sciences	783,782
National Science Foundation	47.075	Social, Behavioral, and Economic Sciences	357,197
National Science Foundation	47.076	Education and Human Resources	3,202,571
National Science Foundation	47.079	International Science and Engineering (OISE)	44,189
Total National Science Foundation			9,016,199
Office of Personnel Management			
Office of Personnel Management	27.003	Federal Student Temporary Employment Program	24,112
Office of Personnel Management	27.011	Intergovernmental Personnel Act (IPA) Mobility Program	1,343,333
Total Office of Personnel Management			1,367,445
Total Research and Development - Direct Funds			84,619,977
Research and Development - Pass Through Funds			
Department of Commerce			
National Oceanic and Atmospheric Administration (NOAA)	11.417	OSURF 60047465	7,627
Department of Defense			
Department of Defense	12	BATTELLE 0000393878	38,087
Department of Defense	12	BATTELLE 0000479607	236
Department of Defense	12	CERV VA W81XWH-13-1-0497	106,638
Department of Defense	12	DAGSI RQ1-UC-13-6-FRL	3,401
Department of Defense	12	Ecosil Technologies, LLC 009287-003	29,904
Department of Defense	12	Fast-Track Biologics-0047-1062-CPP1-05- UC	28,495
Department of Defense	12	General NANO N00014-12-C-0537	42,290
Department of Defense	12	General NANO N00014-13-C-0072	83,024
Department of Defense	12	GE-PO 200-14-14N44259	30,878
Department of Defense	12	GIRD Systems, Inc. 30-0001-0914F09	24,367
Department of Defense	12	Inhibikas Therapeutics Inc. #0000013121 MOD3	72,256
Department of Defense	12	Inhibikas Therapeutics Inc. 0000013121	-75
Department of Defense	12	Inhibikas Therapeutics Inc. 0000013121 MOD2	44,294
Department of Defense	12	Knite PO#977 N68335-14-C-0343	35,000
Department of Defense	12	McGill Univ Health Center 5536	17,030
Department of Defense	12	Neuren Pharm W81XWH-09-1-0496	197,901
Department of Defense	12	Northrop Grumman 7500125451	20,441
Department of Defense	12	Northrop Grumman 7500127120	8,220
Department of Defense	12	NRL N00173-15-P-0533	29,582
Department of Defense	12	Terumo BCT CTS0080	192,408
Department of Defense	12	Tetra Tech W91237-09-D-0003	9,948
Department of Defense	12	U Mass 14 008053 B00	23,255
Department of Defense	12	UES S-875-202-002	177,540
Department of Defense	12	UES S-923-401-001	-3
Department of Defense	12	Universal Tech Corp 13-S2604-04-C20	-2
Department of Defense	12	Universal Tech Corp 13-S590-0020-63-C5	1,455
Department of Defense	12	Universal Tech Corp 15-7900-0005-03-C4	4,306

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Department of Defense	12	Wake Forest WFUHS 441017 SR-07	402,752
Department of Defense	12	Wm. Peschel N68335-14-C-0345	16,643
Department of the Navy, Office of the Chief of Naval Research	12.300	U Louisville RF 14-0861	34,070
Office of the Secretary of Defense	12.351	New Jersey Inst of Technology 996289	2,491
U.S. Army Medical Command	12.420	UCSD PO# 10316818	55,776
U.S. Army Medical Command	12.420	UCSD PO# 10317743	5,070
U.S. Army Medical Command	12.420	UCSD PO#10291745-05	252,759
U.S. Army Medical Command	12.420	UCSD PO#10320447	36,731
U.S. Army Medical Command	12.420	UTMB-Galveston 13-027	34,408
U.S. Army Medical Command	12.420	VA CFBRE W81XWH-10-2-0104	-10,512
U.S. Army Materiel Command	12.431	Penn State 4408-UC-USA-0124	170
U.S. Army Materiel Command	12.431	Rice U R17941	9,170
Office of the Secretary of Defense	12.630	U Missouri C00037615	69,982
Department of the Air Force, Materiel Command	12.800	ORE HSU 9006220 UCIN	55,110
Department of the Air Force, Materiel Command	12.800	TDA RESEARCH INC 1096.JN.UC.12.01	20,434
Department of the Air Force, Materiel Command	12.800	Wright State Univ 667709	24,932
Total Department of Defense			2,230,862
Department of Education			
Department of Education	84	OBR 01-3939	1,999
Department of Education	84	OBR01-3729	3,916
Department of Education	84	OBR01-4112	3,499
Department of Education	84	OBR01-4117	1,299
Department of Education	84	OBR01-4182	1,999
Institute of Education Sciences	84.305	ULRF12-0345-02	22,069
Department of Education	84.395	ARRA OSURF 60035141-M5	27,480
Department of Education	84.395	ARRA OSURF 60035141-M6	5,140
Department of Education	84.395	ARRA OSURF 60035141-M7	4,958
Department of Education	84.395	ARRA OSURF 60040369	5,190
Total Department of Education			77,549
Department of Energy			
Department of Energy	81	Battelle 149581	2,213
Department of Energy	81	Battelle 227796	52,682
Department of Energy	81	Battelle 244200	53,071
Department of Energy	81	Fermilab 613349	9,088
Department of Energy	81.049	Battelle 00088635	-679
Department of Energy	81.049	Battelle 00102835	183,183
Department of Energy	81.049	Bettergy Corp DE-SE0006179	-3
Department of Energy	81.049	CPWR 1080-49	28,902
Department of Energy	81.089	U Missouri 00026229-01	-2,334
Department of Energy	81.089	U Missouri 00042083-02	77,869
Total Department of Energy			403,992
Department of Health and Human Services			
Department of Health and Human Services	93	Brown Univ 00000300	216,348
Department of Health and Human Services	93	Cincinnati Health Network 5H76HA00111-24-00	453,113

