

# University of Cincinnati

A Component Unit of the State of Ohio

Office of Management and Budget  
Uniform Guidance Reports for the  
Year Ended June 30, 2018



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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, 2018, 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, the discretely presented component unit of the University. Those statements were audited by other auditors whose report 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 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, 2018, and the respective changes in financial position and, where applicable, 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 2017 financial statements, and we expressed unmodified audit opinions on those audited financial statements in our report dated October 13, 2017, which contained a reference to the report of other auditors. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### ***Emphasis of Matters***

As discussed in Note 1 to the financial statements, in 2018 the University adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and Governmental Accounting Standards Board Statement No. 81, *Irrevocable Split-Interest Agreements*. Our opinions are not modified with respect to these matters.

### **Other Matters**

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension and other postemployment benefit information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a 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.

### *Other 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 as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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.

The schedule of expenditures of federal awards 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. Such 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 15, 2018, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

**BKD, LLP**

Cincinnati, Ohio  
October 15, 2018



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## 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, 2018. Comparative information as of and for the year ended June 30, 2017 has been provided where applicable. 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. Management has prepared this discussion, which should be read in conjunction with the financial statements and 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 research based public institution of higher learning. Total enrollment for fall 2017 (fiscal year 2018) included 44,783 students, an increase of 445 students over the prior year. Among the university's student population are 3447 international students representing 114 countries. The university offers a diverse range of degree programs from baccalaureate to post-doctoral levels through 14 colleges. University campuses include Clifton Campus, UC Blue Ash, and UC Clermont with student populations of 83%, 11%, and 6%, respectively. Faculty members on the three campuses totaled 4,242. The university employs approximately 10,321 people, including graduate assistants, making it one of the largest employers in the Cincinnati region.

The university delivers a significant economic boost to the business community in southwest Ohio, northern Kentucky, and eastern Indiana. A recent study found that annually, the university has a \$4.2 billion impact, which supports nearly 62,000 jobs. Alumni impact, operations and research spending, student demand for goods and services, launch of start-up companies and more fuel the economic impact.

During the 2018 academic year, the university awarded 12,194 academic credentials. Degrees awarded include 1,184 associate degrees, 6,042 bachelor's degrees, 3,098 master's degrees, and 678 doctoral degrees. Professional certificates awarded total 1,192 and include 623 graduate certificates.

The university has been designated by the Ohio Department of Higher Education as one of only two major comprehensive research-based universities within the state's higher educational system that comprises 14 public universities. The National Science Foundation ranks the university as 52nd in the United States out of 902 institutions ranked, based on total 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 115 research-intensive universities (81 of these are public institutions) to receive the classification.

The U.S. News & World Report rankings named the university in the top tier of the country's "Best National Universities," placing at 147 in national universities and 75th among top public universities. The university is also ranked #102 in best colleges for veterans and #130 in best value schools. The best value calculation takes into account the university's academic quality as indicated by its 2019 colleges rankings coupled with the net cost of attendance for a student who receives the average level of need-based financial aid.

Princeton Review's 2019 edition of "The Best 384 Colleges" identified the university for the twelfth year in a row among the nation's best institutions for an undergraduate education. University rankings are based on The Princeton Review's surveys of 138,000 students. The survey found that the consensus of students seems to be that "students at UC are open-minded, and everyone can find a place to fit in."

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### 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.

### Changes in Accounting Principle

For 2018, the university adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement establishes new accounting and financial reporting requirements for other postemployment benefits (OPEB) provided by the university to its employees. University employees participate in cost-sharing, multiple-employer plans through the Ohio Public Employees Retirement System and the State Teachers Retirement System of Ohio pension plans, which are within the scope of this statement. Adoption of this statement resulted in a cumulative effect of accounting change reduction to the beginning net position as of July 1, 2017 for \$202,094,000, which is attributed to the recognition of a net OPEB liability. Balances reported for the year ended June 30, 2017 have not been restated due to limitations on the information available from the retirement systems.

The university also implemented GASB Statement No. 81, *Irrevocable Split-Interest Agreements* in 2018. The new GASB statement was effective for periods beginning after December 31, 2016. This statement required the university to recognize an asset and deferred inflow of resources for irrevocable split-interest agreements administered by a third party and the university is named as one of the beneficiaries in the agreement. There was no cumulative effect on the university's net position for years ending 2017 and 2018. An asset and deferred inflow of resources of \$8,362,000 was recognized on the Statement of Net Position as of June 30, 2017 due to the adoption of GASB Statement No. 81.

### Statement of Net Position

The Statement of Net Position is the university's balance sheet. It reflects the financial position of the university at the end of the fiscal year. 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.

In addition to assets, liabilities, and net position, the university's balance sheet includes deferred outflows of resources and deferred inflows of resources. Deferred outflows are similar to assets and will be recognized as expense in future periods. Deferred inflows are similar to liabilities and will be recognized as revenue (or reductions of expense) in future periods.

A summary of the university's net financial position at June 30, 2018 and 2017 follows:

**Summary Statement of Net Position**

	(in thousands)	2018	2017	Increase/(Decrease)	
				Amount	Percent
Current assets	\$	338,798	\$	329,689	\$ 9,109 2.8%
Noncurrent assets					
Investments		392,231		349,806	42,425 12.1%
Endowment investments		586,002		571,165	14,837 2.6%
Split-interest agreements		8,631		8,362	269 3.2%
Accounts and notes receivable		29,460		29,192	268 0.9%
UC Health intangible asset		420,645		420,645	— 0.0%
Capital assets, net of depreciation		1,706,328		1,590,518	115,810 7.3%
Total assets		3,482,095		3,299,377	182,718 5.5%
Deferred outflows of resources		187,502		209,273	(21,771) -10.4%
Current liabilities		272,190		279,452	(7,262) -2.6%
Noncurrent liabilities		2,014,858		1,926,641	88,217 4.6%
Total liabilities		2,287,048		2,206,093	80,955 3.7%
Deferred inflows of resources		87,233		10,349	76,884 742.9%
Net position	\$	1,295,316	\$	1,292,208	\$ 3,108 0.2%

**Current Assets**

Current assets consist primarily of cash and cash equivalents, short-term investment of operating funds, and accounts receivable. Current assets increased by \$9.1 million in 2018. 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, 2018 totaled \$392.2 million, an increase of \$42.4 million from June 30, 2017. The funds are invested in the university's temporary investment pool with the exception of \$30.7 million, which is invested in the endowment. Investments with a maturity date less than one year totaled \$158.2 million, and are classified as current investments with the exception of \$112.3 million of debt issued for capital projects which is classified as noncurrent.

### Endowment Investments

The university's endowment totaled \$1.37 billion at June 30, 2018. The endowment includes Fund A (actively managed pooled investments), Fund B (certain real estate), Fund C (community development real estate investments funded with endowment funds), separately invested assets, and beneficial interests in irrevocable trusts. Principal repayments and interest collected on Fund C investments are subsequently invested in Fund A. Below is a summary of the market value for each category of the university's endowment:

	(in thousands)			Increase/(Decrease)	
		2018	2017	Amount	Percent
Fund A (University's share)	\$	575,246	\$ 548,225	\$ 27,021	4.9%
Fund A (Foundation's share) *		362,684	319,933	42,751	13.4%
Total Fund A		937,930	868,158	69,772	8.0%
Fund B		816	831	(15)	-1.8%
Fund C (University's share)		40,056	41,532	(1,476)	-3.6%
Fund C (Foundation's share) *		22,643	22,588	55	0.2%
Total Fund C		62,699	64,120	(1,421)	-2.2%
Separately Invested		21,033	23,929	(2,896)	-12.1%
Beneficial Interests in Irrevocable Trusts		344,949	325,705	19,244	5.9%
Total Endowment Investments	\$	1,367,427	\$ 1,282,743	\$ 84,684	6.6%

\* Includes accrued income/expense

Endowment investments reported on the Statement of Net Position totaled \$586.0 million and include the following:

- The university's share of Fund A, excluding temporary investment pool funds of \$29.6 million, accrued income, accrued expense, and valuation timing adjustments
- Fund B
- The university's share of Fund C, excluding temporary investment pool funds of \$1.2 million, a \$13.4 million loan to UHCURC, and \$8.8 million of accrued income
- Separately invested funds excluding accrued income of \$2.0 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 2018 from \$868.1 million to \$937.9 million, an increase of \$69.8 million, which equates to an 8.0% increase. The increase is net of a 4.5% endowment spending distribution and a 1.0% distribution to the Foundation. Fund A consists of approximately 13.9% cash and fixed income, 52.5% corporate stocks, 17.2% hedge funds, 15.6% private equity, and 0.8% 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 income distribution for endowment spending for fiscal year 2019 will be consistent at 4.5% times the previous twelve-quarter moving average of market value.

At June 30, 2018, Fund A summary of activity and information is as follows (in thousands):

Fund A	Outstanding Shares	Per Unit Price	Total (in thousands)
Beginning balance	11,532,748	\$ 75.2776	\$ 868,158
Ending balance	12,183,007	76.9867	937,930
Increase in Fund A	650,259	\$ 1.7091	\$ 69,772
<b>Fund A Activity</b>			
Return on Investments			\$ 71,214
Gifts Received			27,158
Funds available for spending, net transfers, and fees (fundraising, administrative and custody)			(28,600)
<b>Total Fund A Activity</b>			<b>\$ 69,772</b>

The university is the beneficiary of numerous perpetual trusts held and administered by external trustees. The market value of these external trustee assets totaled \$344.9 million and \$325.7 million as of June 30, 2018 and June 30, 2017, respectively. These external trusts are irrevocable, and the university has a vested beneficial interest in the net income payable by the trusts. External trust assets are not reported on the Statement of Net Position unless they are recognized as beneficial interest in trusts recognized under GASB 81, *Irrevocable Split-Interest Agreements*. Income is received annually and reported on the university's Statement of Revenues, Expenses, and Changes in Net Position. The university received income of \$10.4 million and \$10.0 million in 2018 and 2017, respectively.

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 perpetual trusts.

#### UC Health Affiliation Agreement

The university's intangible asset valuation for its interest in UC Health is valued at \$420.6 million. The valuation is based on the cost method of accounting as of July 1, 2011. For further discussion of UC Health, please refer to Note 5, UC Health Affiliation Agreement. The affiliation agreement supports the mission of UC Health and the university through the commitment to patient care, education, and research.

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## Capital Assets

The university is a complex adaptive assemblage made up of many parts coexisting on campus just like a mid-sized city. Much attention and care has been given to the landscape and buildings on campus, resulting in a campus that itself, is part of the learning experience. The campuses' physical environment reflects contemporary thinking about urban spaces.

With academic plans setting the stage for the direction of the physical campus, the focus is primarily on stewardship of existing assets, renovations of reusable assets and to a lesser extent new buildings. The campus plan update, recently underway, has identified structures in need of new major systems and some functional re-organization to extend the assets' life for another several decades. Drawings identify potential future building sites and a few demolitions of structures not fit for a cost efficient renovation. New structures continue to reflect conversations about design for diverse populations and current architectural thought.

The use of space for formal and self-directed learning continues to be at a high level according to higher education standards. Wear and tear of facilities in use at least 10 hours per day have facilitated the need to change to more durable interior standards for furniture, fixtures and equipment.

During 2018, the university completed and capitalized significant projects including:

- 1819 Innovation Hub
- Kowalewski Hall (formerly Health Professions Building Renovation)
- Marian Spencer Hall
- Progress Hall (UC Blue Ash campus)
- Muntz Hall Rehabilitation, phase 1 (UC Blue Ash campus)

Capital projects currently in construction include:

- 1819 Innovation Hub Tenant Improvements
- East Campus Open Space
- Fifth Third Arena renovation
- Health Sciences Building
- Lindner College of Business
- Main Street Plaza North
- Muntz Hall Rehabilitation, phase 2 (UC Blue Ash campus)
- Rieveschl Hall Roof Replacement and Green House Renovation

Projects currently in design include:

- College of Law Renovation
- Crosley Tower Demolition
- Calhoun Residence Hall Renovation

Capital asset additions are funded using a combination of state capital appropriations, debt, gifts, and university funds. Capital additions totaled \$117.5 million in 2018 and \$144.3 million in 2017. Depreciation expense totaled \$120.5 million in 2018 and \$119.6 million in 2017. 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.

## Liabilities

### Debt

Total debt representing bonds, notes and capital leases was \$1.29 billion at June 30, 2018; an increase of \$107.0 million from \$1.18 billion at June 30, 2017. In May 2018, general receipt fixed rate bonds 2018A (tax exempt), 2018B (taxable), and 2018C (floating rate notes (FRNs)) were issued. Standard & Poor's Ratings Services reaffirmed its previously assigned AA- long-term rating with a stable outlook. Moody's Investors Service also reaffirmed its previously assigned Aa3 rating with a stable outlook. The ratings were assigned after extensive reviews of the university's financial activities, strategic plans, and future prospects.

A portion of the proceeds from 2018A were used to refund future callable maturities totaling \$3.1 million (par amount - \$2.8 million) to achieve debt service savings. The total cash flow differential from refunding the debt totaled \$0.5 million (see Note 7 – "Debt Refunding and Retirement" section).

The university has one pay-fixed interest rate swap in effect at June 30, 2018, which has been in existence since May 1, 2009. The swap is currently associated with Series 2018C Floating Rate Notes (FRNs) which mature on June 1, 2020. The intent of this derivative instrument is to protect the FRNs against the potential of rising interest rates. The fair value of the swap agreement at June 30, 2018 was \$2.4 million and reported as an other noncurrent liability on the Statement of Net Position.

The university continues to invest and expand its educational and research facilities beyond the level provided by state capital appropriations and donor gifts, through the issuance of debt. The extensive investment in facilities is necessary to attract and maintain high quality students, faculty, and research funding in an increasingly competitive environment.

### 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, 2018 and 2017 is summarized below:

	(in thousands)	2018	2017	Increase/(Decrease)	
				Amount	Percent
Net investment in capital assets		\$ 526,828	\$ 527,340	(\$512)	-0.1%
Restricted for:					
Nonexpendable		773,169	764,464	8,705	1.1%
Expendable		349,501	330,245	19,256	5.8%
Unrestricted		(354,182)	(329,841)	(24,341)	-7.4%
Total Net Position		\$ 1,295,316	\$ 1,292,208	\$ 3,108	0.2%

Net investment in capital assets represents both the university's non-depreciable and depreciable assets. Non-depreciable assets include land, construction in progress, and collections of art and rare books. Capital assets being depreciated include land improvements, buildings, infrastructure, building equipment, movable equipment, computer software and library books. Net investment 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 2018, net investment in capital assets decreased by (\$0.5) million. The change was a result of the addition of \$117.5 million in capital assets (net of \$120.5 million in depreciation expense), less retirements of \$1.7 million (net of \$16.3 million of accumulated depreciation), plus an \$116.3 million net increase 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 increased by \$8.7 million and are net of annual endowment spending distributions and Foundation fees. 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 unspent expendable endowment funds (available through the endowment spending policy), gifts, support from affiliates, and restricted quasi-endowment funds. Restricted expendable funds increased by \$19.3 million.

Unrestricted net position before reporting for pension plans and other post employment benefits (OPEB) increased from \$248.6 million in 2017 to \$278.7 million in 2018, an increase of \$30.1 million. Pension reporting standards require the university to recognize net liabilities, expenses, and deferred outflows and inflows of resources for both the pension plans and OPEB based on the university's proportionate share of collective amounts for all participating employers in these defined benefit cost sharing, multiple-employer plans. 2018 is the first year the university is required to report on OPEB. The cumulative net impact of the pension and OPEB standards at June 30, 2018 was (\$632.9) million. Additional detail relating to unrestricted net position is in the table below:

	(in thousands)	2018	2017	Increase/(Decrease)	
				Amount	Percent
<b>Unrestricted Net Position</b>					
Balance before Reporting for Pensions and OPEB*	\$	278,737	\$	248,595	\$ 30,142 12.1%
<b>Impact of Implementation of Pension and OPEB Standards</b>					
<b>Deferred Outflows of Resources</b>					
OPEB		13,027		—	13,027
Pension		160,917		192,722	(31,805) -16.5%
<b>Net Pension and OPEB Liability</b>					
OPEB		189,609		—	189,609
Pension		538,652		769,171	(230,519) -30.0%
<b>Deferred Inflows of Resources</b>					
OPEB		16,975		—	16,975
Pension		61,627		1,987	59,640 3,001.5%
Net Impact of Implementation of Pension and OPEB Standards		(632,919)		(578,436)	(54,483) 9.4%
<b>Total Unrestricted Net Position</b>	<b>\$</b>	<b>(354,182)</b>	<b>\$</b>	<b>(329,841)</b>	<b>\$ (24,341) 7.4%</b>

\* See note 11 for retirement plans and OPEB

#### 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, 2018 and 2017:



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

	(in thousands)	2018	2017	Increase/(Decrease)	
				Amount	Percent
Operating Revenues	\$	870,575	\$ 848,602	\$ 21,973	2.6%
Operating Expenses		1,069,062	1,242,188	(173,126)	-13.9%
Operating Loss		(198,487)	(393,586)	195,099	-49.6%
Nonoperating Revenues (Expenses)					
State educational appropriations		221,956	223,916	(1,960)	-0.9%
Federal nonexchange grants		39,940	35,256	4,684	13.3%
State nonexchange grants		4,779	4,246	533	12.6%
Gifts		30,212	25,844	4,368	16.9%
Support from affiliates		40,056	32,875	7,181	21.8%
Net investment income		80,136	94,621	(14,485)	-15.3%
Net interest on capital asset-related debt		(43,995)	(47,515)	3,520	-7.4%
Other nonoperating expenses		(555)	(609)	54	-8.9%
State capital appropriations		15,191	18,636	(3,445)	-18.5%
Capital gifts and grants		15,435	10,607	4,828	45.5%
Additions to permanent endowments		534	1,082	(548)	-50.6%
Increase in Net position		205,202	5,373	199,829	3,719.1%
Net position, beginning of year, as previously reported		1,292,208	1,286,835	5,373	0.4%
Cumulative effect of change in accounting principle		(202,094)			
Net position, beginning of year, as restated		1,090,114			
Net position, end of year	\$	1,295,316	\$ 1,292,208	\$ 3,108	0.2%

Revenues and expenses are categorized as either operating or nonoperating. Significant recurring sources of the university's revenues, including state appropriations, federal nonexchange grants, state nonexchange grants, gifts, and support from affiliates are considered nonoperating. Consequently, the operating loss of \$198.5 million does not account for these important revenue sources. Adding these five revenue sources, which total \$336.9 million for 2018, offsets much of the operating loss.

## REVENUES

The university's revenues for the years ended June 30, 2018 and 2017, are summarized below:

### SUMMARY OF REVENUES

(in thousands)	2018	2017	Increase/(Decrease)	
			Amount	Percent
<b>Operating Revenues</b>				
Net student tuition and fees	\$ 478,560	\$ 465,475	\$ 13,085	2.8%
Federal, state, & local grants and contracts	127,448	125,171	2,277	1.8%
Nongovernmental grants and contracts	20,114	20,007	107	0.5%
Sales and services of educational departments	106,018	100,453	5,565	5.5%
Auxiliary enterprises, net	125,242	121,740	3,502	2.9%
Other	13,193	15,756	(2,563)	-16.3%
<b>Total operating revenues</b>	<b>870,575</b>	<b>848,602</b>	<b>21,973</b>	<b>2.6%</b>
<b>Nonoperating Revenues</b>				
State educational appropriations	221,956	223,916	(1,960)	-0.9%
Federal and state nonexchange grants	44,719	39,502	5,217	13.2%
Gifts	30,212	25,844	4,368	16.9%
Support from affiliates	40,056	32,875	7,181	21.8%
Net investment income	80,136	94,621	(14,485)	-15.3%
Capital appropriations, gifts, and grants	30,626	29,243	1,383	4.7%
Additions to permanent endowments	534	1,082	(548)	-50.6%
<b>Total nonoperating and other revenues</b>	<b>448,239</b>	<b>447,083</b>	<b>1,156</b>	<b>0.3%</b>
<b>Total revenues</b>	<b>\$ 1,318,814</b>	<b>\$ 1,295,685</b>	<b>\$ 23,129</b>	<b>1.8%</b>

### Operating Revenues

Net student tuition and fees are the primary source of operating revenue for the university. During 2018, the net revenue from student tuition and fees increased from \$465.5 million to \$478.6 million, an increase of \$13.1 million. The university did not increase its undergraduate instructional fees for the 2018 academic year. The increase in auxiliary enterprises is a result of an increased demand for student housing. The increase in sales and service of educational departments is mainly due to an expansion of services provided to UC Health.

The university has a high level of commitment to its research mission. Revenue from federal, state, and local grants and contracts totaled \$127.4 million in 2018, an increase of \$2.3 million. Nongovernmental grants and contracts revenue increased from \$20.0 million to \$20.1 million in 2018, a increase of \$0.1 million. Research expenses totaled \$155.5 million in 2018, an increase of \$1.5 million. The increase in spending was deliberate and focused on creating new research opportunities through strategic investment aimed at expanding the university's research presence. Annual research revenue as a percent of total operating revenue accounted for 17% of revenue in 2018.

### Nonoperating Revenues

State educational appropriations decreased from \$223.9 million in 2017 to \$222.0 million in 2018, a decrease of \$2.0 million. The State of Ohio's 2017-2018 approved budget appropriations bill included funding reforms for Ohio's public colleges and universities. The State funding methodology has rewarded the university for improvements in 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 2018 totaled \$30.2 million, compared to \$25.8 million in 2017. The Foundation is working with the university to develop the next fundraising campaign to support the work of the university's Next Lives Here strategic direction.

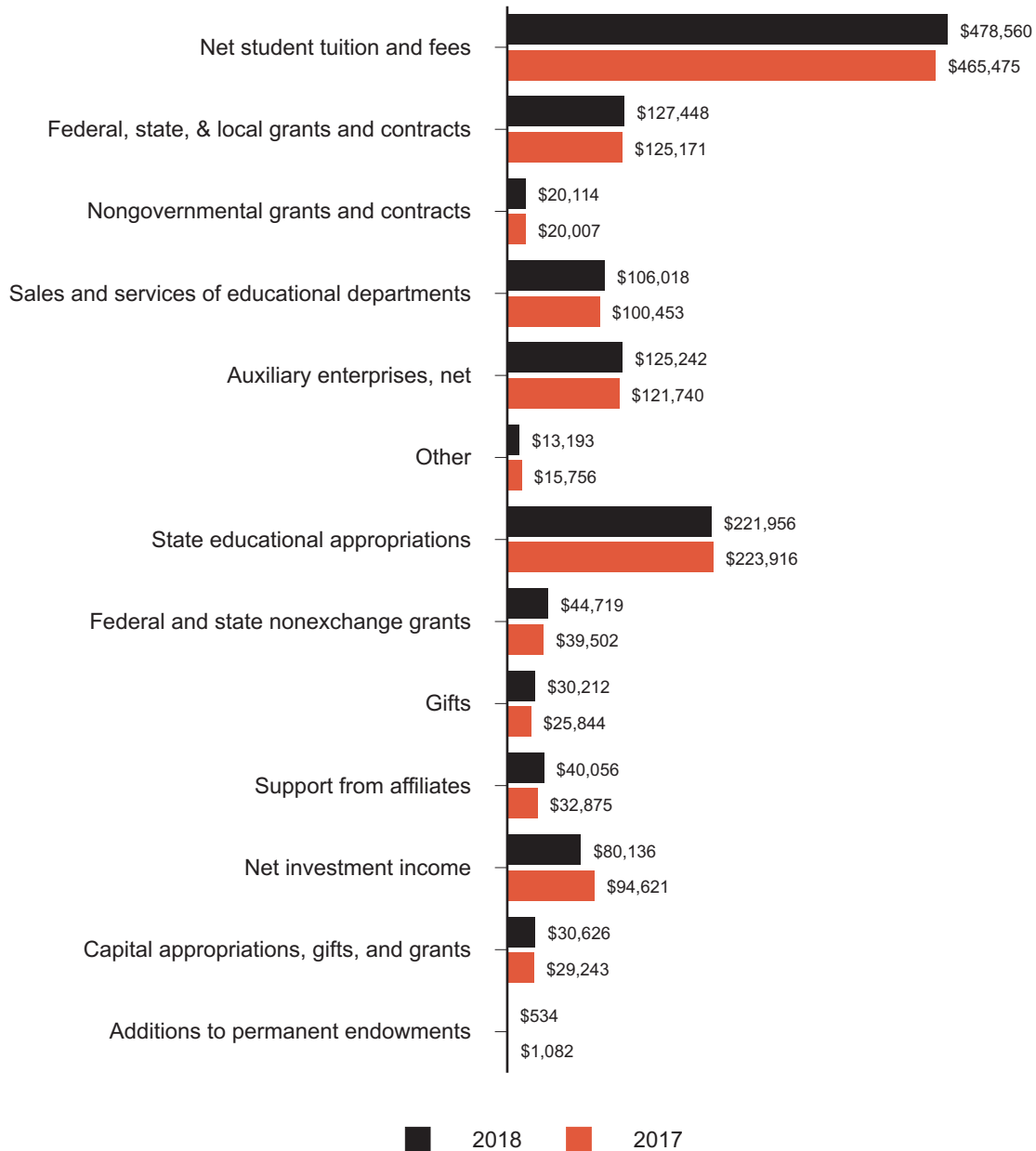
Support from affiliate revenue increased from \$32.9 million to \$40.1 million in 2017 and 2018 respectively, an increase of \$7.2 million. This increase is mainly due to an increase in support from affiliates including UC Health and Cincinnati Children's Hospital Medical Center.

The university's net investment income totaled \$80.1 million and \$94.6 million in 2018 and 2017 respectively, a decrease of \$14.5 million. Investment income includes both endowment income and temporary investment pool income. The overall decrease in investment income for 2018 is attributable to a reduction in incremental increases in national and global markets.

Capital appropriations, gifts, and grants included in other revenue, increased from \$29.2 million in 2017 to \$30.6 million in 2018. State capital is appropriated on a biannual basis, of which 2018 is the second year of the biennium. The increase was due to increases in gifts received for capital projects during 2018.

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

### Summary of Revenues (in thousands)



**EXPENSES**

The university's expenses for the years ended June 30, 2018 and 2017, are summarized below:

**SUMMARY OF EXPENSES**

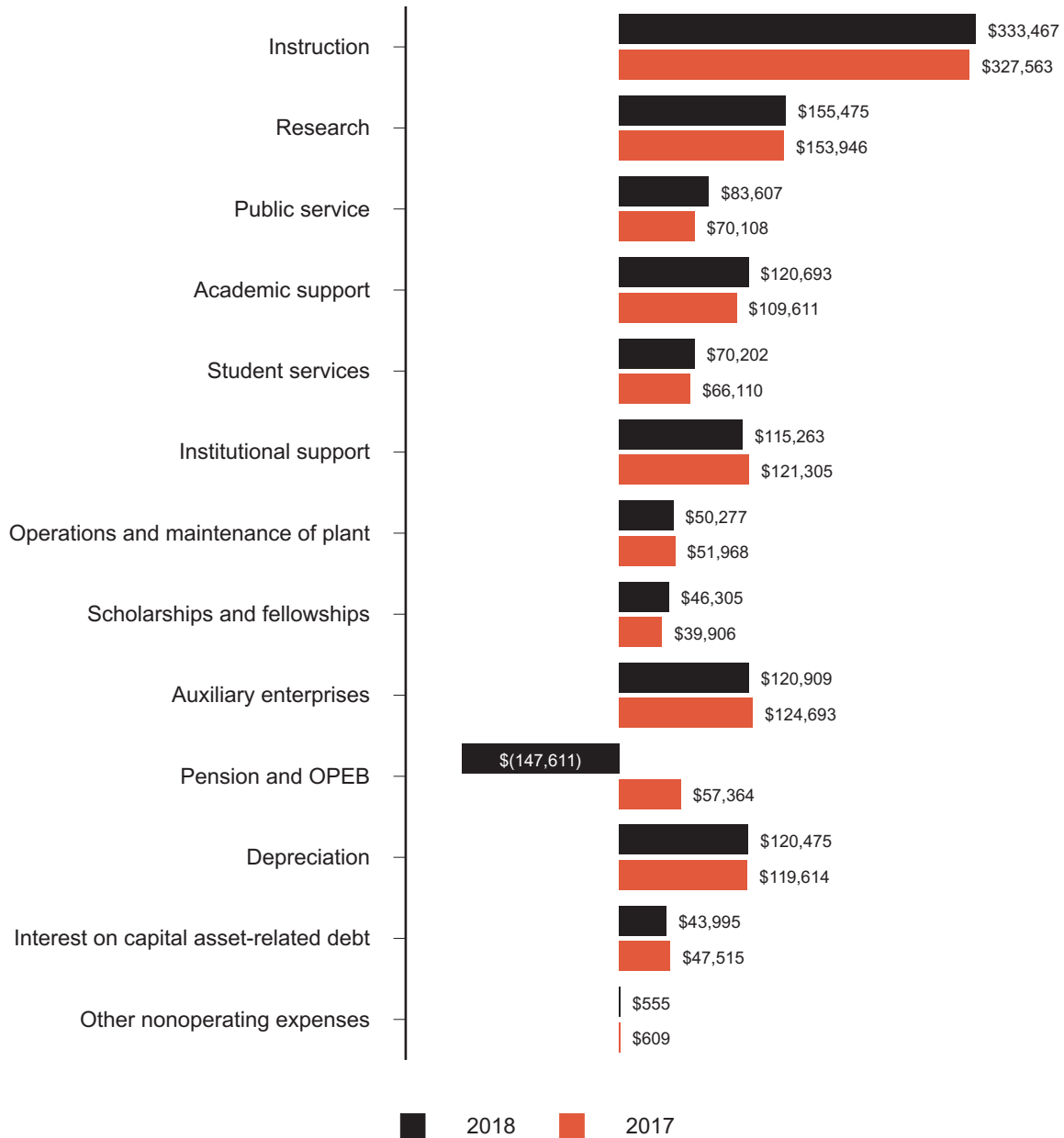
	(in thousands)	2018	2017	Increase/(Decrease)	
				Amount	Percent
<b>Operating expenses</b>					
Instruction	\$	333,467	\$	327,563	\$ 5,904 1.8%
Research		155,475		153,946	1,529 1.0%
Public service		83,607		70,108	13,499 19.3%
Academic support		120,693		109,611	11,082 10.1%
Student services		70,202		66,110	4,092 6.2%
Institutional support		115,263		121,305	(6,042) -5.0%
Operations and maintenance of plant		50,277		51,968	(1,691) -3.3%
Scholarships and fellowships		46,305		39,906	6,399 16.0%
Auxiliary enterprises		120,909		124,693	(3,784) -3.0%
Pension and other postemployment benefit (revenue) expense *		(147,611)		57,364	(204,975) -357.3%
Depreciation		120,475		119,614	861 0.7%
<b>Total operating expenses</b>	<b>\$</b>	<b>1,069,062</b>	<b>\$</b>	<b>1,242,188</b>	<b>\$ (173,126) -13.9%</b>
<b>Nonoperating expenses</b>					
Net interest on capital asset-related debt		43,995		47,515	(3,520) -7.4%
Other nonoperating expenses		555		609	(54) -8.9%
<b>Total nonoperating expenses</b>	<b>\$</b>	<b>44,550</b>	<b>\$</b>	<b>48,124</b>	<b>\$ (3,574) -7.4%</b>
<b>Total expenses</b>	<b>\$</b>	<b>1,113,612</b>	<b>\$</b>	<b>1,290,312</b>	<b>\$ (176,700) -13.7%</b>

\* In fiscal year 2017 and prior years, the university allocated its share of pension expense associated with unfunded liabilities related to the state's cost-sharing, multiple-employer plans to the individual functional areas based on the distribution of salary expense.

Total university expenses (operating and nonoperating) decreased by (\$176.7) million in 2018. The decrease was mainly attributable to the variance in amounts reported for pension (GASB 68) and OPEB (GASB 75) adjustments of (\$205.0) million. OPEB reporting requirements became effective for 2018. Offsetting some of this reduction in expense was increases to public service and academic support. Public service expense increases are mainly attributable to an increase in the headcount of dually compensated personnel dedicated to both the university's College of Medicine and UC Health. Revenue offsetting this additional salary and benefit expense is reported in sales and service of educational departments. Expense increases in academic support are mainly related to an increase in headcount.

The chart below portrays both operating and nonoperating expenses:

### Summary of Expenses (in thousands)



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## ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

Dr. Neville Pinto, the university's 30th president, launched the university's forward-thinking strategic direction known as "Next Lives Here" in 2018. Academic excellence, urban impact and innovation are core platforms of the strategic direction that aims to lead urban public universities into a new era of innovation and impact. Investing in the future is a key element of Next Lives Here. Pathways to academic excellence include: the Bearcat promise, faculty investment, and staff enrichment. Pathways to furthering the university's urban impact include: urban health, urban futures, and Cincinnati Public School strong. Innovation agenda pathways include: the new 1819 Innovation Hub, cooperative education 2.0, and inclusive excellence. The 1819 Innovation Hub, with its collaborative spaces, will foster an entrepreneurial ethos realized through academic and industry/nonprofit partnerships and position the university to serve as a global hub for talent development, creativity, and disruptive thinking.

The university will celebrate its bicentennial in 2019. The 200th anniversary of the institution will be a time to honor the past, own the present, and create a lasting impact for the future. The university will use this occasion as an opportunity to give back while inspiring students, faculty, staff, and alumni to do the same. Those familiar with the university will be provided an opportunity to see the university in a new light and envision the future. Alumni across the globe will have the occasion to re-engage with their alma mater.

The university places a premium on affordability, access, and accountability and is committed to listening to the interests and needs of its students and their families. In alignment with those priorities, the university has frozen undergraduate tuition for four consecutive years. Graduate school tuition, except for Medicine and Pharmacy, also remains flat for the fourth straight year. The university is the only public university in the State of Ohio to approve, by way of board action, a motion not to raise undergraduate tuition on its students during the 2018-19 academic year.

While many universities are challenged to meet their enrollment targets, the university welcomed in August 2018, the largest student body in its 199-year history. Total enrollment included 45,949 students on three campuses. The university also had the largest freshman class in the institution's history of 7,554 students, which includes 81 National Merit/Achievement Scholarship recipients. International student enrollment totaled 3,557, an increase of 110 from fall of 2017. Enrollment of new transfer students totaled 1,908.

University researchers continue to blaze new trails in science, medicine, business, education, engineering, and the arts; literally transforming the way we live, work, and learn. The university is awarded hundreds of millions of dollars annually for its research efforts from governmental, industrial, and nonprofit sources. Visionary ideas born from the bright minds at the university generate dozens of patent applications every year. University of Cincinnati Research Institute (UCRI) was created to advance research opportunities in business and industry. UCRI creates a comprehensive strategic approach for business engagement throughout the university while developing the activities of the university's faculty, researchers, and staff.

# University of Cincinnati

A COMPONENT UNIT OF THE STATE OF OHIO

Statement of Net Position (in thousands) as of June 30, 2018 (with comparative information as of June 30, 2017)	University of Cincinnati		The University of Cincinnati Foundation	
	2018	2017 (as restated)	2018	2017
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 88,125	\$ 58,467	\$ 11,742	\$ 10,350
Current portion of investments	158,237	202,557		
Current portion of accounts receivable, net	75,258	53,540	2,461	2,681
Current portion of pledges receivable, net			28,797	25,585
Current portion of notes receivable, net	5,791	5,305		
Current portion of other assets	11,387	9,820	14,886	11,976
<b>Total current assets</b>	<b>338,798</b>	<b>329,689</b>	<b>57,886</b>	<b>50,592</b>
<b>Noncurrent assets</b>				
Investments	392,231	349,806		
Endowment investments	586,002	571,165	439,258	402,710
Split-interest agreements	8,631	8,362		
Accounts receivable, net	7,576	7,400		
Pledges receivable, net			69,683	69,115
Notes receivable, net	21,884	21,792		
UC Health intangible asset	420,645	420,645		
Capital assets not being depreciated	269,890	188,257		
Capital assets being depreciated, net	1,436,438	1,402,261	2,360	3,210
<b>Total noncurrent assets</b>	<b>3,143,297</b>	<b>2,969,688</b>	<b>511,301</b>	<b>475,035</b>
<b>Total Assets</b>	<b>3,482,095</b>	<b>3,299,377</b>	<b>569,187</b>	<b>525,627</b>
<b>Deferred Outflows of Resources</b>				
Loss on refunding	13,558	16,551		
Other postemployment benefits	13,027			
Pension	160,917	192,722		
<b>Total Deferred Outflows of Resources</b>	<b>187,502</b>	<b>209,273</b>	<b>—</b>	<b>—</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Accounts payable	87,400	72,302	2,579	3,104
Accrued liabilities	23,243	29,632		
Current portion of accrued compensation	75,370	74,253		
Current portion of bonds, notes, and leases payable	43,836	67,479		
Deposits and advances	38,043	32,080		
Funds held on behalf of others	4,298	3,706		
<b>Total current liabilities</b>	<b>272,190</b>	<b>279,452</b>	<b>2,579</b>	<b>3,104</b>
<b>Noncurrent liabilities</b>				
Accrued compensation	18,294	18,481		
Government loan advances	21,705	21,702		
Bonds, notes, and leases payable	1,244,239	1,113,705		
Net other postemployment benefits liability	189,609			
Net pension liability	538,652	769,171		
Other noncurrent liabilities	2,359	3,582	19,955	21,668
<b>Total noncurrent liabilities</b>	<b>2,014,858</b>	<b>1,926,641</b>	<b>19,955</b>	<b>21,668</b>
<b>Total Liabilities</b>	<b>2,287,048</b>	<b>2,206,093</b>	<b>22,534</b>	<b>24,772</b>
<b>Deferred Inflows of Resources</b>				
Split-interest agreements	8,631	8,362		
Other postemployment benefits	16,975			
Pension	61,627	1,987		
<b>Total Deferred Inflows of Resources</b>	<b>87,233</b>	<b>10,349</b>	<b>—</b>	<b>—</b>
<b>Net Position</b>				
Net investment in capital assets	526,828	527,340	2,360	3,210
Restricted for:				
Nonexpendable	773,169	764,464	368,024	344,356
Expendable	349,501	330,245	187,550	175,571
Unrestricted	(354,182)	(329,841)	(11,281)	(22,282)
<b>Total Net Position</b>	<b>\$ 1,295,316</b>	<b>\$ 1,292,208</b>	<b>\$ 546,653</b>	<b>\$ 500,855</b>

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 (in thousands)