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Department of Health and Human Services	93	Cincinnati Health Network 5H76HA00111-25-00	116,366
Department of Health and Human Services	93	Clinical Research Mgmt #UC-2013-01	2,559
Department of Health and Human Services	93	CWRU WFUHS 33000	1,750
Department of Health and Human Services	93	CWRU RES5058835	822
Department of Health and Human Services	93	FEFA 005-1005	809,550
Department of Health and Human Services	93	Hamilton County Public Health 2014-0024 HIV EIP	115,373
Department of Health and Human Services	93	Hamilton County Public Health 2015 HIV EIP	51,777
Department of Health and Human Services	93	U ILLINOIS 2010-06621-31-03	4,084
Department of Health and Human Services	93	U ILLINOIS 2015-06621-31-03	935
Substance Abuse and Mental Health Services Administration	93.104	CCMHRB Sub SAMHSA Fast Trac Year 5	48,997
Substance Abuse and Mental Health Services Administration	93.104	CCMHRB Sub SAMHSA Fast Trac Year 6	115,951
Substance Abuse and Mental Health Services Administration	93.104	HCMHRB National Evaluation of JOURNEY	213,988
Substance Abuse and Mental Health Services Administration	93.104	Talbert House BJA Grant 1H79T1025930-01	17,731
Substance Abuse and Mental Health Services Administration	93.104	Talbert House GA 71700	46,768
Health Resources and Services Administration	93.107	U Toledo F2014-14	7,118
Health Resources and Services Administration	93.107	U Toledo F2015-89	39,309
Health Resources and Services Administration	93.110	HCWP-HOTS PRO12060248	1,040
Health Resources and Services Administration	93.110	MCHB 2014-2015 1-H30MC24047-01-01	6,489
National Institutes of Health	93.113	CCHMC 107837	221,511
National Institutes of Health	93.113	CCHMC 107837 M5	-3,068
National Institutes of Health	93.113	CCHMC 131098	165,379
National Institutes of Health	93.113	CCHMC 131098 M3	5,821
National Institutes of Health	93.113	Harvard Subsward # 112135-5057091	68,195
National Institutes of Health	93.113	NKU SUB # 4000831-S1	6,082
National Institutes of Health	93.113	North Carolina State Univ 2015-0273-01	48,700
National Institutes of Health	93.113	U Illinois Chicago 2011-04282-01-02	61,970
National Institutes of Health	93.113	U ILLINOIS CHICAGO 2012-02586-01-02	130,189
National Institutes of Health	93.113	UCSF 6375SC	48,698
National Institutes of Health	93.113	Univ Texas Medical Branch 15-038	750
Health Resources and Services Administration	93.134	LIFELINE R39OT18282-03-00	22,576
National Institutes of Health	93.142	ICWU SUB ES06162-22	6,994
National Institutes of Health	93.142	ICWU SUB ES06162-23	47,554
National Institutes of Health	93.142	ICWU SUB ES09758-23	1,458
Health Resources and Services Administration	93.145	U PITT 0019469 (123461-4)	3,233
Health Resources and Services Administration	93.145	U PITT 0026510 (124896-4)	4,972
Health Resources and Services Administration	93.145	U PITT 0049958	224,730
National Institutes of Health	93.172	CCHMC 130224	-3
National Institutes of Health	93.172	CCHMC 131170	4,165
National Institutes of Health	93.173	GSU SP00011574-01	4,171
National Institutes of Health	93.173	GSU SP00011574-02	2,382
National Institutes of Health	93.173	RFCUNY 41884-00 01	113,899
National Institutes of Health	93.173	STAR 5R44DC010104-S1-03-04	21,244
National Institutes of Health	93.173	TRINCH WX00225063 Amend 2	-2,939
National Institutes of Health	93.173	TRINCH WX00251796 Amend #3	11,122
Centers for Disease Control and Prevention	93.184	HFM CDC13-14-HTC434	10,326
Centers for Disease Control and Prevention	93.184	HFM CDC14-15-HTC434	11,490

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Federal Agency	Federal CFDA Number	Program Title or Pass Through Entity ID	Federal Expenditures
National Institutes of Health	93.213	Mass General SUOI AT000613	-6,508
Agency for Healthcare Research and Quality	93.226	CASE WESTERN RES508470	6,559
Agency for Healthcare Research and Quality	93.226	CCHMC 108518	10,951
Agency for Healthcare Research and Quality	93.226	CWRU RES509339	528
Agency for Healthcare Research and Quality	93.226	Wright State Univ 669622	37,539
National Institutes of Health	93.242	FIMR-500484-CIN-01	9,924
Substance Abuse and Mental Health Services Administration	93.243	NE Ohio Med Univ 34418-W	635
Health Resources and Services Administration	93.250	Emma Pendleton Bradley Hospital 712-7457	50,182
Health Resources and Services Administration	93.250	Mt. Sinai 0255-7855-4609	499,035
Health Resources and Services Administration	93.250	Mt. Sinai 0255-7865-4609	83,953
Health Resources and Services Administration	93.250	NKFM SUB HRSA R39OT26992	16,435
Centers for Disease Control and Prevention	93.262	CCHMC 132032	24,218
Centers for Disease Control and Prevention	93.262	TEXAS A&M 23-S120001	14,056
Centers for Disease Control and Prevention	93.262	TEXAS A&M 23-S120001 - Year 4	6,162
National Institutes of Health	93.273	CCHMC 132581	61,925
National Institutes of Health	93.273	Miami University Ohio G02250	83,409
National Institutes of Health	93.279	Ai Cure Tech 009163-003	107,886
National Institutes of Health	93.279	BREF NIDA-VA#1032 AZD8529	25,439
National Institutes of Health	93.279	RiboNova Inc. RUC001	26,170
National Institutes of Health	93.279	U Toledo N2013-9	18,292
National Institutes of Health	93.279	UCSF 8644	4,324
National Institutes of Health	93.279	VMRC DA031876-03	56,835
Centers for Disease Control and Prevention	93.283	Kennedy Krieger Institute PLLUSS Program King Yr 1	13,990
Centers for Disease Control and Prevention	93.283	Kennedy Krieger Institute PLLUSS Program King Yr 2	13,101
Centers for Disease Control and Prevention	93.283	Ohio Department of Health 03140014BC0815	186,263
National Institutes of Health	93.307	AAMC via NIH MD006960-02	4,000
National Institutes of Health	93.307	AAMC/NIH MD006960-03	91,126
National Institutes of Health	93.310	Baylor College of Medicine 101811297 Yr1	63,676
National Institutes of Health	93.310	Baylor College of Medicine 101994491 Yr2	105,098
National Institutes of Health	93.350	CCHMC UC-CCTST CHPG 2013	387
Office of the Secretary	93.360	Achaogen Protocol #ACHN 490-007/BARDA	1,890
National Institutes of Health	93.361	Rhode Island Hospital 701-5500-OH	36,437
National Institutes of Health	93.389	Miami Univ Ohio 470217-	10,772
National Institutes of Health	93.389	NKU 4000999_1	4,755
National Institutes of Health	93.393	CCHMC 131306 M1	254
National Institutes of Health	93.393	CCHMC 131306 M2	7,626
National Institutes of Health	93.393	LSU sub 68049	5,838
National Institutes of Health	93.394	VUMC 43818	47,045
National Institutes of Health	93.395	ACR RTOG 2113 RTOG	3,647
National Institutes of Health	93.395	BBrigham & Woman's Hospital ACOSOG 7U10CA076001	-2,797
National Institutes of Health	93.395	Bexion Pharm 009373-002 CA 136017	79,387
National Institutes of Health	93.395	GOG 27469-033 (2010-2016)	29,289
National Institutes of Health	93.395	NRG Oncology NCI NCTN	396
National Institutes of Health	93.395	NSABP TFED TFED 40187	-24,812
National Institutes of Health	93.395	Oregon Health & Science University NCI SWOG CT	56,351