	University of Cincinnati		The University of Cincinnati Foundation	
	2018	2017	2018	2017
for the year ended June 30, 2018 (with comparative information for the year ended June 30, 2017)				
<b>Operating Revenues</b>				
Student tuition and fees	\$ 582,239	\$ 563,014		
Less scholarship allowances	103,679	97,539		
Net student tuition and fees	478,560	465,475		
Federal grants and contracts	121,892	120,005		
State and local grants and contracts	5,556	5,166		
Nongovernmental grants and contracts	20,114	20,007		
Sales and services of educational departments	106,018	100,453		
Auxiliary enterprises (net of scholarship allowances of \$12,381 in 2018 and \$11,239 in 2017)	125,242	121,740		
Other operating revenues	13,193	15,756	\$ 29,844	\$ 25,308
<b>Total Operating Revenues</b>	<b>870,575</b>	<b>848,602</b>	<b>29,844</b>	<b>25,308</b>
<b>Operating Expenses</b>				
Educational and general:				
Instruction	333,467	327,563		
Research	155,475	153,946		
Public service	83,607	70,108		
Academic support	120,693	109,611		
Student services	70,202	66,110		
Institutional support	115,263	121,305	27,454	29,074
Operations and maintenance of plant	50,277	51,968		
Scholarships and fellowships	46,305	39,906		
Auxiliary enterprises	120,909	124,693		
Pension and other postemployment benefit (revenue) expense	(147,611)	57,364		
Depreciation	120,475	119,614	1,035	1,434
<b>Total Operating Expenses</b>	<b>1,069,062</b>	<b>1,242,188</b>	<b>28,489</b>	<b>30,508</b>
<b>Operating Income (Loss)</b>	<b>(198,487)</b>	<b>(393,586)</b>	<b>1,355</b>	<b>(5,200)</b>
<b>Nonoperating Revenues (Expenses)</b>				
State educational appropriations	221,956	223,916		
Federal nonexchange grants	39,940	35,256		
State nonexchange grants	4,779	4,246		
Gifts	30,212	25,844	75,446	70,994
Support from affiliates	40,056	32,875		
Net investment income	80,136	94,621	29,758	39,332
Net interest on capital asset-related debt	(43,995)	(47,515)		
Payments to University of Cincinnati			(60,523)	(50,472)
Other nonoperating revenues (expenses)	(555)	(609)	(238)	1,753
<b>Net Nonoperating Revenues</b>	<b>372,529</b>	<b>368,634</b>	<b>44,443</b>	<b>61,607</b>
<b>Income (Loss) Before Other Revenues</b>	<b>174,042</b>	<b>(24,952)</b>	<b>45,798</b>	<b>56,407</b>
<b>Other Revenues</b>				
State capital appropriations	15,191	18,636		
Capital gifts and grants	15,435	10,607		
Additions to permanent endowments	534	1,082		
<b>Total Other Revenues</b>	<b>31,160</b>	<b>30,325</b>	<b>—</b>	<b>—</b>
<b>Increase in Net Position</b>	<b>205,202</b>	<b>5,373</b>	<b>45,798</b>	<b>56,407</b>
Net Position, beginning of year, as previously reported	1,292,208	1,286,835	500,855	444,448
Cumulative effect of change in accounting principle (see Note 1)	(202,094)			
Net Position, beginning of year, as restated	1,090,114			
<b>Net Position, End of Year</b>	<b>\$ 1,295,316</b>	<b>\$ 1,292,208</b>	<b>\$ 546,653</b>	<b>\$ 500,855</b>

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) for the year ended June 30, 2018 (with comparative information for the year ended June 30, 2017)	University of Cincinnati	
	2018	2017
<b>Cash Flows from Operating Activities</b>		
Student tuition and fees	\$ 473,626	\$ 462,432
Federal, state, and local grants and contracts	174,301	170,167
Sales and services of educational departments and auxiliary enterprises	233,975	226,069
Expenditures and other deductions:		
Compensation	(721,270)	(706,735)
Payments for materials, services and other	(396,967)	(386,488)
Loans issued	(6,048)	(5,963)
Loan principal collected	5,471	5,611
Interest on loans receivable	111	118
Other revenue	4,418	15,506
<b>Net Cash Used for Operating Activities</b>	<b>(232,383)</b>	<b>(219,283)</b>
<b>Cash Flows from Noncapital Financing Activities</b>		
State educational appropriations	222,119	223,670
Federal nonexchange grants	39,940	35,256
State nonexchange grants	4,779	4,246
Gift receipts for current use	31,170	24,515
Support from affiliates	40,056	32,875
Additions to permanent endowments	879	1,498
<b>Net Cash Provided by Noncapital Financing Activities</b>	<b>338,943</b>	<b>322,060</b>
<b>Cash Flows from Capital and Related Financing Activities</b>		
State capital appropriations	15,726	23,180
Private gifts	15,435	10,407
Capital grants		200
Other	3,412	5,740
Proceeds from issuance of capital debt	178,004	126,028
Purchases of capital assets	(231,376)	(131,855)
Proceeds from sale of capital assets	331	383
Principal paid on capital debt and leases	(71,113)	(96,197)
Interest payments on capital debt and leases	(51,760)	(50,488)
<b>Net Cash Used for Capital and Related Financing Activities</b>	<b>(141,341)</b>	<b>(112,602)</b>
<b>Cash Flows from Investing Activities</b>		
Interest and dividends on investments, net	34,755	33,089
Proceeds from sales and maturities of investments	1,367,052	1,164,491
Purchases of investments	(1,332,296)	(1,210,745)
Other endowment expenditures	(5,072)	(2,759)
<b>Net Cash Provided by (Used for) Investing Activities</b>	<b>64,439</b>	<b>(15,924)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>29,658</b>	<b>(25,749)</b>
Cash and Cash Equivalents, Beginning of Year	58,467	84,216
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 88,125</b>	<b>\$ 58,467</b>

# University of Cincinnati

A COMPONENT UNIT OF THE STATE OF OHIO

## Statement of Cash Flows (in thousands)

for the year ended June 30, 2018 (with comparative information for the year ended June 30, 2017)

## University of Cincinnati

	2018	2017
<b>Reconciliation of Operating Loss to Net Cash Used for Operating Activities:</b>		
Operating loss	\$ (198,487)	\$ (393,586)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation expense	120,475	119,614
Changes in assets and liabilities:		
Accounts receivable, net	(21,233)	(1,877)
Notes receivable, net	(577)	(352)
Other assets	(658)	180
Deferred outflows	18,778	(77,777)
Accounts payable	13,318	4,364
Accrued compensation and other	(4,019)	(385)
Advances	3,953	5,549
Compensated absences	201	2,448
Deposits	115	86
Net OPEB liability	(12,485)	
Net pension liability	(230,519)	165,950
Deferred inflows	76,615	(30,809)
Other liabilities	2,140	(12,688)
<b>Net Cash Used for Operating Activities</b>	<b>\$ (232,383)</b>	<b>\$ (219,283)</b>
<b>Noncash Transactions</b>		
Accrued liabilities for capital assets	\$ 29,093	\$ 29,447
Gifts of capital assets	\$ 586	\$ 946

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

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## NOTES TO FINANCIAL STATEMENTS For the Year Ended June 30, 2018

### 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, 2018, 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; approving significant capital projects and debt issuances; 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. Substantially, all of the university's unrestricted net position is allocated for academic and research initiatives or programs, for capital programs, or for other purposes.

### **Changes in Financial Accounting and Reporting**

During 2018, the university implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement requires employers participating in cost-sharing multiple-employer other postemployment benefits plans (OPEB) to recognize a proportionate share of the net OPEB liabilities of the plans. The university participates in OPEB plans provided by the Ohio Public Employees Retirement System and the State Teachers Retirement System of Ohio. The cumulative effect of adopting GASB Statement No. 75 was a \$202,094,000 reduction in the university's net position as of July 1, 2017. Balances reported for the year ended June 30, 2017 have not been restated due to limitations on the information available from the retirement systems.

During 2018, the university also implemented GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. This statement requires the university to recognize assets, liabilities, and deferred inflows of resources for resources received pursuant to an irrevocable split-interest agreement. It also requires the university to recognize assets representing its beneficial interests in irrevocable split-interest agreements administered by a third party, if the university controls the present service capacity of the beneficial interests. An asset with a corresponding deferred inflow of resources for \$8,362,000 was recognized on the Statement of Net Position as of June 30, 2017 due to the adoption of GASB Statement 81. Therefore, there was no cumulative effect on the university's net position as of July 1, 2017.

### **Recent Accounting Pronouncements**

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, effective for the university's fiscal year ending June 30, 2019. This statement establishes recognition and measurement guidance for certain asset retirement obligations (ARO). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. Recognition of an ARO liability is required when it is both incurred and reasonably estimable. The determination of when the liability is incurred is based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates the university to perform an asset retirement. In addition, a deferred outflow of resources related to the ARO will be recorded upon initial measurement and recognized as an expense over the asset's estimated useful life. The university is evaluating the impact Statement No. 83 will have on its financial statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*, effective for the university's fiscal year ending June 30, 2020. This statement establishes criteria to identify and report fiduciary activities in the university's financial statements. In general, if the university controls the activities and the beneficiaries of fiduciary funds, then the activity should be included in the Fiduciary section of the financial statements. Business-type activities are required to include custodial funds as assets with an offset to a liability in their statement of net position, and report additions and deductions in the statement of cash flows. This statement also establishes requirements for reporting fiduciary activities of component units. A fiduciary fund component unit, should be reported in the primary governments fiduciary funds. The university is evaluating the impact Statement No. 84 will have on its financial statements.

In June 2017, GASB issued Statement No. 87, *Leases*, effective for the university's fiscal year ending June 30, 2021. This statement establishes a single approach for lease accounting based on the principle that all leases are a means for financing the use of an underlying asset. The new guidance applies to all leases with terms greater than 12 months. Under arrangements that the university is the lessee, the statement requires recognition of an intangible right-to-use asset and an offsetting liability. The asset is systematically amortized over the shorter of the lease term or the asset's estimated useful life while the liability is increased for accrued interest expense and reduced when payments are made. Under arrangements that the university is the lessor, recognition of a lease receivable and a deferred inflow of resources is required. Additionally, the lessor reports interest revenue on the receivable and lease revenue over the lease systematically reducing the deferred inflow. Lessors continue to report the leased asset in the financial statements. The university is evaluating the impact Statement No. 87 will have on its financial statements.

In March 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, effective for the university's fiscal year ending June 30, 2019. This statement clarifies which liabilities are defined as debt for the purposes of disclosures in the notes to financial statements. The pronouncement defines debt as a liability that arises from a contractual obligation to pay cash (or other assets that may be in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. Statement No. 88 requires that all debt disclosures present direct borrowings and direct placements of debt separately from other types of debt. Also, additional essential debt-related information for all types of debt including amounts of unused lines of credit, assets pledged as collateral for debt, and terms specified in debt agreements for significant events related to default, termination and subjective acceleration clauses are required by this standard. The university is evaluating the impact Statement No. 88 will have on its financial statements.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for the university's fiscal year ending June 30, 2021. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred. Interest cost incurred before the end of a construction period will no longer be included in the historical cost of a capital asset. The university is evaluating the impact Statement No. 89 will have on its financial statements.

### **Summary of Significant Accounting Policies**

**Investments** are reported in three 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.

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, 2018, as adjusted by cash receipts, cash disbursements and securities distributions through June 30, 2018, 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, 2018. 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 capital assets are recorded at cost at date of acquisition, or acquisition value at date of donation. The university's capitalization threshold is \$100,000 for major construction projects and related costs are capitalized as they are incurred. Interest on related borrowing, net of interest earnings on invested proceeds, is capitalized during the period of construction. Projects that have not been completed as of the date of the Statement of Net Position are classified as construction in progress. Intangible assets such as software have a capitalization threshold of \$100,000 except for internally generated software which has a threshold of \$500,000. For all other items, the capitalization threshold is \$5,000.

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 and OPEB liabilities not included in pension and OPEB 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 and OPEB liabilities not included in pension and OPEB expense and beneficial interests in irrevocable split-interest agreements.

**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, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Cost-Sharing Defined Benefit Other Postemployment Benefit Plans**— The Plans mentioned in the preceding paragraph provide other postemployment benefits (OPEB) in addition to pension benefits. For

purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB Plans and additions to/deductions from the OPEB Plans' fiduciary net position have been determined on the same basis as they are reported by the OPEB Plans. For this purpose, benefit payments 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 2017 is for comparative purposes. This information should be read in conjunction with the university's financial statements for the year ended June 30, 2017, 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 in accordance with the investment policy.

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, and Fund C, a strategic investment pool spun off from Fund A, as authorized by university policy. Diversification of the portfolio is in accordance with state law.

At June 30, 2018, the fair value of the temporary investment pool is as follows (*in thousands*):

Temporary Investment Pool & Other Investments	Current	Noncurrent	Total
<b>Cash &amp; cash equivalents</b>			
Petty cash	\$ 58	\$ —	\$ 58
Bank deposits - Federally insured	526	—	526
Bank deposits - Uninsured	1,615	—	1,615
Money market funds	93,114	—	93,114
Cash in-transit	(7,188)	—	(7,188)
<b>Total cash &amp; cash equivalents</b>	<b>88,125</b>	<b>—</b>	<b>88,125</b>
<b>Investments</b>			
U.S. Agency securities	90	38,620	38,710
U.S. Treasury securities	47,976	58,184	106,160
Corporate notes and bonds	107,055	252,956	360,011
Endowment Fund A & C	—	30,744	30,744
Municipal notes and bonds	3,116	10,025	13,141
<b>Total investments excluding real estate</b>	<b>158,237</b>	<b>390,529</b>	<b>548,766</b>
<b>Total Temporary Investment Pool</b>	<b>\$ 246,362</b>	<b>\$ 390,529</b>	<b>\$ 636,891</b>
<b>Other Investments</b>			
Real Estate	—	1,702	1,702
<b>Total Investments</b>	<b>\$ 158,237</b>	<b>\$ 392,231</b>	<b>\$ 550,468</b>

### 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 75% to 90% in equity and alternative investments and 10% to 25% in 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 34% and hedge funds 23%. The Investment Committee determines target allocations and allowable ranges.

The Uniform Prudent 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 Ohio's version of UPMIFA requirements.

At June 30, 2018, the fair value of the endowment is as follows (*in thousands*):

Endowment Investments	Fund A	Fund B	Fund C	Separately Invested	Beneficial Interests in Perpetual Trusts	Total
<b>Investment Type</b>						
Cash & cash equivalents	\$ (4,606)	\$ —	\$ 523	\$ 121	\$ —	\$ (3,962)
U.S. Agency securities	43,414	—	—	—	—	43,414
U.S. Treasury securities	33,081	—	—	52	—	33,133
Corporate notes and bonds	52,233	—	—	137	—	52,370
Municipal notes and bonds	6,058	—	—	—	—	6,058
NDCL* - principal	—	—	47,501	11,632	—	59,133
NDCL* - accrued income	—	—	8,795	1,958	—	10,753
Corporate stocks	492,692	—	—	2,172	—	494,864
<b>Alternative investments</b>						
Private equity	146,296	—	—	3,937	—	150,233
Hedge funds	161,698	—	—	—	—	161,698
Real estate	7,064	816	5,880	1,024	—	14,784
Beneficial interests in perpetual trusts	—	—	—	—	344,949	344,949
<b>Total endowment investments</b>	<b>937,930</b>	<b>816</b>	<b>62,699</b>	<b>21,033</b>	<b>344,949</b>	<b>1,367,427</b>
Shares held by UC Foundation	(362,217)	—	(19,467)	—	—	(381,684)
Loan to UHCURC (component unit)	—	—	(13,433)	—	—	(13,433)
NDCL* - accrued income	—	—	(8,795)	(1,958)	—	(10,753)
Accrued income - other	(1,209)	—	—	—	—	(1,209)
Accrued expense	632	—	—	—	—	632
TIP investment in Fund A & C	(29,584)	—	(1,160)	—	—	(30,744)
Valuation timing adjustment	715	—	—	—	—	715
Beneficial interests in perpetual trusts	—	—	—	—	(344,949)	(344,949)
<b>Endowment investments as reported</b>	<b>\$ 546,267</b>	<b>\$ 816</b>	<b>\$ 19,844</b>	<b>\$ 19,075</b>	<b>\$ —</b>	<b>\$ 586,002</b>

\* Neighborhood Development Corporation Loans (NDCL)

Endowment shares held by UC Foundation, investments held in irrevocable external perpetual trusts, a note payable from University Heights Community Urban Redevelopment Corporation (UHCURC), accrued income and expense, and TIP investment in Fund A and Fund C are excluded from endowment investments reported on the Statement of Net Position. The Foundation's share of Fund A and Fund C is included in the Foundation's assets listed in a discretely presented column on the Statement of Net Position. External trust assets are not reported on the Statement of Net Position unless they are recognized as beneficial interest in trusts recognized under GASB 81, *Irrevocable Split-Interest Agreements*. 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 and Fund C is included in noncurrent 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 fundraising fee, and the rate of inflation. 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 smooths the distribution of income earned in Fund A. Distributions are made from Fund A to university departments that benefit from those funds. The 2018 endowment spending policy provided for an annual distribution of 4.5% of the twelve-quarter moving-average market value of endowment units.

At June 30, 2018, Fund A shares totaled 12,183,007 with a market value of \$937,930,000. The Foundation owned 4,710,998 of those shares with a market value of \$362,217,000 (excludes accrued income). The Foundation's share of Fund A is approximately 38.7%. Since 2002, substantially all Foundation endowments have been invested in Fund A.

Fund A also includes alternative investments consisting of private equity, hedge funds, and real estate. The private equity portion of the portfolio totals \$146,296,000. Certain of these private equity investments are valued based on their value as of March 31, 2018 adjusted for cash receipts, cash disbursements, and securities distributions through June 30, 2018 (please refer to Note 1, Summary of Significant Accounting Policies, regarding valuation of alternative investments). The hedge fund portion of the portfolio totals \$161,698,000. Real estate holdings in Fund A total \$7,064,000. The university's outstanding commitment to purchase various alternative investments at June 30, 2018, is \$173,502,000 and is comprised mostly of undrawn commitments to private funds.

#### Fund C

Fund C is comprised of strategic investments not actively managed by the investment office and have not historically generated significant income or investment returns. The Fund has no spending policy and pays no Foundation fundraising fees.

Fund C 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 \$56,296,000 and includes principal of \$47,501,000, net of \$21,853,000 of loan loss reserves and accrued interest of \$8,795,000, net of \$37,067,000 of interest reserves. A loan to UHCURC (a blended component unit) for \$13,433,000, 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 nonoperating revenues (expenses), as a component of net investment income.

Fund C also includes real estate holdings valued at \$5,880,000.

The value of Fund C will change based on interest and principal payments by the loan holders, plus or minus changes to the reserves. It will also change based on the valuation of the direct real estate values. On a periodic basis, cash flow interest and principal payments received, as well as from the liquidation of assets in Fund C will be distributed to Fund C shareholders to be used to purchase shares in Fund A. It is projected that over time all of the strategic investments will be liquidated and the entire value of the assets will be transferred to Fund A.

At June 30, 2018, Fund C shares totaled 10,987,649 with market value of \$62,699,000. The Foundation owned 3,968,069 of those shares with a market value of \$19,467,000 (excludes accrued income). The Foundation's share of Fund C is approximately 36.1%.

#### Fund B and Separately Invested Assets

Fund B is comprised of real estate holdings received through donor bequest and is valued at \$816,000. Separately invested funds include neighborhood development corporation loans, corporate stocks held per donor stipulation, strategic private equity investments, and donated real estate; their value totaled \$21,033,000 (including accrued income) at June 30, 2018.