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National Institutes of Health	93.396	U of Illinois Chicago 488904 E3133 2012-03973-01-00	27,419
National Institutes of Health	93.396	U of Illinois Chicago 488904 E3133 Year2	289
National Institutes of Health	93.396	U of MI 3003077923 125577	26,614
National Institutes of Health	93.397	U of Pitt 9006477 123948-1	2,500
National Institutes of Health	93.399	NSABP SUB NCI TIND 187	-5,002
Administration for Children and Families	93.658	ODJFS-G1415-06-0331	48,245
Administration for Children and Families	93.670	Lighthouse Yth Srvs 90 CA1809-01-00	49,630
Administration for Children and Families	93.670	Lighthouse Yth Srvs 90 CA1809-02-00	69,121
National Institutes of Health	93.701	ARRA U Mich 3001413194	118,430
Centers for Medicare and Medicaid Services	93.779	OBR BOR01-0000003698	4,631
Centers for Medicare and Medicaid Services	93.779	OBR BOR01-0000004224	216,621
Centers for Medicare and Medicaid Services	93.791	Independent Living Options CBPT	7,117
Centers for Medicare and Medicaid Services	93.791	OSUFR 60033102 YR 2	-2,522
Centers for Medicare and Medicaid Services	93.791	OSURF 60033102	-6,393
Centers for Medicare and Medicaid Services	93.791	OSURF 60037336	-5,988
National Institutes of Health	93.837	ArchieMD R44HL092770	59,991
National Institutes of Health	93.837	BBrigham & Women's Hospital 27641	6,836
National Institutes of Health	93.837	Brigham & Women's Hospital 104005	756
National Institutes of Health	93.837	CCHMC 107954	76,733
National Institutes of Health	93.837	CCHMC 107954 M3	226,680
National Institutes of Health	93.837	CCHMC 109363	13,828
National Institutes of Health	93.837	CCHMC 131302	86,693
National Institutes of Health	93.837	CCHMC 132917	3,773
National Institutes of Health	93.837	CCHMC 133536	108,080
National Institutes of Health	93.837	CCHMC 133851	104,421
National Institutes of Health	93.837	CCHMC 135458 & 33851	4,103
National Institutes of Health	93.837	CCLCM 482SUB	24,270
National Institutes of Health	93.837	CHMC 135458	81,996
National Institutes of Health	93.837	CHMC 27641	45,538
National Institutes of Health	93.837	CWRU ACCORD RES508800	450
National Institutes of Health	93.837	Duke University 179452	38,318
National Institutes of Health	93.837	Duke University 203-3678	6,824
National Institutes of Health	93.837	Duke University 203-4022	33,889
National Institutes of Health	93.837	Duke University 203-4023	19,778
National Institutes of Health	93.837	Duke University 203-4168	28,284
National Institutes of Health	93.837	Duke University 203-4543	5,563
National Institutes of Health	93.837	Duke University 203-8552	2,721
National Institutes of Health	93.837	Duke University 203-8569	8,472
National Institutes of Health	93.837	Duke University 203-8570	6,596
National Institutes of Health	93.837	Duke University 203-8668	2,699
National Institutes of Health	93.837	Georgia Univ 27641	36,822
National Institutes of Health	93.837	Loyola Univ. LU#206610	8,139
National Institutes of Health	93.837	Mass General 224838	9,756
National Institutes of Health	93.837	Mass General 225707	7,349
National Institutes of Health	93.837	Ohio Univ UT18476	22,925
National Institutes of Health	93.837	OSURF 60036038	119,489
National Institutes of Health	93.837	OSURF 60042938	135,285