#### Real Estate

Fund A, Fund B, Fund C, and separately invested assets include land or other real estate held as investments. At June 30, 2018, the fair market value totaled \$14,784,000 including \$7,064,000 in Fund A, \$816,000 in Fund B, \$5,880,000 in Fund C and \$1,024,000 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 2018.

Real estate not included in the TIP or endowment market values but reported as a noncurrent investment represents the Piedmont Mews property owned by the university as of June 30, 2018, valued at \$1,702,000. This real estate was previously held by the endowment. During fiscal year 2017, a land swap was executed and the property was transferred from the endowment to the university. The land swap to transfer the property from the university to UC Health was not finalized by June 30, 2018. Other university held real estate outside of TIP or the endowment is normally reported as a capital asset. However, since the real estate was previously reported as an investment of the endowment, GASB reporting requirements disallow changing the designation from investment to capital asset.

#### Beneficial Interest in Irrevocable External Perpetual Trusts

The university is the beneficiary of numerous perpetual trusts held and administered by external trustees. The market value of these external trustee assets totaled \$344,949,000 at June 30, 2018. These external trusts are irrevocable, and the university has a vested beneficial interest in the net income payable by the trusts. External trust assets are not reported on the Statement of Net Position unless they are recognized as beneficial interest in trusts recognized under GASB 81, *Irrevocable Split-Interest Agreements*. Income is received annually and reported on the university's Statement of Revenues, Expenses, and Changes in Net Position. In 2018, the university received income of \$10,409,000. The university expects 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 maximum duration range of investments in the temporary investment pool will not exceed three years. There is no stipulation for the endowment portfolio.

At June 30, 2018, the university's investment maturities are as follows (*in years, in thousands*):

Investments	Less than 1	1 to 5	6 to 10	More than 10	Total
<b>Temporary Investment Pool</b>					
U.S. Agency securities	\$ 90	\$ 37,601	\$ 549	\$ 470	\$ 38,710
U.S. Treasury securities	47,976	58,184	—	—	106,160
Corporate notes and bonds	107,055	249,276	—	3,680	360,011
Municipal notes and bonds	3,116	7,670	—	2,355	13,141
<b>Total Temporary Investment Pool</b>	<b>\$ 158,237</b>	<b>\$ 352,731</b>	<b>\$ 549</b>	<b>\$ 6,505</b>	<b>\$ 518,022</b>
<b>Endowment Investments</b>					
U.S. Agency securities	\$ 157	\$ 5,808	\$ 3,726	\$ 16,935	\$ 26,626
U.S. Treasury securities	1,357	1,309	847	16,828	20,341
Corporate notes and bonds	976	16,475	9,190	5,531	32,172
Municipal notes and bonds	—	1,161	1,544	1,011	3,716
NDCL* - principal	45	9,575	11,523	7,403	28,546
<b>Total Endowment Investments</b>	<b>\$ 2,535</b>	<b>\$ 34,328</b>	<b>\$ 26,830</b>	<b>\$ 47,708</b>	<b>\$ 111,401</b>

\* Neighborhood Development Corporation Loans (NDCL)

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

Debt proceeds issued for capital projects with maturities of less than one year total \$112,270,000 and are recorded as noncurrent investments on the Statement of Net Position.

The portion of endowment investments, after exclusions, not subject to interest rate risk is \$505,345,000 (includes temporary investment pool share of Fund A and Fund C) 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.

Per GASB Statement No. 40, *Deposit and Investment Risk Disclosures, an amendment to GASB Statement No. 3*, securities with split ratings, or a different rating assignment, are disclosed using the rating indicative of the greatest degree of risk.

At June 30, 2018, the university's investment credit risk is as follows (in thousands):

	AAA	AA	A	BBB	BB & B	Not Rated	Total
Temporary Investment Pool							
U.S. Agency securities	\$ —	\$ 38,710	\$ —	\$ —	\$ —	\$ —	\$ 38,710
U.S. Treasury securities	—	106,160	—	—	—	—	106,160
Corporate notes and bonds	29,965	15,338	244,179	70,529	—	—	360,011
Municipal notes and bonds	1,279	3,336	7,820	706	—	—	13,141
Total Temporary Investment Pool	\$ 31,244	\$ 163,544	\$ 251,999	\$ 71,235	\$ —	\$ —	\$ 518,022
Endowment Investments							
U.S. Agency securities	\$ 1,111	\$ 18,287	\$ 1,768	\$ 4,266	\$ 1,194	\$ —	\$ 26,626
U.S. Treasury securities	—	20,341	—	—	—	—	20,341
Corporate notes and bonds	1,654	623	6,716	20,707	2,336	136	32,172
Municipal notes and bonds	153	365	2,353	740	105	—	3,716
NDCL* - principal	—	—	—	—	—	28,546	28,546
Total Endowment Investments	\$ 2,918	\$ 39,616	\$ 10,837	\$ 25,713	\$ 3,635	\$ 28,682	\$ 111,401

\* Neighborhood Development Corporation Loans (NDCL)

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

The temporary investment pool permits investments in unrated investment grade securities of 10% or less of the temporary investment pool portfolio measured at the time of purchase. 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 \$505,345,000 (includes temporary investment pool share of Fund A and Fund C) 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, 2018, the university had no investment in any one issuer that was 5% or more of investments for either the endowment or the temporary investment pool.

### 3. Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value.

- Level 1** Quoted prices in active markets for identical assets or liabilities.
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities.

**Recurring Measurements**

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2018 (*in thousands*):

Investments, Endowment Investments, and Derivative Instruments Measured at Fair Value

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
U.S. Agency securities	\$ 82,124	\$ —	\$ 82,124	\$ —
U.S. Treasury securities	139,293	139,293	—	—
Corporate notes and bonds	412,381	—	412,381	—
Municipal notes and bonds	19,199	—	19,199	—
NDCL - principal	45,700	—	—	45,700
Equity securities				
U.S. equities	233,298	233,298	—	—
Non-U.S. equities	28,912	28,912	—	—
Commingled funds	185,640	—	—	185,640
Public real assets	47,014	—	—	47,014
Real estate	16,486	—	—	16,486
Total investments by fair value level	<u>\$ 1,210,047</u>	<u>\$ 401,503</u>	<u>\$ 513,704</u>	<u>\$ 294,840</u>
Investments measured at net asset value (NAV)				
Hedge funds	\$ 161,698			
Private equity funds	150,233			
Total investments measured at NAV	<u>311,931</u>			
	<u>1,521,978</u>			
Cash, cash equivalents and other	(3,824)			
Shares held by UC Foundation	(381,684)			
Total investments measured at fair value	<u>\$ 1,136,470</u>			
Investment derivative instruments				
Interest rate swap (liability)	<u>\$ (2,359)</u>		<u>\$ (2,359)</u>	



Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the Statement of Net Position.

### Investments

Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. See the table below for inputs and valuation techniques used for Level 3 securities.

	Fair Value	Valuation Method
NDCL - principal	\$ 45,700	Based on aggregate cash flow projections and independent appraisals of underlying real estate
Commingled funds; Public real assets	232,654	Positions are valued by a general or managing partner (or functional equivalent)
Real estate	16,486	Independent appraisals every three years for tangible real assets
	<u>\$ 294,840</u>	

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented below:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge funds (A)	\$ 161,698	\$ —	Quarterly/Annually, after lock-up period	45-90 days
Private equity funds (B)	150,233	173,502	Non-redeemable	none
	<u>\$ 311,931</u>	<u>\$ 173,502</u>		

(A) This category includes investments in investment vehicles that take both long and short positions, primarily in domestic common stocks and credit instruments. Management of the funds has the ability to shift investments among differing investment strategies. Liquidity features of the vehicles include quarterly to annual redemptions and zero to three years of lock-up period for initial investments. Approximately 80% of the university's hedge fund portfolio market value was available during 2018.

(B) This category mainly includes private equity funds that invest primarily in domestic companies. These investments are non-redeemable and terminate or liquidate over varying periods.

### Interest Rate Swap Agreement

The fair value of the interest rate swap agreement 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 valuation is considered Level 2 since a quoted price can be obtained from a number of dealer counterparties and other independent market sources based on observable interest rates and yield curves for the full term of the asset or liability.



#### 4. Accounts and Notes Receivable

Accounts and notes receivable as of June 30, 2018 is as follows (*in thousands*):

Accounts receivable, net	\$ 70,255
Notes receivable, net	27,675
Accrued interest receivable, net	12,579
Total	<u>110,509</u>
Less current receivables	81,049
Noncurrent receivables	<u>\$ 29,460</u>

Allowances for uncollectible receivables included in the amounts above are approximately \$8,792,000 for accounts receivable, \$6,522,000 for notes receivable, and \$28,063,000 for accrued interest receivable related to loans made to certain nonprofit entities as of June 30, 2018.

#### 5. UC Health Affiliation Agreement

The organization known as UC Health consists of UC Healthcare System (“UCHS”) and affiliates. UCHS is an Ohio nonprofit corporation formed October 15, 2010, and is the sole member of UC Health, LLC. UC Health, LLC (“UC Health”) is an Ohio nonprofit limited liability company that includes University of Cincinnati Medical Center (UCMC), West Chester Hospital, Daniel Drake Center, and University of Cincinnati Physicians Company (UCPC).

UC Health operates under an affiliation agreement entered into between the university, UC Health, and UC Healthcare System on June 28, 2012. The affiliation agreement supports the mission of UC Health and its commitment to patient care, education, and research. Pursuant to the agreement, the university retained its interest in the net assets of UC Health. This intangible asset is recorded on the university’s Statement of Net Position as a noncurrent asset at \$420,645,000 and is valued based on the cost method. Management believes that the cost method is the preferred valuation method based on the single member relationship defined in the affiliation agreement. The university monitors any potential changes to the asset valuation such as impairment. There has been no change to the value of asset since 2011.

UCMC purchases common services from the university, such as utilities and various other administrative services for which the university charges UCMC. Charges for 2018 were approximately \$12,940,000.

UCPC provides support for education and research activities of the academic departments of the College of Medicine. The level of funding is based on a percentage of clinical departmental net patient revenues. UCPC also provides support which may be used at the discretion of the Dean of the College of Medicine for the growth and development of teaching, research, and service programs. Support payments received from UCPC and related affiliates for 2018 were approximately \$37,560,000 and are included in support from affiliates on the Statement of Revenues, Expenses, and Changes in Net Position.

Additionally, faculty and non-faculty UCPC physicians and certain other UCPC clinical staff members are dually compensated by both the university and UC Health. The university charges UCPC for these employees’ salaries and benefits. Total salaries and benefits for 2018 were approximately \$37,084,000 and are included in sales and services of educational departments on the Statement of Revenues, Expenses, and Changes in Net Position.

**6. Capital Assets**

Capital asset activity for the year ended June 30, 2018 is summarized as follows *(in thousands)*:

	Balance				Balance
	July 1, 2017	Additions	Retirements	Transfers	June 30, 2018
Capital assets not being depreciated:					
Land	\$ 25,196	\$ —	\$ —	\$ —	\$ 25,196
Construction in progress	147,428	212,855	—	(131,235)	229,048
Collections	15,633	13	—	—	15,646
Total nondepreciable assets	188,257	212,868	—	(131,235)	269,890
Capital assets being depreciated:					
Land improvement	108,024	—	—	3,218	111,242
Buildings	2,382,291	—	(8,585)	116,447	2,490,153
Infrastructure	123,594	—	(107)	7,349	130,836
Building equipment	17,551	—	—	44	17,595
Moveable equipment	236,860	17,677	(8,912)	4,177	249,802
Computer software	73,650	—	(68)	—	73,582
Library books	200,585	7,433	(290)	—	207,728
Total	3,142,555	25,110	(17,962)	131,235	3,280,938
Less: Accumulated depreciation	1,740,294	120,475	(16,269)	—	1,844,500
Total depreciable assets	1,402,261	(95,365)	(1,693)	131,235	1,436,438
Capital assets, net	\$ 1,590,518	\$ 117,503	\$ (1,693)	\$ —	\$ 1,706,328

**7. Bonds, Notes, Capital Leases, and Other Debt**

Bonds, notes, capital leases, and other debt at June 30, 2018 comprise the following (in thousands):

Long-term Debt	Interest Rates	Final Maturity	Beginning Balance July 1, 2017	Additions	Reductions	Ending Balance June 30, 2018	Current Portion
<b>Bonds - fixed rate debt</b>							
2007G	3.88-5.00%	2018	\$ 3,550	\$ —	\$ 3,550	\$ —	—
2008C	3.25-5.00%	2031	4,635	—	4,635	—	—
2008G	5.00-5.50%	2020	6,885	—	2,175	4,710	2,295
2009C	3.50-5.00%	2030	85,355	—	5,775	79,580	5,945
2009E	3.25-4.65%	2030	4,455	—	270	4,185	280
2010C (a, b)	4.03-6.48%	2039	87,500	—	1,965	85,535	2,025
2010F	3.00-5.00%	2034	74,620	—	1,780	72,840	1,005
2010G (a, b)	4.72-6.28%	2032	14,880	—	—	14,880	835
2011A	3.50-5.00%	2021	7,835	—	1,820	6,015	1,915
2011C	3.00-5.25%	2031	23,445	—	875	22,570	905
2011E	3.38-5.00%	2028	28,720	—	—	28,720	—
2012A	2.00-5.00%	2031	73,045	—	6,055	66,990	6,335
2012C	4.00-5.00%	2033	73,740	—	3,555	70,185	3,700
2013A	3.12-5.00%	2034	16,120	—	—	16,120	—
2013C	5.00%	2039	54,125	—	—	54,125	—
2013D (a)	4.64-5.15%	2033	37,365	—	—	37,365	—
2014B	3.00-5.00%	2036	92,855	—	4,285	88,570	4,495
2014C	3.25-5.00%	2041	30,415	—	—	30,415	—
2014D	5.00%	2036	54,130	—	—	54,130	4,155
2016A	5.00%	2034	46,215	—	—	46,215	—
2016B (a)	3.95%	2042	25,165	—	—	25,165	—
2016C	5.00%	2046	37,980	—	—	37,980	—
2017A	4.54%	2047	93,545	—	—	93,545	—
2017B	4.32%	2031	21,935	—	—	21,935	—
2018A	3.00-5.00%	2048	—	76,685	—	76,685	485
2018B (a)	3.88-4.18%	2035	—	20,645	—	20,645	—
<b>Total bonds - fixed rate debt</b>			<b>998,515</b>	<b>97,330</b>	<b>36,740</b>	<b>1,059,105</b>	<b>34,375</b>
<b>Bonds - variable rate debt</b>							
2017C (a)	3.83%	2027	150	50,000	—	50,150	—
<b>Notes - floating rate debt</b>							
2015A	0.66%	2018	24,085	—	24,085	—	—
2018C	1.70%	2020	—	24,240	—	24,240	—
			<b>24,085</b>	<b>24,240</b>	<b>24,085</b>	<b>24,240</b>	<b>—</b>
<b>Capital Leases</b>							
King Highland-Stetson/Turner	3.00-5.00%	2038	37,585	—	—	37,585	—
<b>Other Debt</b>							
Stratford Heights 2010 (c)	3.13-5.00%	2039	46,055	—	1,160	44,895	1,220
Premium			74,794	6,434	9,128	72,100	8,241
<b>Total other debt</b>			<b>120,849</b>	<b>6,434</b>	<b>10,288</b>	<b>116,995</b>	<b>9,461</b>
<b>Total bonds, notes, capital leases and other debt</b>			<b>1,181,184</b>	<b>178,004</b>	<b>71,113</b>	<b>1,288,075</b>	<b>43,836</b>
Less: current portion of debt			(67,479)	—	—	(43,836)	
<b>Net long-term debt</b>			<b>\$ 1,113,705</b>	<b>\$ 178,004</b>	<b>\$ 71,113</b>	<b>\$ 1,244,239</b>	<b>\$ 43,836</b>

Notes:

- (a) Taxable
- (b) Build America Bonds
- (c) University Heights Community Urban Redevelopment Corporation (see Note 16)

## Debt Issuances

During the year ended June 30, 2018, the university issued the following general receipt obligations:

### General Receipt Bonds - Fixed Rate Bonds

Series 2018A tax exempt bonds were issued on May 23, 2018 in the amount of \$76,685,000. The net proceeds of the Series 2018A Bonds were issued to (1) currently refund all outstanding General Receipts Bonds, Series 2008C; (2) finance all or a portion of the design, acquisition, construction and/or renovation of a number of capital projects and (3) pay associated issuance costs relating to the Series 2018A Bonds. Capital projects considered for funding from this issue include, but are not limited to, College of Business New Building, Health Sciences Building, East Campus Master Plan Site Improvements, Main Street Plaza North, Storm Water Management (MLK), New Lab/Classroom/Office Building (Crosley Replacement) and the Calhoun Hall Renovation. Series 2018A Bonds were issued at a premium with yields ranging from 3.00% to 5.00%, and bear a 4.069% average interest rate. The final maturity of Series 2018A is June 1, 2048.

Series 2018B taxable bonds were issued on May 23, 2018 in the amount of \$20,645,000. The net proceeds of the Series 2018B Bonds were issued to (1) finance all or a portion of the design, acquisition, construction and/or renovation of a number of capital projects and (2) pay associated issuance costs relating to the Series 2018B Bonds. Capital projects considered for funding from this issue include, but are not limited to, 1819 Innovation Hub, General Roof Replacements, Engineering Research Center Roof, Caulking and Panel Replacement, Fifth Third Arena Renovation, Fifth Third Arena Locker Rooms, Fifth Third Roof Replacement, and Kettering Complex Exhaust & Roof Replacement. Series 2018B Bonds have yields ranging from 3.88% to 4.18% and bear a 4.148% average interest rate. The final maturity of Series 2018B is June 1, 2035.

### General Receipt Notes - Floating Rate Notes

Series 2018C tax exempt Floating Rate Notes (FRNs) were issued on May 23, 2018 in the amount of \$24,240,000. Series 2018C was issued to currently refund \$24,085,000 of Series 2015A Floating Rate Notes on June 1, 2018. These notes bear interest at the Applicable Index-Based Rate which is equal to the index average rate of 67% of one month London Interbank Offered Rate (LIBOR) plus a spread of 0.34%. Interest on Series 2018C is due semi-annually and mature on June 1, 2020.

### Variable Rate Direct Placement Debt

Series 2017C taxable variable rate bonds were issued via a direct placement contract with a bank on May 31, 2017 in an aggregate principal amount up to \$50,150,000. These bonds were issued as "draw-down" bonds whereby the purchaser of the bonds will fund the purchase price of the bonds in installments. As of June 30, 2018, a total of \$50,150,000 of the purchase price was advanced under the contract. The proceeds were used to finance all or a portion of the design, acquisition, construction and/or renovation of a number of capital projects including the 1819 Innovation Hub, the Marian Spencer Hall (High Rise on the Green), the Fifth Third Arena Renovation, the Fifth Third Arena Roof and to pay issuance costs relating to the Series 2017C Bonds. These bonds bear interest at an index-based rate (LIBOR) plus a spread. The LIBOR period can range from one month to twelve months as selected by the university at each reset date. The LIBOR rate in effect for the bonds on June 30, 2018 is 3.83%.

## Debt Refunding and Retirement

During the year ended June 30, 2018, the university refunded Series 2008C fixed rate bonds with Series 2018A General Receipt Bonds issued on May 23, 2018 for a total of \$3,100,000 (par amount - \$2,805,000, issued at a premium). The purpose of this transaction was to refund future callable maturities to achieve debt service savings. The cash flow differential from the refunding totals \$493,000 and will be realized over a 14 year period as a reduction of interest expense. The transaction also produced an economic gain (the difference between the present value of the debt service payments on the old and new debt) of \$331,250. As a result of the refunding, \$56,422 has been recorded as a gain on refunding within the deferred outflows of resources on the Statement of Net Position and will be amortized into income from 2019-2031. The gain on refunding reflects the difference between the refunding reacquisition price for the respective portion of Series 2018A and the net carrying amount of the outstanding principal balances of the refunded debt issues.