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National Institutes of Health	93.837	OSURF 60048204,60048206	9,981
National Institutes of Health	93.837	OSURF RF01081502	-17,269
National Institutes of Health	93.837	U of Rochester 415539-G-007	41,647
National Institutes of Health	93.837	U Washington 758399	32,766
National Institutes of Health	93.837	UTHSCH 0007526A	37,849
National Institutes of Health	93.837	UTHSCH 0008027A	428
National Institutes of Health	93.837	UTHSCH 0009919A	33,994
National Institutes of Health	93.837	UTHSCH 0010610A	13,509
National Institutes of Health	93.837	UTHSCH 001066B	51,747
National Institutes of Health	93.837	UTHSCH PROPPR-0009919A	2,726
National Institutes of Health	93.838	CCHMC 107456	7,762
National Institutes of Health	93.838	CCLCM 507SUB	3,720
National Institutes of Health	93.838	CCLCM 566SUB	3,679
National Institutes of Health	93.838	OSURF 60040118	44,623
National Institutes of Health	93.838	Vanderbilt Univ 42525	31,568
National Institutes of Health	93.839	KeraNetics SBIR R44HL099010	14,927
National Institutes of Health	93.846	CAL-IRV 2013-2914	53,859
National Institutes of Health	93.846	CCHMC 105591 M4	132
National Institutes of Health	93.846	CCHMC 106355	-110
National Institutes of Health	93.846	CCHMC 107387	-31
National Institutes of Health	93.846	CCHMC 130426	128,194
National Institutes of Health	93.846	CCHMC 131976	21,963
National Institutes of Health	93.846	CCHMC 133118	22,795
National Institutes of Health	93.846	CCHMC 134297	25,370
National Institutes of Health	93.846	CCHMC 135196	14,795
National Institutes of Health	93.846	U Mich 3003154652	19,574
National Institutes of Health	93.846	U Minnesota N000188502	560
National Institutes of Health	93.847	Biocrede Inc DK101206	59,038
National Institutes of Health	93.847	CCHMC 110385	2,874
National Institutes of Health	93.847	CCHMC 131860	36,406
National Institutes of Health	93.847	CCHMC 131862	31,223
National Institutes of Health	93.847	CCHMC 131862 M2	68,003
National Institutes of Health	93.847	CCHMC 133185	18,734
National Institutes of Health	93.847	CHMC 133185M2	4,503
National Institutes of Health	93.847	Emory University T317401	7,916
National Institutes of Health	93.847	GA Reg Univ 25730-8	5,203
National Institutes of Health	93.847	GWU S-GRD1314-KR6	133,964
National Institutes of Health	93.847	GWU S-GRD1415-AC6	358,417
National Institutes of Health	93.847	SYMIC sub DK100156	30,845
National Institutes of Health	93.847	Tufts Medical Center 5007467-SERV M2	79,510
National Institutes of Health	93.847	Tufts Medical Center 5007467-SERV M3	68,638
National Institutes of Health	93.847	UC Davis 201013238-M2	-26,497
National Institutes of Health	93.847	UC Davis 201400949-01	240,898
National Institutes of Health	93.847	Univ of NC 5-34495	48,753
National Institutes of Health	93.847	Univ. of Maryland 1300318	1,992
National Institutes of Health	93.847	Univ. of Utah 10019799-01	71,327
National Institutes of Health	93.853	CCHMC 134275	9,145

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Schedule of Expenditures of Federal Awards

for the year ended June 30, 2015

Federal Agency	Federal CFDA Number	Program Title or Pass Through Entity ID	Federal Expenditures
National Institutes of Health	93.853	Dystonia Fndn Coalition RFA-OD-08-001	3,629
National Institutes of Health	93.853	Emory University #T095810 Amend 4,5,6	57,989
National Institutes of Health	93.853	Emory University T095810	5,369
National Institutes of Health	93.853	Great Lakes NeuroTech GR NS065554-05	26,451
National Institutes of Health	93.853	Great Lakes NeuroTech GR NS081902-01	11,718
National Institutes of Health	93.853	Johns Hopkins PO2001954609	182,086
National Institutes of Health	93.853	Johns Hopkins 2000794678	101,120
National Institutes of Health	93.853	Johns Hopkins 2000796412	32,199
National Institutes of Health	93.853	Johns Hopkins 2001055121	25,350
National Institutes of Health	93.853	Mass Geneneral NN104	13,222
National Institutes of Health	93.853	Mass General 8 NS052592B 2CARE	8,301
National Institutes of Health	93.853	Mass General NN103	5,807
National Institutes of Health	93.853	Mass General sub NeuroNext Sprint	157,179
National Institutes of Health	93.853	Northwestern Univ 60036745 UCC	43,220
National Institutes of Health	93.853	U Akron R8423-UC	-2,989
National Institutes of Health	93.853	U Alabama 00426787-005	2,868
National Institutes of Health	93.853	U Alabama 004267887-005	186,429
National Institutes of Health	93.853	U Maryland 069208	-8,645
National Institutes of Health	93.853	U Mich 14111554	1,574
National Institutes of Health	93.853	U Mich 3000691483-RPT07	-4,898
National Institutes of Health	93.853	U Mich 3001300231	58,169
National Institutes of Health	93.853	U Mich 3002112001	60,860
National Institutes of Health	93.853	U Mich 300262052	2,533
National Institutes of Health	93.853	U Mich 5000002951	10,084
National Institutes of Health	93.853	U of California SF 7894sc	185,723
National Institutes of Health	93.853	U Washington 755603	8,761
National Institutes of Health	93.853	UMDNJ 99-705	5,455
National Institutes of Health	93.853	Univ of VA GC12107-146758	1,813
National Institutes of Health	93.853	UTSMC 120106	-3,944
National Institutes of Health	93.853	Yale A09014 M10A10557	84,218
National Institutes of Health	93.855	Brigham & Woman's Hospital 108269	8,221
National Institutes of Health	93.855	Brigham & Woman's Hospital 110009	9,639
National Institutes of Health	93.855	Brigham & Woman's Hospital 110208	399,941
National Institutes of Health	93.855	Brigham & Woman's Hospital 111670	72,882
National Institutes of Health	93.855	Brigham & Women's Hospital 110208	4,557
National Institutes of Health	93.855	CCHMC 131298 M1	114,928
National Institutes of Health	93.855	CWRU RES508646	342,849
National Institutes of Health	93.855	CWRU RES509526	213,854
National Institutes of Health	93.855	Denver Health & Hospital Auth E400A2	85,840
National Institutes of Health	93.855	Denver Health and Hospital Auth E3400A	12,174
National Institutes of Health	93.855	Duquesne G1200050	44,893
National Institutes of Health	93.855	St. Jude 111277080-7603092	38,071
National Institutes of Health	93.855	SUNY Buffalo R964455	4,923
National Institutes of Health	93.855	U Mass WA00148596	197,680
National Institutes of Health	93.855	UPITT 0023660 (119158-1)	37,327
National Institutes of Health	93.859	CCHMC sub 135637	80,055
National Institutes of Health	93.859	U Alabama 00398606-001	19,767

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Federal Agency	Federal CFDA Number	Program Title or Pass Through Entity ID	Federal Expenditures
National Institutes of Health	93.859	U. Illinois 2013-01835-02	16,316
National Institutes of Health	93.865	Baylor university 5600737100	44,828
National Institutes of Health	93.865	CCHMC 106338	1,920
National Institutes of Health	93.865	UCSF 7193sc Amend 1 & 2	-143
National Institutes of Health	93.865	University of Alabama 000501070 001 002	16,165
National Institutes of Health	93.866	CCHMC 109878	37,877
National Institutes of Health	93.866	CCHMC 133051	17,581
National Institutes of Health	93.866	Great Lakes GR AG033947-03A1	-971
National Institutes of Health	93.867	Tissue Tech R44EY022502	63,393
National Institutes of Health	93.879	OSURF 60036993	-1
Health Resources and Services Administration	93.884	CHMC 134024	6,467
Health Resources and Services Administration	93.918	Cin Healthh Network 6H76HA00111 2014	49,888
Health Resources and Services Administration	93.918	Cin Healthh Network 6H76HA00111 2015	11,087
Health Resources and Services Administration	93.926	CHMC 134574	15,486
Centers for Disease Control and Prevention	93.940	ODH 03140012HT0314	24,584
Centers for Disease Control and Prevention	93.940	ODH 03140012HT0415	20,763
Health Resources and Services Administration	93.969	UKRF 3048111909-15-067	110,893
Centers for Disease Control and Prevention	93.991	ODH #03140014CC0514	80,073
Department of Health and Human Services	93.ARRA	ARRA SSS CRB-DCR01-S-09-00319	22,405
Total Department of Health and Human Services			12,610,619
Department of Homeland Security			
Department of Homeland Security	97.130	Medical Univ of South Carolina MUSC 13-001 YEAR 3	98,895
Department of Housing and Urban Development			
Office of Healthy Homes and Lead Hazard Control	14.906	Silent Spring Institute 7504	29,750
Department of Justice			
Office of Juvenile Justice and Delinquency Prevention	16.540	ODYS 2013-JJ-DMC-0550	175,514
Bureau of Justice Statistics	16.550	Kansas Sentencing Commission 2012-BJ-CX-F014	34,833
Bureau of Justice Assistance	16.609	OCJS 2012-PS-PSN-380	32,713
Total Department of Justice			243,060
Department of the Interior			
U.S. Geological Survey	15.805	Ohio State Univ 60069767	15,538
Department of Transportation			
Department of Transportation	20	NAS SUB DOT NCHRP 12-91	276,681
Department of Transportation	20	URS CORP 14174	169,478
Federal Aviation Administration (FAA)	20.108	FAA 15-G-007	22,268
Total Department of Transportation			468,427
Environmental Protection Agency			
Environmental Protection Agency	66	Pegasus WA 3-13	34,839
Environmental Protection Agency	66	Pegasus WA 3-19	10,646
Environmental Protection Agency	66	Pegasus WA 3-23	11,257
Environmental Protection Agency	66	Pegasus WA 3-33	51,635
Environmental Protection Agency	66	Pegasus WA 3-41	3
Environmental Protection Agency	66	Pegasus WA 3-45 Task 1A	47,143
Environmental Protection Agency	66	Pegasus WA 3-45 Task 3	30,074

University of Cincinnati

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Federal Agency	Federal CFDA Number	Program Title or Pass Through Entity ID	Federal Expenditures
Environmental Protection Agency	66	Pegasus WA 3-45 Task 1B	33,347
Environmental Protection Agency	66	Pegasus WA 3-45 Task 2 B	2,798
Environmental Protection Agency	66	Pegasus WA 3-45 Task 2A	15,123
Environmental Protection Agency	66	Pegasus WA 3-64	2,658
Environmental Protection Agency	66	Pegasus WA 3-71	202
Environmental Protection Agency	66	Pegasus WA 3-82	19,778
Environmental Protection Agency	66	Pegasus WA 3-85	38,989
Environmental Protection Agency	66	Pegasus WA 3-93	13,673
Environmental Protection Agency	66	Pegasus WA 3-95	6,900
Environmental Protection Agency	66	Pegasus WA 4 -5 Task 2	36,257
Environmental Protection Agency	66	Pegasus WA 4-05 Task 1.1	75,220
Environmental Protection Agency	66	Pegasus WA 4-05, Task 1.2	49,845
Environmental Protection Agency	66	Pegasus WA 4-05, Task 2.3	29,470
Environmental Protection Agency	66	Pegasus WA 4-45 Task 3	16,123
Environmental Protection Agency	66	Pegasus WA 4-45 Task 1	20,062
Environmental Protection Agency	66	Pegasus WA 4-82	63,680
Total Environmental Protection Agency			609,722
Institute of Museum and Library Services			
Institute of Museum and Library Services	45.312	Zoological Soc of Cincinnati LG-25-12-0595-12 008545	33,441
Institute of Museum and Library Services	45.312	Zoological Soc of Cincinnati LG-25-12-0595-12 008853	22,732
Total Institute of Museum and Library Services			56,173
National Aeronautics and Space Administration			
National Aeronautics and Space Administration	43	CCHMC 131050	52,902
National Aeronautics and Space Administration	43	GE PO #200-14-14N44252	45,314
National Aeronautics and Space Administration	43	STSI HST-GO-13310.005	27,128
National Aeronautics and Space Administration	43.001	Arizona St U 14-304	46,340
Total National Aeronautics and Space Administration			171,684
National Science Foundation			
National Science Foundation	47.041	Bettergy 1329730	44,114
National Science Foundation	47.041	NCA&T 260116B	812,985
National Science Foundation	47.049	American Physical Society MOU NSF PHY-0808790	168,526
National Science Foundation	47.049	Notre Dame 1219444	14,126
National Science Foundation	47.050	U of New Mexico 133549-87S1	121,589
National Science Foundation	47.074	U Illinois 2012-00109-01	6,554
National Science Foundation	47.076	OSURF 60042097	39,500
National Science Foundation	47.076	U of Tennessee at Chattanooga 8500029533	16,888
National Science Foundation	47.076	ULRF 08-0891-05	20,404
Total National Science Foundation			1,244,686
Total Research and Development - Pass Through Funds			18,268,584
Total Research and Development Cluster			102,888,561