### Capital Lease Obligations

The university has capital lease obligations in connection with the financing of two buildings (One Stetson Square and 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, 2018, the university's capital lease obligation for One Stetson Square and Turner Center was \$37,585,000. 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 Obligations for the payment of these leases. Holders of the General Receipts Bonds and FRNs have a prior and superior claim to the general receipts than does King Highland.

### Collateralization and Debt Service Reserves

General Receipts Bonds and FRNs are collateralized by a pledge of the university's general receipts. 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 \$24,616,000 as of June 30, 2018. Payment of base rents is subordinate to debt service payments on the university's general receipt bonds and notes.

Per the Amended and Restated Trust Agreement dated May 1, 2001, the debt service reserve requirement for bond issues was removed. Debt service reserves on pre-amended bonds were required to remain in place until they were fully refunded or retired. All pre-amended bonds have been subsequently refunded or retired. Therefore, 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, 2018, 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 No. 53 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, 2018 was \$(2,359,000). The negative fair value decreased by \$1,223,000 in 2018; this change is reported as an investment gain within the Statement of Revenues, Expenses, and Changes in Net Position and decreases 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, 2018:

Associated Debt Issue	Outstanding Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Index Received	Fair Value	Swap Termination Date	Counterparty Rating
2018C FRNs	\$24,075,000	5/1/2009	3.163%	USD-67% LIBOR-BBA-1M	(\$2,359,000)	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 2018C 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 2018. 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, 2018, 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 Bond Anticipation Notes (BANs) were issued on May 12, 2009. Subsequent BANs and Series 2015A FRNs were issued to refund maturing notes; Series 2018C 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 2019 to take appropriate actions relating to the Series 2018C FRNs and the outstanding swap.

### Fair Value

As of June 30, 2018, the fair value of the swap agreement was a liability of \$2,359,000 (reported as other noncurrent liabilities 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, 2018 (including the UHCURC/Hamilton County bonds), scheduled annual debt service payments subsequent to June 30, 2018 are as follows (*in thousands*):

Fiscal Year	Principal*	Interest**	Total
2019	\$ 35,595	\$ 55,795	\$ 91,390
2020	66,170	53,969	120,139
2021	52,590	51,825	104,415
2022	44,515	49,220	93,735
2023	43,790	47,028	90,818
2024-2028	300,835	199,130	499,965
2029-2033	227,605	130,732	358,337
2034-2038	175,520	80,945	256,465
2039-2043	123,225	40,818	164,043
2044-2048	108,545	12,894	121,439
<b>Total</b>	<b>\$ 1,178,390</b>	<b>\$ 722,356</b>	<b>\$ 1,900,746</b>

\* Fiscal year 2020 principal includes \$24,240,000 of 2018C FRNs. These FRNs are expected to be retired, renewed or refunded into long term debt.

\*\* Amounts do not reflect federal interest subsidies to be received for Build America Bonds. Monthly swap payments, currently associated with Series 2018C FRNs, are not reflected in the table above.

Scheduled principal and interest payments on capital leases subsequent to June 30, 2018 are *(in thousands)*:

Fiscal Year	Principal	Interest	Total
2019	\$ —	\$ 1,581	\$ 1,581
2020	—	1,581	1,581
2021	—	1,581	1,581
2022	1,585	1,581	3,166
2023	1,630	1,534	3,164
2024-2028	9,050	6,767	15,817
2029-2033	11,270	4,556	15,826
2034-2038	14,050	1,780	15,830
<b>Total</b>	<b>\$ 37,585</b>	<b>\$ 20,961</b>	<b>\$ 58,546</b>

#### Defeased Debt

As of June 30, 2018 the university has no outstanding defeased debt.

#### Other

Interest expense on capital asset related debt for the year ended June 30, 2018 was \$44,024,000 (net of the Build America Bond federal interest subsidy of \$2,085,000). Capitalized interest expense on construction-related debt was \$6,534,000 (net of interest earnings of \$510,000).

## 8. Other Long-Term Liabilities

Other long-term liabilities as of June 30, 2018 are as follows (*in thousands*):

	Balance			Balance		
	July 1, 2017	Additions	Reductions	June 30, 2018	Current Portion	Noncurrent Portion
Other long-term liabilities:						
Compensated absences	\$ 59,065	\$ 6,033	\$ 5,832	\$ 59,266	\$ 40,971	\$ 18,294
Government loan advances	21,702	164	161	21,705	—	21,705
Interest rate swap liability	3,582	—	1,223	2,359	—	2,359
Total other long-term liabilities	\$ 84,349	\$ 6,197	\$ 7,216	\$ 83,330	\$ 40,971	\$ 42,358

## 9. 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 \$22,509,000 for the year ended June 30, 2018.

There are five significant operating leases that the university has entered into with initial or remaining terms in excess of one year as of June 30, 2018.

Commencing in 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 2018 was \$553,000.

Commencing in 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 2018 was \$545,000.

Commencing in 2016, the university entered into an operating lease arrangement with Block 3 Community Redevelopment Corporation (three year term with one additional year renewal option) to expand housing capacity for students. The expense for this lease in 2018 was \$7,005,000. The university entered in a new operating lease arrangement with Block 3 Community Redevelopment Corporation (five year term) for the same property and purpose commencing in 2019. There was no expense in 2018 for the new agreement.

Commencing in 2018, the university entered into an operating lease agreement with 43 Partners, LLC (two year term with one additional year renewal option) for graduate student housing. The expense for this lease in 2018 was \$888,000.

Commencing in 2018, the university entered into an operating lease agreement with Gaslight Ventures, LLC (two year term with one additional year renewal option) for graduate student housing. The expense for this lease in 2018 was \$576,000.



Future minimum payments for the above five operating leases as of June 30, 2018, are as follows (*in thousands*):

<u>Year Ended June 30,</u>	
2019	\$ 10,407
2020	8,570
2021	8,112
2022	8,222
2023	8,334
	<u>\$ 43,645</u>

## 10. 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.

## 11. 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 for 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.

In April 2017, the STRS Ohio Board reduced the cost of living adjustment granted on or after July 1, 2017 to 0% for all retirees in order to preserve the financial integrity of the retirement system. Benefit recipients' base benefit and past COLA increases were not affected by this change. The board will evaluate and consider upward adjustments to COLA no later than the next five-year actuarial experience review.

**Pension 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, 2018:

Contribution Rates		
	<u>Employee</u>	<u>University</u>
OPERS State and local divisions	10%	14%
OPERS Law enforcement division	13%	18.1%
STRS Ohio	14%	14%

For the year ended June 30, 2018, contributions to the pension plans from the university were \$24,591,000 for OPERS and \$19,571,000 for STRS Ohio.

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

At June 30, 2018, the university reported a liability of \$183,010,000 and \$355,642,000 for OPERS and STRS Ohio, respectively, for its proportionate share of the net pension liability. This was a decrease of \$82,385,000 for OPERS and \$148,134,000 for STRS Ohio compared to the liabilities reported as of June 30, 2017. The net pension liability was measured as of December 31, 2017 for OPERS and June 30, 2017 for STRS Ohio and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of those dates. The university's proportion of the net pension liability was based on the university's actual contributions, employee and employer, for OPERS Traditional Pension Plan, employer only for OPERS Combined Plan and employer only for STRS Ohio, during the respective measurement periods in relation to total contributions for the same groups by all employers for the same periods. At June 30, 2018, the university's proportion was 1.18% for OPERS Traditional Pension Plan, 1.73% for OPERS Combined Plan and 1.50% for STRS Ohio.

For the year ended June 30, 2018, the university recognized pension expense of \$42,162,000 for OPERS and reduction of expense of \$134,993,000 for STRS Ohio, totaling a reduction of expense of \$92,831,000. The difference between this total and the amount reported separately as pension and OPEB (revenue) expense on the Statement of Revenue, Expenses, and Changes in Net Position is \$47,273,000, which is recorded as employee benefits within functional expenses.

At June 30, 2018, 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	\$ 188	\$ 13,623	\$ 13,811
Changes in assumptions	22,188	77,783	99,971
Changes in proportion	2,653	7,085	9,738
University's contributions subsequent to the measurement date	13,458	23,939	37,397
	<u>\$ 38,487</u>	<u>\$ 122,430</u>	<u>\$ 160,917</u>

	Deferred Inflows of Resources		
	OPERS	STRS Ohio	Total
Differences between expected and actual experience	\$ 4,294	\$ 2,866	\$ 7,160
Net difference between projected and actual earnings on pension plan investments	41,418	11,193	52,611
Changes in proportion	—	1,856	1,856
	<u>\$ 45,712</u>	<u>\$ 15,915</u>	<u>\$ 61,627</u>

At June 30, 2018, the university reported \$13,458,000 and \$23,939,000 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 ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2018 related to pensions will be recognized in pension expense as follows (*in thousands*):

Year ended June 30,	OPERS	STRS Ohio	Total
2019	\$ 17,836	\$ 18,661	\$ 36,497
2020	(3,979)	34,199	30,220
2021	(17,734)	23,966	6,232
2022	(16,563)	5,750	(10,813)
2023	(80)	—	(80)
Thereafter	(163)	—	(163)
	<u>\$ (20,683)</u>	<u>\$ 82,576</u>	<u>\$ 61,893</u>

### Actuarial Assumptions

For OPERS, the total pension liability was determined by an actuarial valuation as of December 31, 2017 using the following actuarial assumptions, applied to all prior periods in the measurement:

OPERS	Traditional Pension Plan	Combined Plan
Valuation date	December 31, 2017	December 31, 2017
Date of last experience study	Period ended December 31, 2015	Period ended December 31, 2015
Inflation	3.25%	3.25%
Projected salary increases	3.25% - 10.75% including inflation at 3.25%	3.25% - 8.25% including inflation at 3.25%
Investment rate of return	7.50%	7.50%
Cost-of-living adjustments	Pre 1/7/2013 retirees: 3.00% simple; post 1/7/2013 retirees: 3.00% simple through 2018, then 2.15% simple	Pre 1/7/2013 retirees: 3.00% simple; post 1/7/2013 retirees: 3.00% simple through 2018, then 2.15% simple

For STRS Ohio, the total pension liability was determined by an actuarial valuation as of June 30, 2017 using the following actuarial assumptions, applied to all prior periods included in the measurement:

STRS Ohio	
Valuation date	June 30, 2017
Date of last experience study	Period ended June 30, 2016
Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation
Payroll increases	3.00%
Cost-of-living adjustments	0% effective July 1, 2017

Pre-retirement mortality rates for OPERS are based on the RP-2014 Employees Mortality Table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant Mortality Table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled Mortality Table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

Pre-retirement mortality rates for STRS Ohio are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016. Post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

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. The

target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>OPERS</u>		
<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equities	19%	6.37%
International equities	20%	7.88%
Fixed income	23%	2.20%
Real estate	10%	5.26%
Private equity	10%	8.97%
Other investments	18%	5.26%
	<u>100%</u>	

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:

<u>STRS Ohio</u>		
<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equities	28%	7.35%
International equities	23%	7.55%
Fixed income	21%	3.00%
Real estate	10%	6.00%
Alternatives	17%	7.09%
Liquidity reserves	1%	2.25%
	<u>100%</u>	

**Discount Rate**

The discount rate used to measure the total pension liability (asset) was 7.5% for OPERS and 7.45% 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 using a discount rate 1% higher and 1% lower than the plans' current rate (*in thousands*):

	Current		
	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
OPERS	\$ 329,032	\$ 183,010	\$ 62,386

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
STRS Ohio	\$ 509,801	\$ 355,642	\$ 225,787

### 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 seven 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, 2018, there were 2,627 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 14%, respectively. The employer contribution rate for participants electing out of OPERS and STRS Ohio was 14% for 2018. During 2018, 2017, and 2016, the employer contributions were \$19,859,000, \$20,433,000, and \$18,726,000, 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 2018 were 2.44% to OPERS and 4.47% to STRS Ohio. The employer contributions to the OPERS unfunded liability account during 2018, 2017, and 2016 were \$2,286,000, \$703,000, and \$660,000, respectively. The employer contributions to the STRS Ohio unfunded liability account during 2018, 2017, and 2016 were \$4,368,000, \$4,150,000, and \$3,883,000, respectively.

### Payables to the Pension Plans

At June 30, 2018, the university reported a payable of \$4,851,000 and \$3,790,000 for OPERS and STRS Ohio, respectively, for the outstanding amount of contributions to the pension plans required for the year ended June 30, 2018.



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### **Other Postemployment Benefits**

OPERS provides postemployment health care benefits to retirees with twenty or more years of qualifying service credit under the Traditional Pension and Combined Plans. All health care assets are consolidated into the OPERS 115 Health Care Trust that funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and Combined Plans. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. Members of the Member-Directed Plan do not qualify for ancillary benefits, including postemployment health care coverage. OPERS funds a Retiree Medical Account (RMA) that Member-Directed Plan participants can use for reimbursement of qualified medical expenses from their vested RMA balance. 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 years 2016 and 2017, OPERS allocated 2.0% and 1.0%, respectively, of the employer contribution rate to fund the health care program for members in the Traditional Pension Plan and Combined Plan. The portion of employer contributions allocated to health care beginning January 1, 2018 OPERS decreased to 0.0% for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited for Member-Directed Plan participants for calendar year 2017 was 4.0%. University employer contributions to OPERS to fund OPEB for 2018 were approximately \$872,000.

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. Since July 1, 2014, STRS Ohio has not allocated any employer contributions of covered payroll to the Health Care Fund from which payments for health care benefits are paid.

### **OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2018, the university reported a liability of \$131,197,000 and \$58,412,000 for OPERS and STRS Ohio, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2017 for OPERS and June 30, 2017 for STRS Ohio and the total OPEB liability used to calculate the net OPEB liability was determined by actuarial valuations as of those dates. The university's proportion of the net OPEB liability was based on the university's actual contributions during the measurement period to the OPEB plan relative to the contributions to the plan of all participating employers for the same periods. At June 30, 2018, for the respective measurement periods, the university's proportion was 1.21% for OPERS and 1.50% for STRS Ohio.

For the year ended June 30, 2018, the university recognized OPEB expense of \$11,189,000 for OPERS and reduction of expense of \$17,824,000 for STRS Ohio, totaling a reduction of expense of \$6,635,000. The difference between this total and the amount reported separately as pension and OPEB (revenue) expense on the Statement of Revenue, Expenses, and Changes in Net Position is \$872,000, which is recorded as employee benefits within functional expenses.



At June 30, 2018, the university reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (*in thousands*):

	Deferred Outflows of Resources		
	OPERS	STRS Ohio	Total
Differences between expected and actual experience	\$ 102	\$ 3,372	\$ 3,474
Changes in assumptions	9,553	—	9,553
	<u>\$ 9,655</u>	<u>\$ 3,372</u>	<u>\$ 13,027</u>

	Deferred Inflows of Resources		
	OPERS	STRS Ohio	Total
Changes in assumptions	\$ —	\$ 4,705	\$ 4,705
Net difference between projected and actual earnings on OPEB plan investments	9,773	2,497	12,270
	<u>\$ 9,773</u>	<u>\$ 7,202</u>	<u>\$ 16,975</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2018 related to OPEB will be recognized in OPEB expense as follows (*in thousands*):

Year ended June 30,	OPERS	STRS Ohio	Total
2019	\$ 2,173	\$ (846)	\$ 1,327
2020	2,173	(846)	1,327
2021	(2,021)	(846)	(2,867)
2022	(2,443)	(846)	(3,289)
2023	—	(223)	(223)
Thereafter	—	(223)	(223)
	<u>\$ (118)</u>	<u>\$ (3,830)</u>	<u>\$ (3,948)</u>

### Actuarial Assumptions

For OPERS, the total OPEB liability was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017 using the following actuarial assumptions, applied to all prior periods in the measurement.

OPERS	
Actuarial Valuation Date	December 31, 2016
Rolled-Forward Measurement Date	December 31, 2017
Experience Study	5-Year Period Ended December 31, 2015
Actuarial Cost Method	Individual entry age normal
Single Discount Rate	3.85%
Investment Rate of Return	6.50%
Municipal Bond Rate	3.31%
Wage Inflation	3.25%
Projected Salary Increases	3.25% - 10.75% (includes wage inflation at 3.25%)
Health Care Cost Trend Rate	7.50% initial, 3.25% ultimate in 2028

For STRS Ohio, the total OPEB liability was determined by an actuarial valuation as of June 30, 2017 using the following actuarial assumptions, applied to all prior periods in the measurement.

STRS Ohio	
Actuarial Valuation Date	June 30, 2017
Inflation	2.50%
Salary increases	12.50% at age 20 to 2.50% at age 65
Payroll increases	3.00%
Blended Discount rate of return	4.13%
Investment Rate of Return	7.45%, net of investment expenses, including inflation
Health Care Cost Trend Rate	6% - 11% initial, 4.50% ultimate
Cost-of-living adjustments	0% effective July 1, 2017

For OPERS, pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

For STRS Ohio, healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50% of rates through age 69, 70% of rates between ages 70 and 79, 90% of rates between ages 80 and 84, and 100% of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90% of rates for males and 100% of rates for females, projected forward generationally using mortality improvement scale MP-2016.

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

<u>OPERS</u>		
<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equities	21%	6.37%
International equities	22%	7.88%
Fixed income	34%	1.88%
REITs	6%	5.91%
Other investments	17%	5.39%
	<u>100%</u>	

STRS Ohio utilizes investment consultants to determine the long-term expected rate of return by developing best estimates of expected 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:

<u>STRS Ohio</u>		
<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equities	28%	7.35%
International equities	23%	7.55%
Fixed income	21%	3.00%
Real estate	10%	6.00%
Alternatives	17%	7.09%
Liquidity reserves	1%	2.25%
	<u>100%</u>	

#### **Discount Rate**

The discount rates used to measure the total OPEB liability were 3.85% for OPERS and 4.13% 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 OPEB plans' fiduciary net position was projected to not be available to make all projected future benefit payments of current active and inactive employees. Therefore, blended rates of 3.85% (6.50% long-term expected rate of return and 3.31% municipal bond rate) for OPERS and 4.13% (7.45% long-term expected rate of return and 3.58% 20-year municipal bond rate) for STRS Ohio were used.

**Sensitivity of the University's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Health Care Cost Trend Rates**

The following presents the university's proportionate share of the net OPEB liability calculated using a discount rate 1% higher and 1% lower than the current discount rate.

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
OPERS	\$ 174,301	\$ 131,197	\$ 96,327

	1% Decrease (3.13%)	Current Discount Rate (4.13%)	1% Increase (5.13%)
STRS Ohio	\$ 78,417	\$ 58,412	\$ 42,601

The university's proportionate share of the net OPEB liability has been calculated using health care trend rates of 7.5% for OPERS and a range of 6.0% to 11.0% for STRS Ohio. The following presents the university's proportionate share of the net OPEB liability calculated using health care cost trend rates 1% higher and 1% lower than the current health care cost trend rates.

	1% Decrease	Current Health Care Cost Trend Rate	1% Increase
OPERS	\$ 125,528	\$ 131,197	\$ 137,054

	1% Decrease	Current Health Care Cost Trend Rate	1% Increase
STRS Ohio	\$ 40,582	\$ 58,412	\$ 81,878

**OPEB Plans' Fiduciary Net Position**

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

**12. 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. Under the direction of the university and the Ohio Bureau of Workers' Compensation, CareWorks and Sheakley UniService, Inc., assist in the administration and disposition of workers' compensation claims.

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 coverage 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 2018. 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 \$25,860,000 are adequate to cover estimated liabilities resulting from known claims and incidents and incurred-but-not-reported incidents as of June 30, 2018 for the university and University of Cincinnati Physicians, Inc. Trust assets related to the university total \$4,580,000 and are included in current portion of other assets; liabilities of \$677,000 are included in accrued liabilities in the Statement of Net Position as of June 30, 2018.

General liability coverage is also provided as part of a group insurance program of Ohio state universities known as the Inter-University Council Risk Management & Insurance Consortium (IUC-RMIC). This program provided for \$10 million retention per occurrence with the first \$100,000 funded by the university, \$900,000 funded by pooled funds held through the IUC-RMIC 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-RMIC program with \$50 million in total limits also shared among the participating institutions. The IUC-RMIC 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-RMIC program.

Property and casualty insurance is also provided through the IUC-RMIC 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-RMIC program was \$1,522,000.

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 2018 was approximately \$91,725,000. Changes in the self-insured health care benefits as of June 30, 2018 and 2017 are as follows (*in thousands*):

	2018	2017
Liability at beginning of fiscal year	\$ 9,775	\$ 5,638
Current year claims including changes in estimates	89,256	91,754
Claim payments	(90,066)	(87,617)
Liability at the end of fiscal year	<u>\$ 8,965</u>	<u>\$ 9,775</u>

**13. Capital Project Commitments**

At June 30, 2018, the university is committed to future capital expenditures as follows (*in thousands*):

Contractual commitments	\$ 117,936
Estimated completion costs of projects	196,079
Total	<u>\$ 314,015</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, 2018	\$ 5,307
Approved state appropriations not yet requested	7,455
University funded prior to June 30, 2018	132,646
Funds to be provided subsequent to June 30, 2018 from various available sources	168,607
Total	<u>\$ 314,015</u>

**14. 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.

**15. 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	\$ 107,871
Research	36,092
Academic support	44,189
College/programs	85,368
Scholarships	77,919
Interest in UC Health	420,645
Other	14,518
	<u>786,602</u>
Less: UHCURC Elimination	13,433
Total	<u><u>\$ 773,169</u></u>

Restricted expendable:	
Instruction	\$ 29,921
Research	107,071
Academic support	25,237
College/programs	119,486
Scholarships	40,835
Student loans	11,008
Grants and contracts	(1,080)
Capital projects	17,023
Total	<u><u>\$ 349,501</u></u>

**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 required, 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, 2017 have been blended with the university's financial statements for the fiscal year ended June 30, 2018.

A condensed statement of net position for UHCURC as of August 31, 2017 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**

	<u>8/31/2017</u>
Current assets	\$ 34
Capital assets not being depreciated	4,788
Capital assets being depreciated, net	38,901
Total assets	<u>43,723</u>
Deferred outflows of resources	<u>653</u>
Current liabilities	1,752
Accrued interest payable – University of Cincinnati	13,565
Notes payable – University of Cincinnati	16,998
Other long-term debt	43,078
Total liabilities	<u>75,393</u>
Net investment in capital assets	(1,454)
Unrestricted	<u>(29,563)</u>
Total net position	<u>\$ (31,017)</u>



**Statement of Revenues, Expenses, and Changes in Net Position**

	<u>8/31/2017</u>
Operating revenues	\$ 3,349
Operating expenses	75
Depreciation	<u>1,390</u>
Operating income	1,884
Other nonoperating expenses	<u>3,202</u>
Decrease in net position	(1,318)
Net position, beginning of the year	<u>(29,699)</u>
Net position, end of the year	<u><u>\$ (31,017)</u></u>

**Statement of Cash Flows**

	<u>8/31/2017</u>
Net cash from operating activities	\$ 1,183
Net cash used for capital and financing activities	<u>(1,186)</u>
Net decrease in cash and cash equivalents	(3)
Cash and cash equivalents, beginning of the year	<u>37</u>
Cash and cash equivalents, end of the year	<u><u>\$ 34</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 Financial Accounting Standards Board (FASB) pronouncements for reporting purposes. The principal function of the foundation is to solicit, receive, 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.

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 \$111,529,000 as of June 30, 2018. 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 \$101,797,000 as of June 30, 2018.

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

	<b>2018</b>
Less than one year	\$ 31,116,950
One to five years	44,153,660
More than five years	36,258,490
	<u>111,529,100</u>
Less discount to present value	(9,732,500)
Less allowance for uncollectible pledges	(3,317,000)
	<u>\$ 98,479,600</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, 2018 of approximately \$16,747,000 are included in the total amount of unconditional pledges due and fall within the due in more than five years category. The allowance for uncollectible pledges includes approximately \$38,000 associated with the irrevocable bequests, as of June 30, 2018.

As of June 30, 2018, eighteen donors currently have outstanding conditional pledges to the Foundation. As of June 30, 2018, 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 \$8,039,000 as of June 30, 2018.

**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 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 1,178 endowment funds, at June 30, 2018. As of June 30, 2018, the fair value of these funds collectively was \$28,199,000 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 2018 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 2018, income earned in the investment pool was less than the amount allocated for expenditure by approximately \$11,250,000. This shortfall was funded by cumulative capital gains in the investment pool for the year ended June 30, 2018.

The endowment net asset composition by type of fund as of June 30, 2018 was as follows:

	2018			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor restricted endowment funds	\$ (28,198,651)	\$ 112,948,796	\$ 332,176,743	\$ 416,926,888
Board designated endowment funds	3,870,333	—	—	3,870,333
Total	\$ (24,328,318)	\$ 112,948,796	\$ 332,176,743	\$ 420,797,221

The change in endowment fund net assets for the year ended June 30, 2018, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ (28,141,641)	\$ 101,463,551	\$ 311,745,795	\$ 385,067,705
Investment income:				
Interest and dividend income	248,447	7,863,403	4,734	8,116,584
Net realized/unrealized gain	3,809,790	5,860,043	—	9,669,833
Total investment income	4,058,237	13,723,446	4,734	17,786,417
Contributions and other transfers	—	6,144,398	19,103,299	25,247,697
Appropriation of endowment assets for expenditure	(248,447)	(8,985,980)	(313,054)	(9,547,481)
Other changes:				
Other income	—	100,000	1,188,915	1,288,915
Income reinvestment	3,533	503,381	447,054	953,968
Endowment net assets, end of year	\$ (24,328,318)	\$ 112,948,796	\$ 332,176,743	\$ 420,797,221

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 month. Income is allocated to each fund in the pool based on units of participation. The investment pool consists of Fund A and Fund C. In July 2016, Fund C was created by segregating each share of Fund A into one share of Fund A, which owns the diversified portfolio of investment funds in separate accounts, and one share of Fund C, which owns neighborhood development corporations loans (NDCL) and strategic real estate. As NDCLs and strategic real estate produce distributions to Fund C unitholders, the proceeds will be used to periodically purchase newly-created Fund A units for the Fund C unitholders. No additional assets will be purchased within Fund C. It is expected that Fund C will cease to exist in approximately 2040 as the last distributions are made from NDCLs. As of June 30, 2018, the university is holding approximately \$2,531,000 that is to be invested in the university pooled investments. These amounts are recorded as other investments in the Statements of Financial Position.

The Foundation also manages other investments, which amounted to approximately \$51,675,000 as of June 30, 2018. 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, 2018:

	<b>2018 Fair Value</b>	<b>2018 Cost</b>
Cash equivalents	\$ 4,042,282	\$ 4,042,282
U.S. Government and agency obligations	4,985,414	5,013,393
Corporate bonds	9,101,832	9,341,812
Mutual funds	23,129,110	19,921,509
Common stocks and exchange traded funds	12,322,247	9,685,234
Investment property	350,000	625,000
University pooled investments	385,327,055	396,788,502
Total	<u>\$ 439,257,940</u>	<u>\$ 445,417,732</u>

The number of units in Fund A owned by the Foundation totaled 4,710,998, which represents 39% share of the university investment pool as of June 30, 2018. Fund A 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 Foundation owned 3,968,069 shares of Fund C as of June 30, 2018 which represents 36% of the pool which 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, 2018, 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, 2018. The Foundation believes that the carrying value of these investments is a reasonable estimate of fair value at June 30, 2018. 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:

	<u>2018</u>
Fund A	
U.S. and international equity securities	50%
Hedge funds and private equity capital	31%
Fixed income securities	13%
Fund C	
Real estate and community development	6%
Total	<u>100%</u>

### **BENEFICIAL INTEREST IN TRUSTS – OTHER TRUSTEES**

The Foundation has been notified of fourteen trusts held by other trustees where the remainder interest will irrevocably benefit the university. In addition, the Foundation has been notified of one charitable lead unitrust 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 \$13,595,000 as of June 30, 2018. Per GASB 81, *Irrevocable Split-Interest Agreements*, the university includes \$7,771,000 of these trust values on its Statement of Net Position.

**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)**

<b>OPERS</b>	2018	2017	2016	2015
University's proportion of the net pension liability	1.18%	1.17%	1.13%	1.13%
University's proportionate share of the net pension liability	\$ 183.0	\$ 265.4	\$ 195.2	\$ 135.9
University's covered-employee payroll	\$ 172.3	\$ 163.6	\$ 153.8	\$ 150.5
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	106.22%	162.22%	126.88%	90.32%
Plan fiduciary net position as a percentage of the total pension liability	84.85%	77.38%	81.19%	86.53%
 <b>STRS Ohio</b>	 2018	 2017	 2016	 2015
University's proportion of the net pension liability	1.50%	1.51%	1.48%	1.46%
University's proportionate share of the net pension liability	\$ 355.6	\$ 503.8	\$ 408.0	\$ 354.4
University's covered-employee payroll	\$ 136.7	\$ 132.8	\$ 131.1	\$ 128.9
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	260.23%	379.23%	311.11 %	275.03%
Plan fiduciary net position as a percentage of the total pension liability	75.29%	66.78%	72.09%	74.71%

\*The amounts presented for each fiscal year were determined as of December 31 for OPERS and June 30 of the previous fiscal year 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 - Pension  
Ohio Public Employees Retirement System (OPERS)  
State Teachers Retirement System of Ohio (STRS Ohio)  
Last 10 Years\*  
(Dollar amounts in millions)**

<b>OPERS</b>	2018	2017	2016	2015
Contractually required contribution	\$ 24.6	\$ 23.9	\$ 22.3	\$ 21.7
Contributions in relation to the contractually required contribution	(24.6)	(23.9)	(22.3)	(21.7)
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —
University's covered-employee payroll	\$ 174.3	\$ 169.2	\$ 157.8	\$ 154.0
Contributions as a percentage of covered-employee payroll	14.11%	14.11%	14.11%	14.12%
 <b>STRS Ohio</b>	 2018	 2017	 2016	 2015
Contractually required contribution	\$ 19.6	\$ 19.1	\$ 18.6	\$ 18.4
Contributions in relation to the contractually required contribution	(19.6)	(19.1)	(18.6)	(18.4)
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —
University's covered-employee payroll	\$ 139.8	\$ 136.7	\$ 132.8	\$ 131.1
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	14.00%

\*The amounts presented for each fiscal year were determined as of June 30. 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 Proportionate Share of the Net OPEB Liability  
Ohio Public Employees Retirement System (OPERS)  
State Teachers Retirement System of Ohio (STRS Ohio)  
Last 10 Years\*  
(Dollar amounts in millions)**

<b>OPERS</b>	<u>2018</u>
University's proportion of the net OPEB liability	1.21%
University's proportionate share of the net OPEB liability	\$ 131.2
University's covered-employee payroll	\$ 172.3
University's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	76.15%
Plan fiduciary net position as a percentage of the total OPEB liability	54.14%
 <b>STRS Ohio</b>	 <u>2018</u>
University's proportion of the net OPEB liability	1.50%
University's proportionate share of the net OPEB liability	\$ 58.4
University's covered-employee payroll	\$ 136.7
University's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	42.73%
Plan fiduciary net position as a percentage of the total OPEB liability	47.11%

\*The amounts presented for 2018 were determined as of December 31, 2017 for OPERS and June 30, 2017 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 - OPEB  
Ohio Public Employees Retirement System (OPERS)  
State Teachers Retirement System of Ohio (STRS Ohio)  
Last 10 Years\*  
(Dollar amounts in millions)**

<b>OPERS</b>	2018
Contractually required contribution	\$ 0.9
Contributions in relation to the contractually required contribution	(0.9)
Contribution deficiency (excess)	\$ —
University's covered-employee payroll	\$ 174.3
Contributions as a percentage of covered-employee payroll	0.50%
<b>STRS Ohio</b>	2018
Contractually required contribution	\$ —
Contributions in relation to the contractually required contribution	—
Contribution deficiency (excess)	\$ —
University's covered-employee payroll	\$ 139.8
Contributions as a percentage of covered-employee payroll	0.00%

\*The amounts presented for 2018 were determined as of June 30, 2018. 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.

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## Notes to Required Supplementary Information

### Defined Benefit Pension Plans

#### 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 number of years of service 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.

Amounts reported in 2018 for STRS Ohio reflect the following plan changes:

- COLA reduced to 0% effective July 1, 2017.

#### Changes of Assumptions

Amounts reported in 2017 for OPERS reflect the following change of assumptions based on a experience study for the five year period ending December 31, 2015:

- Expected rate of investment return decreased from 8.0% to 7.5%.
- Wage inflation assumption decreased from 3.75% to 3.25%.
- Projected salary increases range changed as 0.00% to 7.50% per year; a slight change from the 0.50% to 6.30% pre-experience study assumption.
- Increase in the mortality assumptions to reflect longer life expectancies.

Amounts reported in 2018 for STRS Ohio reflect the following change of assumptions based on a experience study for the five year period ending June 30, 2016:

- Expected rate of investment return decreased from 7.75% to 7.45%.
- Inflation assumption decreased from 2.75% to 2.50%.
- Payroll growth assumption decreased to 3.0%.
- Total salary increases rate lowered by decreasing the merit component of the individual salary increases.
- Increase in mortality assumptions to reflect longer life expectancies.
- Rates of retirement, termination and disability modified to better reflect anticipated future experience.

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## Notes to Required Supplementary Information

### Other Postemployment Benefits

#### Changes of Benefit Terms

Amounts reported in 2018 for STRS Ohio reflect the following plan changes:

- Subsidy multiplier for non-Medicare benefit recipients reduced from 2.1% to 1.9% per year of service.
- Medicare Part B premium reimbursements discontinued for certain survivors and beneficiaries.

#### Changes of Assumptions

Amounts reported in 2018 for OPERS reflect the following change of assumptions based on a experience study for the five year period ending December 31, 2015:

- Wage inflation assumption decreased from 3.75% to 3.25%.
- Health care cost trend rate decreased from 9.50%, before leveling off to 3.75% in 2026 to 7.50%, before leveling off to 3.25%.
- Increase in the mortality assumptions to reflect longer life expectancies.

Amounts reported in 2018 for STRS Ohio reflect the following change of assumptions based on a experience study for the five year period ending June 30, 2016:

- Discount rate increased from 3.26% to 4.13%.
- Expected rate of investment return decreased from 7.75% to 7.45%.
- Valuation year per capita health care costs updated and salary scale modified.
- Percentage of future retirees electing each option updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage decreased.
- Assumptions related to mortality, disability, retirement withdrawal and future health care cost trend rates modified along with the portion of rebated prescription drug costs.

# University of Cincinnati

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## Schedule of Expenditures of Federal Awards

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Federal Grantor/Pass-Through Grantor/ Cluster Title	Federal CFDA Number	Program Title, Pass-Through Entity and ID	Passed Through to Subrecipient	Total Federal Expenditures
<b>Student Financial Assistance Cluster</b>				
<b>Student Financial Assistance - Direct Funds</b>				
<b>Department of Education</b>				
Office of Student Financial Assistance Programs	84.007	Federal Supplemental Educational Opportunity Grants		\$1,871,394
Office of Student Financial Assistance Programs	84.033	Federal Work-Study Program		1,761,893
Office of Student Financial Assistance Programs	84.038	Federal Perkins Loan Program_Federal Capital Contributions		24,007,511
Office of Student Financial Assistance Programs	84.063	Federal Pell Grant Program		38,068,970
Office of Student Financial Assistance Programs	84.268	Federal Direct Student Loans		274,977,166
Department of Education	84.379	Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)		55,954
<b>Total Department of Education</b>				<b>340,742,888</b>
<b>Department of Health and Human Services</b>				
Health Resources and Services Administration	93.264	Nurse Faculty Loan Program (NFLP)		1,502,375
Health Resources and Services Administration	93.342	Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students		472,377
Health Resources and Services Administration	93.364	Nursing Student Loans		769,655
<b>Total Department of Health and Human Services</b>				<b>2,744,407</b>
<b>Total Student Financial Assistance - Direct Funds</b>				<b>343,487,295</b>
<b>Total Student Financial Assistance Cluster</b>				<b>343,487,295</b>
<b>Research and Development Cluster</b>				
<b>Research and Development - Direct Funds</b>				
<b>Consumer Product Safety Commission</b>				
Consumer Product Safety Commission	87	CPSC-D-17-0001, Task 0001		146,281
Consumer Product Safety Commission	87	CPSC-D-17-0001, Task 0002		182,852
Consumer Product Safety Commission	87	CPSC-D-17-0001, Task 61320618F1002		9,820
Consumer Product Safety Commission	87	CPSC-D-17-0001, Task Order 0003		76,450
Consumer Product Safety Commission	87	CPSC-D-17-0001, Task Order 61320618F1001		6,738
<b>Total Consumer Product Safety Commission</b>				<b>422,141</b>

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<b>Department of Agriculture</b>				
Agricultural Research Service	10.001	Agricultural Research_Basic and Applied Research		58,708
National Institute of Food and Agriculture	10.200	Grants for Agricultural Research, Special Research Grants		7,366
National Institute of Food and Agriculture	10.310	Agriculture and Food Research Initiative (AFRI)		70,534
<b>Total Department of Agriculture</b>				<b>136,608</b>
<b>Department of Commerce</b>				
National Institute of Standards and Technology (NIST)	11.609	Measurement and Engineering Research and Standards		434,178
<b>Department of Defense</b>				
Department of Defense	12	ARMY W81XWH-12-1-0195		-2,298
Department of Defense	12	ARMY W81XWH-16-C-0161	\$169,292	262,466
Department of Defense	12	ARMY W912HZ-16-P-0123		97,870
Department of Defense	12	ARMY W913E5-14-C-0007		87
Department of the Navy, Office of the Chief of Naval Research	12.300	Basic and Applied Scientific Research		436,176
Office of the Secretary of Defense	12.351	Basic Scientific Research - Combating Weapons of Mass Destruction		185,543
U.S. Army Medical Command	12.420	Military Medical Research and Development	182,881	1,673,798
U.S. Army Materiel Command	12.431	Basic Scientific Research		248,782
Office of Economic Adjustment	12.600	Community Economic Adjustment	38,866	67,822
Department of the Air Force, Materiel Command	12.800	Air Force Defense Research Sciences Program	1,474,732	4,778,267
National Security Agency	12.901	Mathematical Sciences Grants Program		17,025
<b>Total Department of Defense</b>			<b>1,865,771</b>	<b>7,765,538</b>
<b>Department of Education</b>				
Institute of Education Sciences	84.305	Education Research, Development and Dissemination	102,763	672,321
Institute of Education Sciences	84.324	Research in Special Education		152,396
Office of Special Education and Rehabilitative Services	84.326	Special Education_Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities		307,903
<b>Total Department of Education</b>			<b>102,763</b>	<b>1,132,620</b>
<b>Department of Energy</b>				
Department of Energy	81.049	Office of Science Financial Assistance Program		849,054
Department of Energy	81.057	University Coal Research	12,547	14,331