University of Cincinnati

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Schedule of Expenditures of Federal Awards

for the year ended June 30, 2015

Federal Agency	Federal CFDA Number	Program Title or Pass Through Entity ID	Federal Expenditures
Other			
Other - Direct Funds			
Department of Education			
TRIO Cluster			
Office of Postsecondary Education	84.042	TRIO_Student Support Services	146,790
Office of Postsecondary Education	84.044	TRIO_Talent Search	261,562
Office of Postsecondary Education	84.047	TRIO_Upward Bound	799,812
Office of Postsecondary Education	84.066	TRIO_Educational Opportunity Centers	248,254
Office of Postsecondary Education	84.217	TRIO_McNair Post-Baccalaureate Achievement	213,432
Total TRIO Cluster			1,669,850
Other Department of Education			
Department of Education	84	OBR BR01-4317	964
Office of Educational Research and Improvement	84.287	Twenty-First Century Community Learning Centers	80,062
Office of Special Education and Rehabilitative Services	84.325	Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	201,851
Office of Postsecondary Education	84.334	Gaining Early Awareness and Readiness for Undergraduate Programs	2,072,489
Total Other Department of Education			2,355,366
Total Department of Education			4,025,216
Department of Health and Human Services			
CCDF (Child Care and Development) Cluster			
Administration for Children and Families	93.575	Child Care and Development Block Grant	7
Administration for Children and Families	93.600	Head Start	387,406
Total Department of Health and Human Services			387,413
Department of Justice			
Office of Juvenile Justice and Delinquency Prevention	16.523	Juvenile Accountability Block Grants	18,986
Office of Juvenile Justice and Delinquency Prevention	16.540	Juvenile Justice and Delinquency Prevention_Allocation to States	83,354
Bureau of Justice Assistance	16.751	Edward Byrne Memorial Competitive Grant Program	13,116
Total Department of Justice			115,456
Department of the Interior			
Department of the Interior	15	Dept of Interior/Nat'l Park Serv:P14PS00010	-838
Environmental Protection Agency			
Office of Research and Development	66.514	Science To Achieve Results (STAR) Fellowship Program	1,880
National Aeronautics and Space Administration			
National Aeronautics and Space Administration	43.002	Aeronautics	15,000
National Endowment for the Arts			
National Endowment for the Arts	45.024	Promotion of the Arts_Grants to Organizations and Individuals	10,000
National Endowment for the Humanities			
National Endowment for the Humanities	45.163	Promotion of the Humanities_Professional Development	129,217

University of Cincinnati

A Component Unit of the State of Ohio

Schedule of Expenditures of Federal Awards

for the year ended June 30, 2015

Federal Agency	Federal CFDA Number	Program Title or Pass Through Entity ID	Federal Expenditures
U.S. Department of State			
Bureau of Near Eastern Affairs	19.021	Investing in People in The Middle East and North Africa	192,899
Under Secretary for Public Diplomacy and Public Affairs	19.040	Public Diplomacy Programs	7,407
Total U.S. Department of State			200,306
Total Other - Direct Funds			4,883,650
Other - Pass Through Funds			
Corporation for National and Community Service			
Corporation for National and Community Service	94.006	Public Allies/AmeriCorps 2013-2014 Agreement	-5,000
Corporation for National and Community Service	94.019	UNITED WAY/CNKYSIF YR 3	32,018
Total Corporation for National and Community Service			27,018
Department of Agriculture			
Food and Nutrition Service	10.558	ODE Sub USDA CACFP FY 2014	9,556
Food and Nutrition Service	10.558	ODE Sub USDA CACFP FY 2015	32,105
Total Department of Agriculture			41,661
Department of Education			
Special Education (IDEA) Cluster			
Office of Special Education and Rehabilitative Services	84.027	Univ of Dayton RSC13042	45,702
Office of Special Education and Rehabilitative Services	84.027	Univ of Dayton RSC14036	115,164
Total Special Education (IDEA) Cluster			160,866
Department of Education	84	Battelle OSLN	35,833
Department of Education	84	Dayton Public Schools 009760-002	1,622
Office of Postsecondary Education	84.116	U Louisville #10-1109-01	6,215
Office of Postsecondary Education	84.116	U Louisville #10-1109-02	27,186
Office of Educational Research and Improvement	84.287	CPS Mt. Washington Castle Connections Year 4	6,845
Office of Elementary and Secondary Education	84.367	Dayton Public Schools 009695-002	28,147
Office of Elementary and Secondary Education	84.367	OBR 14-12 K-6	29,541
Office of Elementary and Secondary Education	84.367	OBR13-07 K-5	62,261
Office of Elementary and Secondary Education	84.367	OBR13-08 K-12	49,460
Office of Elementary and Secondary Education	84.367	OBR14-11 G7-12	32,442
Department of Education	84.395	ARRA Battelle 334858	2,105
Department of Education	84.413A	ARRA Battelle 316366	-661
Total Department of Education			441,862
Department of Energy			
Department of Energy	81	ICWU-22 ES09758	693
Department of Health and Human Services			
Medicaid Cluster			
Centers for Medicare and Medicaid Services	93.778	OCMGRC 60042622	41,992
Centers for Medicare and Medicaid Services	93.778	OCMGRC 60046085	739,387
Centers for Medicare and Medicaid Services	93.778	OSURF 60042344	-5
Centers for Medicare and Medicaid Services	93.778	OSURF 60045912	31,692
Total Medicaid Cluster			813,066