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Department of Energy	81.135	Advanced Research and Projects Agency Energy Financial Assistance Program	886,394	1,371,023
<b>Total Department of Energy</b>			<b>898,941</b>	<b>2,234,408</b>
<b>Department of Health and Human Services</b>				
Department of Health and Human Services	93	CDC NIOSH 200-2015-M-64205		861
Department of Health and Human Services	93	CDC NIOSH 200-2016-M-91376		5,130
Department of Health and Human Services	93	CDC NIOSH 200-2016-M-91378		17,164
Department of Health and Human Services	93	CDC NIOSH 200-2017-M-93783		15,683
Department of Health and Human Services	93	CDC NIOSH 200-2018-00391		10,611
Department of Health and Human Services	93	CDC NIOSH 211-2016-M-90432		11,019
Department of Health and Human Services	93	CDC NIOSH 211-2016-M-90441		6,823
Department of Health and Human Services	93	CDC NIOSH 211-2016-M-90456		4,556
Department of Health and Human Services	93	CDC NIOSH 211-2016-M-90517		7,308
Department of Health and Human Services	93	CDC NIOSH 211-2016-M-91134		5,129
Department of Health and Human Services	93	CDC NIOSH 211-2016-M-91326		-2,347
Department of Health and Human Services	93	CDC NIOSH 211-2017-M-94065		24,730
Department of Health and Human Services	93	CDC NIOSH 211-2017-M-94370		23,983
Department of Health and Human Services	93	CDC NIOSH 211-2017-M-94546		10,873
Department of Health and Human Services	93	CDC NIOSH 212-2015-M-62326		6,574
Department of Health and Human Services	93	NIAID HHSN272201000029I/Task HHSN27200004/Task A106	9,954	138,450
Department of Health and Human Services	93	NICHD HHSN275201300014I TASK 1 HHSN27500001 Opt 4		5,773
Department of Health and Human Services	93	NICHD HHSN275201300014I TASK HHSN27500002 MOD 2		53,413
Department of Health and Human Services	93	NICHD HHSN275201300014I TASK HHSN27500003		43,799
Department of Health and Human Services	93	NICHD HHSN275201300014I Task HHSN27500004		155,289
Department of Health and Human Services	93	NIDA / VA-CSPCC #1033 Phase 2, Multi-Center Trial of Lorcase		412,412
Department of Health and Human Services	93	NIDA DHHSN272201700034I / TASK HHSN27200002-A-08		1,909
Department of Health and Human Services	93	NLM HHSN276201700091P / Option Year 1		34,972
Food and Drug Administration	93.103	Food and Drug Administration_Research		137,397
Health Resources and Services Administration	93.110	Maternal and Child Health Federal Consolidated Programs	74,893	214,979
National Institutes of Health	93.113	Environmental Health	426,416	5,208,248
National Institutes of Health	93.121	Oral Diseases and Disorders Research	7,317	685,203
Health Resources and Services Administration	93.124	Nurse Anesthetist Traineeships		30,747

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Office of Minority Health	93.137	Community Programs to Improve Minority Health Grant Program	7,219	411,664
National Institutes of Health	93.142	NIEHS Hazardous Waste Worker Health and Safety Training	1,055,839	1,520,650
National Institutes of Health	93.173	Research Related to Deafness and Communication Disorders	70,793	801,066
Health Resources and Services Administration	93.178	Nursing Workforce Diversity		45,847
Agency for Healthcare Research and Quality	93.226	Research on Healthcare Costs, Quality and Outcomes	31,496	93,841
National Institutes of Health	93.242	Mental Health Research Grants	106,238	3,400,653
Substance Abuse and Mental Health Services Administration	93.243	Substance Abuse and Mental Health Services_Projects of Regional and National Significance		389,799
Health Resources and Services Administration	93.250	Geriatric Academic Career Awards		14,837
Centers for Disease Control and Prevention	93.262	Occupational Safety and Health Program	131,463	1,986,032
National Institutes of Health	93.279	Drug Abuse and Addiction Research Programs	704,054	4,135,491
National Institutes of Health	93.281	Mental Health Research Career/Scientist Development Awards		-1,636
National Institutes of Health	93.286	Discovery and Applied Research for Technological Innovations to Improve Human Health		55,630
National Institutes of Health	93.307	Minority Health and Health Disparities Research		90,466
National Institutes of Health	93.350	National Center for Advancing Translational Sciences	2,951,529	4,817,777
Health Resources and Services Administration	93.359	Nurse Education, Practice and Retention Grants		369,492
National Institutes of Health	93.393	Cancer Cause and Prevention Research	91,952	349,561
National Institutes of Health	93.394	Cancer Detection and Diagnosis Research		137,065
National Institutes of Health	93.395	Cancer Treatment Research	77,093	645,373
National Institutes of Health	93.396	Cancer Biology Research	204,019	2,337,009
National Institutes of Health	93.398	Cancer Research Manpower		218,907
Administration for Children and Families	93.583	Refugee and Entrant Assistance_Wilson/Fish Program		20,123
Administration for Children and Families	93.632	University Centers for Excellence in Developmental Disabilities Education, Research, and Service	182,454	233,733
Health Resources and Services Administration	93.732	Mental and Behavioral Health Education and Training Grants		296,362
National Institutes of Health	93.837	Cardiovascular Diseases Research	1,126,094	5,747,275
National Institutes of Health	93.838	Lung Diseases Research	171,712	1,857,687
National Institutes of Health	93.846	Arthritis, Musculoskeletal and Skin Diseases Research	72,862	990,468
National Institutes of Health	93.847	Diabetes, Digestive, and Kidney Diseases Extramural Research	585,656	5,483,817
National Institutes of Health	93.853	Extramural Research Programs in the Neurosciences and Neurological Disorders	1,981,686	10,949,981
National Institutes of Health	93.855	Allergy, Immunology and Transplantation Research	807,291	5,075,028
National Institutes of Health	93.859	Biomedical Research and Research Training	259,974	2,875,448

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National Institutes of Health	93.865	Child Health and Human Development Extramural Research	463,365	989,536
National Institutes of Health	93.867	Vision Research		1,009,567
Health Resources and Services Administration	93.884	Grants for Training in Primary Care Medicine and Dentistry		427,285
<b>Total Department of Health and Human Services</b>			<b>11,601,369</b>	<b>65,046,522</b>
<b>Department of Housing and Urban Development</b>				
Department of Housing and Urban Development	14	HUD OHHHU0027-14 REPONEN Healthy Homes Tech Studies Program		38,462
Department of Housing and Urban Development	14	HUD OHHHU0037-17 Reponen 2017 Healthy Homes Amend #1		57,246
<b>Total Department of Housing and Urban Development</b>				<b>95,708</b>
<b>Department of Justice</b>				
Federal Bureau of Investigation	16.307	Combined DNA Index System		71,896
Office of Juvenile Justice and Delinquency Prevention	16.540	Juvenile Justice and Delinquency Prevention_Allocation to States		94,416
Office of Juvenile Justice and Delinquency Prevention	16.541	Part E - Developing, Testing and Demonstrating Promising New Programs		86,799
National Institute of Justice	16.560	National Institute of Justice Research, Evaluation, and Development Project Grants	47,758	258,175
National Institute of Justice	16.566	National Institute of Justice W.E.B. DuBois Fellowship Program		102,658
Bureau of Prisons	16.601	Corrections_Training and Staff Development		311,493
Department of Justice	16.817	Byrne Criminal Justice Innovation Program		187,398
<b>Total Department of Justice</b>			<b>47,758</b>	<b>1,112,835</b>
<b>Department of the Interior</b>				
Bureau of Land Management	15.236	Environmental Quality and Protection Resource Management		9,237
Office of Surface Mining	15.255	Applied Science Program Cooperative Agreements Related to Coal Mining and Reclamation		148,135
U.S. Geological Survey	15.808	U.S. Geological Survey_ Research and Data Collection		32,286
<b>Total Department of the Interior</b>				<b>189,658</b>
<b>Department of Transportation</b>				
Department of Transportation	20	Trinity Consult sub FHWA DTFH6117C00028		3,902
Federal Aviation Administration (FAA)	20.108	Aviation Research Grants	40,000	260,315
<b>Total Department of Transportation</b>			<b>40,000</b>	<b>264,217</b>



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<b>Department of Veterans Affairs</b>				
Department of Veterans Affairs	64	VA ONCA-002-15F		12,045
<b>Environmental Protection Agency</b>				
Office of Water	66.419	Water Pollution Control State, Interstate, and Tribal Program Support		-246
Office of Research and Development	66.511	Office of Research and Development Consolidated Research/Training/Fellowships		-1
Office of Research and Development	66.516	P3 Award: National Student Design Competition for Sustainability		24,347
<b>Total Environmental Protection Agency</b>				<b>24,100</b>
<b>National Aeronautics and Space Administration</b>				
National Aeronautics and Space Administration	43	NASA NNC16CA17C		88,553
National Aeronautics and Space Administration	43	NASA NNC16MF95P		36,808
National Aeronautics and Space Administration	43.001	Science		1,463
<b>Total National Aeronautics and Space Administration</b>				<b>126,824</b>
<b>National Science Foundation</b>				
National Science Foundation	47.041	Engineering Grants	3,004	1,948,628
National Science Foundation	47.049	Mathematical and Physical Sciences	46,546	2,248,253
National Science Foundation	47.050	Geosciences		358,970
National Science Foundation	47.070	Computer and Information Science and Engineering		1,044,163
National Science Foundation	47.074	Biological Sciences	27,795	1,029,147
National Science Foundation	47.075	Social, Behavioral, and Economic Sciences	71,872	309,592
National Science Foundation	47.076	Education and Human Resources	187,552	3,947,175
National Science Foundation	47.083	Office of Integrative Activities		3,026
<b>Total National Science Foundation</b>			<b>336,769</b>	<b>10,888,954</b>
<b>Office of Personnel Management</b>				
Office of Personnel Management	27.011	Intergovernmental Personnel Act (IPA) Mobility Program		1,006,770
<b>Total Research and Development - Direct Funds</b>			<b>14,893,371</b>	<b>90,893,126</b>
<b>Research and Development - Pass Through Funds</b>				
<b>Agency for International Development</b>				
Agency for International Development	98.001	NAS 2000007139		49,624

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<b>Department of Agriculture</b>				
National Institute of Food and Agriculture	10.202	CSU 8221-001		13,649
National Institute of Food and Agriculture	10.202	CSU LGF500		20,470
National Institute of Food and Agriculture	10.310	Auburn Univ 16MREC205179-UC		59,705
<b>Total Department of Agriculture</b>				<b>93,824</b>
<b>Department of Commerce</b>				
National Oceanic and Atmospheric Administration (NOAA)	11.417	Ohio State Univ 60057039		3,497
<b>Department of Defense</b>				
Department of Defense	12	Applied Research Associates PO17-00264		4,731
Department of Defense	12	Battelle 479607		-35
Department of Defense	12	Clinical Research Mgmt Work Order #1 sub W81XWH-13-C-0167		151,831
Department of Defense	12	Cornerstone Research Group PO 2017-00597		50,481
Department of Defense	12	DAGSI RQ-UC-15-9-OC4		40,210
Department of Defense	12	EDaptive Sets 03-UC-2017		14,578
Department of Defense	12	EDaptive Sets 08-UC-2018		49,003
Department of Defense	12	General NANO sub Navy N6833517C0592		14,703
Department of Defense	12	Knite PO#1024		15,509
Department of Defense	12	Nano Terra, Inc. DARPAD21980		2,245
Department of Defense	12	Neutral Science L3C 011153		19,318
Department of Defense	12	NRL N00173-17-P-0328		12,697
Department of Defense	12	Tech Assess & Trans PO#7000-01		8,023
Department of Defense	12	U of New Mexico 650339-87S1		54,666
Department of Defense	12	UES S-104-000-001		29,631
Department of Defense	12	UES S-108-050-003 S		185,516
Department of Defense	12	UES S-977-022-003		3,384
Department of Defense	12	Westat 6339-S01 Task 0002		192,141
Department of Defense	12	Westat 6339-S01 Task 1		44,566
Department of Defense	12	Woolpert, Inc. UOC-18-S-019		4,177
Department of Defense	12	Zeteo Tech W911NF-18-C-0016		65,972
Department of the Navy, Office of the Chief of Naval Research	12.300	Columbia Univ. in City of NY 1 G011199 & G11517		38,125
Department of the Navy, Office of the Chief of Naval Research	12.300	ULRF 14-0861		68,349
Office of the Secretary of Defense	12.351	New Jersey Inst of Technology 996289		103,390

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U.S. Army Medical Command	12.420	Amicrobe DoD1-SA1		309,867
U.S. Army Medical Command	12.420	CCHMC 135643		13,417
U.S. Army Medical Command	12.420	CCHMC 135658		3,195
U.S. Army Medical Command	12.420	CCHMC 139257		11,813
U.S. Army Medical Command	12.420	CFBRE W81XWH-13-1-0497		-573
U.S. Army Medical Command	12.420	Oregan HSU 1008339		14,749
U.S. Army Medical Command	12.420	U Nevada Las Vegas 17-931D-01		17,818
Office of the Secretary of Defense	12.630	DAGSI RX23-UC-15-3		2,778
Office of the Secretary of Defense	12.630	GE DMDII 15-07-05		62,983
Office of the Secretary of Defense	12.630	UI Labs 0320170003	139,072	307,807
Department of the Air Force, Materiel Command	12.800	Asian Office of Aerospace R&D FA2386-17-1-4067		15,778
Department of the Air Force, Materiel Command	12.800	Eccrine Systems Inc Sub#100		-698
Department of the Air Force, Materiel Command	12.800	Eccrine Systems Inc Sub#200		221,738
Department of the Air Force, Materiel Command	12.800	GE PO #200-14-14R51470		-17
Department of the Air Force, Materiel Command	12.800	The Design Knowledge Co #1919.03.22.91		39,244
Department of the Air Force, Materiel Command	12.800	U of California Riverside S-00749		83,379
Department of the Air Force, Materiel Command	12.800	Universal Tech Corp 16-7900-0008-15-C7		16,092
Department of the Air Force, Materiel Command	12.800	Universal Tech Corp 17-7900-0008-32-C7		2,546
Department of the Air Force, Materiel Command	12.800	Utah State University 200323-426		39,103
Department of the Air Force, Materiel Command	12.800	Wright Brothers Institute #WBSC 7255 SOI UC 0001		6,964
<b>Total Department of Defense</b>			<b>139,072</b>	<b>2,341,194</b>
<b>Department of Education</b>				
Department of Education	84	ORI USED R324A150221-17		72,355
Institute of Education Sciences	84.324	ULRF 15-0169-01, 02		18,919
Office of Postsecondary Education	84.407	OSURF 60051504		49,063
<b>Total Department of Education</b>				<b>140,337</b>
<b>Department of Energy</b>				
Department of Energy	81	Battelle 149581		39,784
Department of Energy	81	Battelle 227796		81,203
Department of Energy	81	Honeywell PO#N000215962		42,939
Department of Energy	81	PNNL PO#318360		1,194

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Department of Energy	81.089	Arizona St U 16-866		156,383
Department of Energy	81.135	Battelle 177248		37,982
<b>Total Department of Energy</b>				<b>359,485</b>
<b>Department of Health and Human Services</b>				
Department of Health and Human Services	93	Atox Bio ATB-202-Phase III		5,441
Department of Health and Human Services	93	CCHMC 140515		78
Department of Health and Human Services	93	CCHMC 140913		78
Department of Health and Human Services	93	Cellphire, Inc. 1017-001-HOX		1,394
Department of Health and Human Services	93	Cellphire, Inc. 2017-1 CEP17171		18,432
Department of Health and Human Services	93	Cincinnati Union Bethel ACYF 90TV0010-01-00		57,527
Department of Health and Human Services	93	Cincinnati Union Bethel ACYF 90TV0010-02-00		593
Department of Health and Human Services	93	Cincinnati Union Bethel sub ACYF 90TV0010-02-00		44,339
Department of Health and Human Services	93	Columbia Univ. in City of NY G012011-02		3,581
Department of Health and Human Services	93	FermiLab DOE 277866-PHN		43,934
Department of Health and Human Services	93	HCJFS 130343		378,431
Department of Health and Human Services	93	JBS HHSS283201200002I HHSS28342005T		-1,192
Department of Health and Human Services	93	JBS HHSS283201200002I HHSS28342005TA		31
Department of Health and Human Services	93	JBS HHSS283201200002I HSS28342005TA		131
Department of Health and Human Services	93	MDRC HHSP23320095644WC HHSP23337008T		128,744
Department of Health and Human Services	93	PCH 2016/2017 BCCP		-30,501
Department of Health and Human Services	93	SSSI CRB-SSS-S-16-004913		39,898
Centers for Disease Control and Prevention	93.070	HCPH UC-HIV / ODH 03140012HT0617		11,529
Centers for Disease Control and Prevention	93.080	HFM CDC 16-17-434		4,457
Centers for Disease Control and Prevention	93.080	HMF CDC 17-18-434		13,276
Administration for Children and Families	93.086	Talbert House 2016-2018 Sub FRPN / DHHS ACF #90PR0006		1,281
Food and Drug Administration	93.103	Duke 207574		29,296
Substance Abuse and Mental Health Services Administration	93.104	Community Mental Health Service Muskegon 1H79SM063405-01		98,093
Substance Abuse and Mental Health Services Administration	93.104	StarkMHAR 1H79SM0634 YR 1 of 4		25,173
Substance Abuse and Mental Health Services Administration	93.104	StarkMHAR 1H79SM0634 YR 2 of 4		98,513
Substance Abuse and Mental Health Services Administration	93.104	Talbert House SAMHSA/BJA Sub 1H79T1025930		33,952
Health Resources and Services Administration	93.107	U Toledo 205366		11,869
Health Resources and Services Administration	93.107	University of Toledo F-2018-19		19,792

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Health Resources and Services Administration	93.110	HFM MCHB 434 18-19		1,227
Health Resources and Services Administration	93.110	MCHB 434 17-18		13,877
National Institutes of Health	93.113	Brown Univ 00000781		26,619
National Institutes of Health	93.113	CCHMC 137605		25,847
National Institutes of Health	93.113	CCHMC 138045		51,210
National Institutes of Health	93.113	Harvard 112135-5057091		133,897
National Institutes of Health	93.113	Mich State RC105513UC		25,923
National Institutes of Health	93.113	U Illinois Chicago 16817		55,930
National Institutes of Health	93.113	U Illinois Chicago 2012-02586-01-02		64,706
Centers for Disease Control and Prevention	93.136	ODH Contract 4966-1		-154
National Institutes of Health	93.142	ICWU DOE/U45ES09758-25		1,569
National Institutes of Health	93.142	ICWU DOE/U45ES09758-26		3,139
National Institutes of Health	93.142	ICWU HWWT/ 5U45ES06162-25		6,407
National Institutes of Health	93.142	ICWU HWWT/ 5U45ES06162-26		35,559
National Institutes of Health	93.142	ICWU HWWT/1U4ES027073-01	13,417	14,490
National Institutes of Health	93.142	ICWU HWWT/5UH4ES027073-02	3,790	5,008
Health Resources and Services Administration	93.145	U Illinois Chicago 068475-00001		1,044
Health Resources and Services Administration	93.145	U Illinois Chicago 68475-00001-04-03-7790		200,118
National Institutes of Health	93.173	RFCUNY 41884		186,221
National Institutes of Health	93.173	UKRF 3200001751-18-268		14,193
Centers for Disease Control and Prevention	93.185	CCHMC 138967		4,951
Agency for Healthcare Research and Quality	93.226	CWRU RES511424	1,803	6,976
Agency for Healthcare Research and Quality	93.226	Wright State University 669622		14,813
National Institutes of Health	93.242	U Washington UWSC8644		7,926
National Institutes of Health	93.242	Univ of NC 5106101		3,077
National Institutes of Health	93.242	Univ of NC 5106118		58,312
Substance Abuse and Mental Health Services Administration	93.243	Community Mental Health Center Inc. 1H79TI026492-01		410
Substance Abuse and Mental Health Services Administration	93.243	Old Dominion RF 18-227-400362-010		292
Substance Abuse and Mental Health Services Administration	93.243	Talbert House SAMHSA 1H79TI080151-01-001		30,921
Substance Abuse and Mental Health Services Administration	93.243	UHI Z10158083		295
Health Resources and Services Administration	93.250	Mt. Sinai 0255-7875-4609		-892
Health Resources and Services Administration	93.250	Mt. Sinai 0255-7875-4609 s		-1,788