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Schedule of Expenditures of Federal Awards

for the year ended June 30, 2015

Federal Agency	Federal CFDA Number	Program Title or Pass Through Entity ID	Federal Expenditures
CCDF (Child Care and Development) Cluster			
Administration for Children and Families	93.575	ODJFS Ham Co Job & Fam Svc 008152	36,372
Administration for Children and Families	93.575	OHIO CHILD CARE RES & REF ASSN Step Up To Quality Yr 5	7,532
Total CCDF (Child Care and Development) Cluster			43,904
Administration for Children and Families	93.600	CHCCAA 14-25 Headstart	160,187
Administration for Children and Families	93.600	CHCCAA 14-43 Headstart	118,538
Administration for Children and Families	93.600	CHCCAA HHS Headstart 1007547, 1008490	-66
Total Department of Health and Human Services			1,135,629
Department of Justice			
Justice Assistance Grant Program Cluster (JAG)			
Bureau of Justice Assistance	16.738	CPD 35X0021	1,958
Bureau of Justice Assistance	16.738	Indiana Judicial Center 008472	2,801
Bureau of Justice Assistance	16.738	OCJS 2009-JG-A0V-V6953 s	45,140
Bureau of Justice Assistance	16.738	OCJS 2013-DG-E0R-6953	32,532
Total Justice Assistance Grant Program Cluster (JAG)			82,431
Department of Justice	16	Virginia Beach JPMS-13-0002	10,230
Department of Justice	16	Virginia Beach JPMS-14-0001	11,594
Bureau of Prisons	16.601	OIC of Clark County sub DOJ	2,053
Bureau of Justice Assistance	16.745	Florida Dept of Juvenile Justice # 10143	51,558
Bureau of Justice Assistance	16.751	City of Norfolk VA PC000023972	7,627
Bureau of Justice Assistance	16.751	ODRC 403-12-0842	18,341
Bureau of Justice Assistance	16.812	Washington Dept of Corrections K9636	-11,943
Total Department of Justice			171,891
Department of Transportation			
Highway Safety Cluster			
National Highway Traffic Safety Administration (NHTSA)	20.600	ODPS SC-2014-8-00-00-00437-00	6,804
National Highway Traffic Safety Administration (NHTSA)	20.600	ODPS SC-2015-8-00-00-00458-00	5,870
Total Highway Safety Cluster			12,674
Highway Planning and Construction Cluster			
Federal Highway Administration (FHWA)	20.205	Cleveland St U 279-M189-2014	403
Federal Highway Administration (FHWA)	20.205	ODOT 24837	20,038
Federal Highway Administration (FHWA)	20.205	ODOT 26231	35,499
Federal Highway Administration (FHWA)	20.205	ODOT 26601	56,197
Federal Highway Administration (FHWA)	20.205	U Toledo 121554	4,461
Federal Highway Administration (FHWA)	20.205	U Toledo F-2015-84	64,297
Total Highway Planning and Construction Cluster			180,895
Total Department of Transportation			193,569
National Aeronautics and Space Administration			
National Aeronautics and Space Administration	43	Jet Propulsion Laboratory No. 1486308	42,960
National Aeronautics and Space Administration	43	OSGC Hybrid Rocker Lander 009136	3,619
National Aeronautics and Space Administration	43	OSGC Hybrid Rocket Lander NASA	2,818
National Aeronautics and Space Administration	43	OSGC/NASA AAVC	1,350

University of Cincinnati

A Component Unit of the State of Ohio

Schedule of Expenditures of Federal Awards

for the year ended June 30, 2015

Federal Agency	Federal CFDA Number	Program Title or Pass Through Entity ID	Federal Expenditures
National Aeronautics and Space Administration	43	URSA 09960-17	238,991
National Aeronautics and Space Administration	43.001	OAI OSGC/NASA SCHOLARSHIP	16,442
National Aeronautics and Space Administration	43.001	OAI OSGC/NASA Seed Grant- Flight Camp @ UC	14,522
Total National Aeronautics and Space Administration			320,702
National Endowment for the Humanities			
National Endowment for the Humanities	45.129	Ohio Humanities Council QU14-071	3,614
Total Other - Pass Through Funds			2,336,639
Total Other			7,220,289
Total Federal Awards Expenditures			\$459,911,412

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2015

1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant transactions of the University of Cincinnati ("university") and is recorded on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Subrecipients

Certain funds are passed through to subgrantee organizations by the university. Expenditures incurred by the subgrantees and reimbursed by the university are presented in the schedule of expenditures of federal awards. The university is also the subrecipient of federal funds which have been subjected to testing and are reported as expenditures and listed as federal pass-through funds.

Negative Expenditures

Certain grant expenditures are negative as a result of various adjustments made during the year.

2. Catalog of Federal Domestic Assistance Numbers

Catalog of Federal Domestic Assistance ("CFDA") numbers are presented for those programs for which such numbers are available.

3. Federal Direct Student Loans Program (CFDA 84.268)

The university also participates in the Federal Direct Student Loan Program. Loan awards under this program for the year ended June 30, 2015 were \$283,718,913.

4. Federal Loan Programs

The university administers the Federal Perkins, Health Professions Student and Nursing Student Federal Loan Programs. Total loan expenditures and disbursements of the Department of Education and Department of Health and Human Services student financial assistance programs for the year ended June 30, 2015 are as follows:

Federal Perkins Loan Program (CFDA 84.038)	\$	3,684,933
Health Professions Student Loan Program (CFDA 93.342)		92,750
Nursing Student Loan Program (CFDA 93.364)		183,000
Nursing Faculty Loan Program (CFDA 93.264)		249,990
	<u>\$</u>	<u>4,210,673</u>

The above expenditures include disbursements and expenditures such as loans to students and administrative expenditures.

Outstanding loans at June 30, 2015 include the following:

Federal Perkins Loans	\$ 20,718,629
Health Professions Student Loans	634,635
Nursing Student Loans	537,961
Nursing Faculty Loan Program	767,007
	<u>\$ 22,658,232</u>

5. Indirect Costs

The university recovers indirect costs by means of predetermined indirect cost rates. The predetermined rates are a result of negotiated agreements with the U.S. Department of Health and Human Services. On May 18, 2012 the university received approval for indirect cost recovery rates effective from July 1, 2012 through June 30, 2016. The indirect cost rates structure is as follows:

Rate Type	Effective July 1, 2013 through June 30, 2015
Organized Research:	
On-campus	58.5%
Off-campus	26.0%
Instruction:	
On-campus	56.0%
Off-campus	26.0%
Other Sponsored Activities	
On-campus	30.0%
Off-campus	26.0%
Rate Type	Effective July 1, 2015 through June 30, 2016
Organized Research:	
On-campus	58.0%
Off-campus	26.0%
Instruction:	
On-campus	56.0%
Off-campus	26.0%
Other Sponsored Activities	
On-campus	30.0%
Off-campus	26.0%

6. Funds Passed to Subrecipients

The university passed funds to subgrantees for the following programs during the year ended June 30, 2015:

CFDA Number	Program	
84.334	Gaining Early Awareness and Readiness for Undergraduate Programs	\$ 10,513
Various	Research and Development	<u>16,629,321</u>
		<u>\$ 16,639,834</u>

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

Board of Trustees
University of Cincinnati
Cincinnati, Ohio

We have audited, 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, the basic financial statements of the University of Cincinnati (University) and its discretely presented component unit, collectively a component unit of the State of Ohio, which comprise the statement of net position as of June 30, 2015, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the basic financial statements, and have issued our report thereon dated October 14, 2015, which contained a reference to the report of other auditors and an Emphasis of Matter paragraph regarding a change in accounting principle. Other auditors audited the financial statements of the University of Cincinnati Foundation, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

Management of the University is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit, we considered the University's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the University's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal

control that we consider to be material weaknesses as defined above. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's basic 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Cincinnati, Ohio
October 14, 2015

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

Independent Auditor's Report

Board of Trustees
University of Cincinnati
Cincinnati, Ohio

Report on Compliance for Each Major Federal Program

We have audited the compliance of the University of Cincinnati (University), a component unit of the State of Ohio, with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.

Opinion on Each Major Federal Program

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2015-001, that we consider to be a significant deficiency.

The University's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

BKD, LLP

Cincinnati, Ohio
October 14, 2015

**UNIVERSITY OF CINCINNATI
A COMPONENT UNIT OF THE STATE OF OHIO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015**

7. The University's major programs were:

Cluster/Program	CFDA Number
Student Financial Assistance Cluster	84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 93.264, 93.342, 93.364
Research and Development Cluster	Various

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was \$3,000,000.

9. The University qualified as a low-risk auditee as that term is defined in OMB Circular A-133?

Yes No

**UNIVERSITY OF CINCINNATI
A COMPONENT UNIT OF THE STATE OF OHIO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015**

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding	Questioned Costs
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No matters are reportable.

Findings Required to be Reported by OMB Circular A-133

Reference Number	Finding	Questioned Costs
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2015-001	<p>Federal program – Federal Pell Grant Program, CFDA No. 84.063, U.S. Federal Supplemental Educational Opportunity Grant, CFDA No. 84.007, Federal Direct Student Loans, CFDA No. 84.268, Federal Perkins Loan Program, CFDA No. 84.038, Teacher Education Assistance for College and Higher Education Grants (TEACH), CFDA No. 84.379, U.S. Department of Education, Program Year 2015.</p>	\$ 0
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Criteria or specific requirement – Special Tests and Provisions – Return of Title IV Funds – Schools must determine the amount of Title IV aid earned by the student as of the student’s withdrawal date.

Condition – The University does not have controls in place to verify attendance for students who withdraw prior to the census date.

Context – We became aware that the University was calculating return of funds for students who withdrew prior to the census date without substantiating whether or not they actually attended class.

Effect – This could result in not returning the appropriate amount of aid to the Department of Education.

Cause – The University does not have controls in place to verify attendance for students who withdraw prior to the census date.

Recommendation – We recommend the University implement procedures to determine whether students who withdraw prior to the census date attended classes.

**UNIVERSITY OF CINCINNATI
A COMPONENT UNIT OF THE STATE OF OHIO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015**

Findings Required to be Reported by OMB Circular A-133 (continued)

Reference Number	Finding	Questioned Costs
	<p><i>Views of responsible officials and planned corrective actions–</i> Beginning with the 2016-17 academic year, the current student information system (UniverSIS) will be replaced with PeopleSoft Campus Solutions. As a part of the functionality of the new system, Blackboard (our Learning Management System) will be integrated with Campus Solutions to allow the university to track and store data relative to students’ online academic attendance activities. Additionally, faculty will be able to indicate via class rosters whether a student enrolled in a course has engaged in any activities that meet the definition of academic attendance. This data will be collected for all students, not just for those students who remain enrolled in the period of the term for which the student will have a transcribed academic record.</p> <p>At any time in the term when a student withdraws the information gathered from Blackboard and faculty will be used to determine if the student began attendance in the enrolled classes. This will allow the university to return all funds for those who do not begin attendance in any of their classes. The data will also be used to recalculate the student’s eligibility for Federal and campus-based aid prior to completing the Return of Title IV Funds (R2T4) for those who began attendance in some classes, but later withdrew from them.</p> <p>Prior to the implementation of Campus Solutions, UC will return 100% of all Title IV funds when a student withdraws in the period of no academic entry. In the event UC becomes aware that a student has documented attendance in one or more classes, the R2T4 calculation will be revised and the aid award adjusted to reflect the student’s partial eligibility. To mitigate negative financial consequences to students as a result of these R2T4 policy changes, the university has also changed its refund policy to fully refund tuition and fees during the same time period in an effort to offset the increased amount of aid returned.</p>	

**UNIVERSITY OF CINCINNATI
A COMPONENT UNIT OF THE STATE OF OHIO**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015**

Reference Number	Summary of Finding	Status
	No matters are reportable.	