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Health Resources and Services Administration	93.250	Mt. Sinai 0255-7885-4609		1,085,212
Centers for Disease Control and Prevention	93.262	Southeastern Louisiana U. OSR-02-2017-0107		11,989
Centers for Disease Control and Prevention	93.262	Southeastern Louisiana U. OSR-02-2017-0107-Y2		3,356
National Institutes of Health	93.273	Emory Univ T886535		16,925
National Institutes of Health	93.273	NWU 60045198		12,923
National Institutes of Health	93.273	NWU 60045198 UCIN		10,863
National Institutes of Health	93.279	BREF NIDA-VA#1032 AZD8529		-321
National Institutes of Health	93.279	FIU 800005519-01UG		139,778
National Institutes of Health	93.279	Miami Univ of Ohio G02656		13,985
National Institutes of Health	93.279	RiboNova Inc. RUC002		-399
National Institutes of Health	93.279	RiboNova Inc. RUC003		164,170
National Institutes of Health	93.279	UKRF 3210000346-17-054		23,041
National Institutes of Health	93.279	Univ of Georgia Sub#RR793-094/S001438		6,021
Centers for Disease Control and Prevention	93.283	HWMRI-Kennedy Krieger Inst/MN000025 PLLUSS Program - Year 4		14,009
National Institutes of Health	93.307	Mass General 227810		322,326
National Institutes of Health	93.310	Baylor College of Medicine 101994491		26,806
National Institutes of Health	93.350	Dystonia Fndn Coalition MOU Proj 1&4		1,936
Office of the Secretary	93.360	Terumo BCT HHSO100201600013C		29,814
National Institutes of Health	93.361	Rhode Island Hospital 701-5500-OH		86,710
National Institutes of Health	93.393	CCHMC 138510		-1
National Institutes of Health	93.393	MTTI MTTI2017BBT HHSN26120170037C NCI Amend #1 XIAOYANG		40,200
National Institutes of Health	93.393	U Mich 3004700013		24,461
National Institutes of Health	93.395	GOG 27469-033		27,238
National Institutes of Health	93.395	JWCI MSLT-II TRIALSUB P01 CA29605 Amend #10-#15		557
National Institutes of Health	93.395	NRG sub NIH CA		52,819
National Institutes of Health	93.395	Oregon HSU 9009627		1,994
National Institutes of Health	93.395	Oregon HSU 9009627 A1		3,988
National Institutes of Health	93.395	Oregon HSU NCI SWOG		31,068
National Institutes of Health	93.396	U Mich 3003077923		3,706
National Institutes of Health	93.397	U Washington WU-18-188		24,173
Centers for Disease Control and Prevention	93.533	CCHMC 138967		264,120

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Administration for Children and Families	93.645	ODJFS G-1617-06-0249		9,363
Administration for Children and Families	93.658	ODJFS G-1819-06-0291		62,276
Administration for Children and Families	93.670	Lighthouse Yth Svcs 009982-005		123,375
Administration for Children and Families	93.674	HCJFS Contract #130118		40,513
Centers for Medicare and Medicaid Services	93.779	ODHE A-1617-05-0132		16,138
National Institutes of Health	93.837	Augusta University 29937-1		19,216
National Institutes of Health	93.837	Brigham & Women's Hospital 104005		-69
National Institutes of Health	93.837	Brigham & Women's Hospital 115809		143,311
National Institutes of Health	93.837	CCHMC 131302		19,051
National Institutes of Health	93.837	CCHMC 133851		44,691
National Institutes of Health	93.837	CCHMC 134164		128,006
National Institutes of Health	93.837	CCHMC 134433		49,425
National Institutes of Health	93.837	CCHMC 135458		84,306
National Institutes of Health	93.837	CCHMC 136652		26,406
National Institutes of Health	93.837	CCHMC 136802		27,202
National Institutes of Health	93.837	CCHMC 137128		31,797
National Institutes of Health	93.837	CCHMC 137829 M1		-7,475
National Institutes of Health	93.837	CCHMC 138296		117,460
National Institutes of Health	93.837	CCHMC 139323		7,793
National Institutes of Health	93.837	CCHMC 139984		20,546
National Institutes of Health	93.837	CCLCM-CWRU 790		1,576
National Institutes of Health	93.837	CCLCM-CWRU 830		23,769
National Institutes of Health	93.837	CCLCM-CWRU 870		17,669
National Institutes of Health	93.837	CCLCM-CWRU 944		114,752
National Institutes of Health	93.837	Duke 179452		1,835
National Institutes of Health	93.837	Duke 203-4836		7,731
National Institutes of Health	93.837	Duke 203-5242		78,892
National Institutes of Health	93.837	Duke 203-8193		1,357
National Institutes of Health	93.837	Duke 205-4772		745
National Institutes of Health	93.837	Harvard 111153-5085668		28,865
National Institutes of Health	93.837	Mass General 224838		9,415
National Institutes of Health	93.837	Mass General 225707		100,170

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National Institutes of Health	93.837	NHS Inc. R44 HL132172		62,554
National Institutes of Health	93.837	Regents of the Univ. of Minnesota N005339714		18,877
National Institutes of Health	93.837	U of Rochester 415539-G-007		610
National Institutes of Health	93.837	U Washington UWSC7453		72,181
National Institutes of Health	93.837	Univ of Pittsburgh 0054665		60,476
National Institutes of Health	93.837	UTHSCH 0010667B		26,326
National Institutes of Health	93.837	UTHSCH 0012688A		130,859
National Institutes of Health	93.837	Virginia Commonwealth Univ FP00002418_SA002		3,809
National Institutes of Health	93.837	VUMC 59712		235,424
National Institutes of Health	93.837	VUMC 59712 Project 2		435,497
National Institutes of Health	93.838	CCHMC 137508		18,920
National Institutes of Health	93.838	CCHMC 138002		9,575
National Institutes of Health	93.838	CCLCM-CWRU 647		75,024
National Institutes of Health	93.838	CCLCM-CWRU 810		23,042
National Institutes of Health	93.838	CCLCM-CWRU 825		34,823
National Institutes of Health	93.838	CCLCM-CWRU 993		4,424
National Institutes of Health	93.838	VUMC 42525		36,218
National Institutes of Health	93.838	Weill Medical College of Cornell of Univ 16050776		8,913
National Institutes of Health	93.839	CCHMC 137135		32,485
National Institutes of Health	93.839	CCHMC 138373		33,911
National Institutes of Health	93.839	LAMS MIDAS / U54 HL127672		11,770
National Institutes of Health	93.839	U Chicago FP066598-B		39,814
National Institutes of Health	93.846	CCHMC 136308		39,287
National Institutes of Health	93.846	CCHMC 137746		6,595
National Institutes of Health	93.846	CCHMC 137780		37,626
National Institutes of Health	93.846	FIMR 500678UC		192,966
National Institutes of Health	93.846	U Mass OSP2017118		9,279
National Institutes of Health	93.846	U Mich 3002154652		1,156
National Institutes of Health	93.846	UC Irvine 2013-2914		-56,866
National Institutes of Health	93.847	Augusta University 25034-81		-25,424
National Institutes of Health	93.847	Augusta University 30835/25034-81		9,803
National Institutes of Health	93.847	Augusta University 30835-46		12,168



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National Institutes of Health	93.847	Brigham & Woman's Hospital 114959		268
National Institutes of Health	93.847	CCHMC 133185		15,399
National Institutes of Health	93.847	CCHMC 133185 -2		-715
National Institutes of Health	93.847	CCHMC 135895		29,227
National Institutes of Health	93.847	CCHMC 137115		30,595
National Institutes of Health	93.847	CCHMC 138801		21,747
National Institutes of Health	93.847	Emory Univ T317401		-1,511
National Institutes of Health	93.847	Emory Univ T757471		5,651
National Institutes of Health	93.847	FSU R01952		52,256
National Institutes of Health	93.847	GWU GRADE EDS6-B18		205
National Institutes of Health	93.847	GWU S-GRD1617-AT6	69,519	95,601
National Institutes of Health	93.847	GWU S-GRD1718-SC6	202,664	359,920
National Institutes of Health	93.847	INOVASC 010596-002		30,307
National Institutes of Health	93.847	Med College of Wisc 1661362		-1,373
National Institutes of Health	93.847	Med College of Wisc 1661362-YR2	34,101	250,667
National Institutes of Health	93.847	Med College of Wisc 1661362-Yr3		12,605
National Institutes of Health	93.847	UAB 508172-SP006-006		7,205
National Institutes of Health	93.847	UC Davis 201400949-02		-468
National Institutes of Health	93.847	UC Davis 201400949-A4		267,416
National Institutes of Health	93.847	UCLA 1562 G TA108		192,901
National Institutes of Health	93.847	UMN N005115010		2,678
National Institutes of Health	93.847	Univ of NC 5-34495-A4		27,533
National Institutes of Health	93.853	CCHMC 137962		12,310
National Institutes of Health	93.853	CCHMC 138566		20,132
National Institutes of Health	93.853	Columbia Univ. in City of NY 2 G012011-01		22,383
National Institutes of Health	93.853	Columbia Univ. in City of NY 4 G012006-01		43,854
National Institutes of Health	93.853	CUMC 4 GG012006-01	202,000	589,574
National Institutes of Health	93.853	Emory Univ T662115		31,900
National Institutes of Health	93.853	Johns Hopkins 2000794678		-41,634
National Institutes of Health	93.853	Johns Hopkins 2003044881		31,593
National Institutes of Health	93.853	Leland Stanford 61118961-116661	167,577	167,577
National Institutes of Health	93.853	Leland Stanford 61118961-116661-A1		116,181

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National Institutes of Health	93.853	Mass General 226396		44,546
National Institutes of Health	93.853	Mass General 229644		19,244
National Institutes of Health	93.853	Mass General NN102		-27,207
National Institutes of Health	93.853	Mass General NN103		2,757
National Institutes of Health	93.853	Mass General NN104		13,291
National Institutes of Health	93.853	Mass General NN105		27,623
National Institutes of Health	93.853	Mass General NN106		28,885
National Institutes of Health	93.853	MAYO CIN-187276-01		4,541
National Institutes of Health	93.853	MAYO CIN-187276-03		-5,366
National Institutes of Health	93.853	Northwestern University 60036745		30,998
National Institutes of Health	93.853	Stroke Net-NCC 010085-000000		10,810
National Institutes of Health	93.853	U Mich 3001413194	8,450	49,030
National Institutes of Health	93.853	U Mich 3002112001		37,361
National Institutes of Health	93.853	U Mich 3002672052		31
National Institutes of Health	93.853	U Mich 3004674691	10,600	106,092
National Institutes of Health	93.853	U Mich SUBK00004110		17,839
National Institutes of Health	93.853	UC Irvine 2015-3161-M4	153,028	153,028
National Institutes of Health	93.853	UCSF 7894SC-A3		88,729
National Institutes of Health	93.853	UCSF 7894SC-A4		31,717
National Institutes of Health	93.853	University of Alabama 000513792		53,807
National Institutes of Health	93.853	University of Alabama 004267887		57,492
National Institutes of Health	93.853	University of Southern California 85728861		20,771
National Institutes of Health	93.853	UVA GB10253-152913		2,243
National Institutes of Health	93.853	Weill Medical College of Cornell -170326-02		52,469
National Institutes of Health	93.853	Weill Medical College of Cornell -170326-04		2,386
National Institutes of Health	93.855	Brigham & Woman's Hospital 110007		5,996
National Institutes of Health	93.855	Brigham & Woman's Hospital 110208		256,411
National Institutes of Health	93.855	Brigham & Woman's Hospital 110238 A3		4,473
National Institutes of Health	93.855	Brigham & Woman's Hospital 111670		383,828
National Institutes of Health	93.855	Brigham & Women's Hospital 114342		1,961
National Institutes of Health	93.855	Brigham & Women's Hospital 110140		63,084
National Institutes of Health	93.855	Brigham & Women's Hospital 110238 A2		5,011

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National Institutes of Health	93.855	Brigham & Women's Hospital 115113		4,140
National Institutes of Health	93.855	CCHMC 131298		-2,004
National Institutes of Health	93.855	CCHMC 135743		6,677
National Institutes of Health	93.855	CCHMC 136811		16,123
National Institutes of Health	93.855	CCHMC 138257		22,505
National Institutes of Health	93.855	CCHMC 138257 M1		29,308
National Institutes of Health	93.855	CCHMC 138459		44,398
National Institutes of Health	93.855	CCHMC 140912		11,623
National Institutes of Health	93.855	CCLCM-CWRU 811		50,170
National Institutes of Health	93.855	CWRU RES211342		-28,187
National Institutes of Health	93.855	CWRU RES511634		168,616
National Institutes of Health	93.855	CWRU RES512116		563,252
National Institutes of Health	93.855	CWRU RES512468		28,272
National Institutes of Health	93.855	CWRU RES512699		149,399
National Institutes of Health	93.855	CWRU RES512798		230,915
National Institutes of Health	93.855	Denver Health and Hospital Authority E3400A-3 YR5		29,035
National Institutes of Health	93.855	Duke 225440 E		2,399
National Institutes of Health	93.855	General Innovations and Goods 5 U44 AI074918 Adm 1		-607
National Institutes of Health	93.855	General Innovations and Goods 5 U44 AI074918 Adm 3		-3,067
National Institutes of Health	93.855	General Innovations and Goods 5 U44AI074918 Adm 4		15,483
National Institutes of Health	93.855	SUNY 73370		94,356
National Institutes of Health	93.855	U Mass WA00148596		28,048
National Institutes of Health	93.855	UTHSCH 160528/160527 Task A22		22,359
National Institutes of Health	93.855	UTHSCH 160528/160527 Task A22 Opt 1 & 2		86,109
National Institutes of Health	93.859	CCHMC 133106		3,859
National Institutes of Health	93.859	MATTEK 010349-002		39,267
National Institutes of Health	93.859	U Illinois 2013-01835-02		5,835
National Institutes of Health	93.859	UC Davis 201502820-01		17,973
National Institutes of Health	93.865	CCHMC 134525 M1		-6,450
National Institutes of Health	93.865	CCHMC 135801 M1		2,015
National Institutes of Health	93.865	CCHMC 137687		9,384
National Institutes of Health	93.865	CCHMC 139369		14,309

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National Institutes of Health	93.865	IU 4682013UC		7,520
National Institutes of Health	93.865	U of Penn 569219		62,072
National Institutes of Health	93.865	UKMCRI ZAC00050		142,910
National Institutes of Health	93.865	UTSMC GMO160232	244,838	361,069
National Institutes of Health	93.866	Brigham & Woman's Hospital 116678		62,508
National Institutes of Health	93.866	CCHMC 138715		15,129
National Institutes of Health	93.866	CCHMC 138715 1		2,239
National Institutes of Health	93.867	TissueTech SBIR R4EY022502		-168
National Institutes of Health	93.879	CCHMC 136153		38,843
Health Resources and Services Administration	93.918	Cin Health Network 2H76HA00111		542,432
Health Resources and Services Administration	93.918	Cin Health Network 2H76HA00111 - A3		159,694
Health Resources and Services Administration	93.918	Cin Health Network 6H76HA00111-27-00		71,575
Health Resources and Services Administration	93.926	CCHMC 134574		16,804
Health Resources and Services Administration	93.926	CCHMC 135934		3,764
Centers for Disease Control and Prevention	93.940	HCPH 2015-16 EIP #2015-0072		2,340
Centers for Disease Control and Prevention	93.940	HCPH 2018 EIP UC-HIV		73,338
Centers for Disease Control and Prevention	93.940	HCPH HCPH 2015-16 EIP #2017-0015		114,229
Centers for Disease Control and Prevention	93.940	ODH 03140012HT0617		28,578
Centers for Disease Control and Prevention	93.946	Emory Univ T652550		16,463
<b>Total Department of Health and Human Services</b>			<b>1,111,787</b>	<b>14,738,707</b>
<b>Department of Homeland Security</b>				
Department of Homeland Security	97.077	Center for Innovative Technology FS-18-048		4,581
<b>Department of Housing and Urban Development</b>				
<b>CDBG - Entitlement Grants Cluster</b>				
Office of Community Planning and Development	14.218	City of Pittsburgh 2017-1230 E#108		15,000
<b>Department of Justice</b>				
National Institute of Justice	16.560	FL State Univ R01861		4,862
Bureau of Justice Assistance	16.812	Guam Judicial Branch BJA 2015-CZ-BX-0027		7,178
Bureau of Justice Assistance	16.812	Hamilton County Office of Reentry DOJ 2014-CZ-BX-0020		149,833
Bureau of Justice Assistance	16.812	WI DOC 410036-V17-RLH6153-ING-01		66,868
Department of Justice	16.838	Ham Cnty / BJA 2017-AR-BX-K018		2,000

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<b>Total Department of Justice</b>				<b>230,741</b>
<b>Department of the Interior</b>				
Department of the Interior	15	OSURF 60054085		5,515
Department of the Interior	15	OSURF 60059316		18,764
U.S. Geological Survey	15.805	OSURF 60059469		18,779
U.S. Geological Survey	15.805	USC 16-2995		18,967
<b>Total Department of the Interior</b>				<b>62,025</b>
<b>Department of Transportation</b>				
Department of Transportation	20	Trinity Consult FHWA DTFH6117C00028		9,712
Federal Highway Administration (FHWA)	20.200	Leidos P010204019		74,978
Federal Highway Administration (FHWA)	20.200	Leidos P010208821		57,928
Federal Highway Administration (FHWA)	20.200	Ohio University 30746		2,670
<b>Total Department of Transportation</b>				<b>145,288</b>
<b>Economic Development Administration</b>				
Department of Commerce	11.020	Gr. Ham. Ctr. for Bus. & Tech.-Ham. Mill, UC-011456-002		4,111
<b>Environmental Protection Agency</b>				
Environmental Protection Agency	66	Pegasus WA 1-89		24,893
Environmental Protection Agency	66	Pegasus WA 2-16		4,129
Environmental Protection Agency	66	Pegasus WA 2-30		5,968
<b>Total Environmental Protection Agency</b>				<b>34,990</b>
<b>Institute of Museum and Library Services</b>				
Institute of Museum and Library Services	45.312	Zoological Soc of Cincinnati LG-25-12-059-12		-292
<b>National Aeronautics and Space Administration</b>				
National Aeronautics and Space Administration	43	USRA SOF-05-0084 Abel		5,029
National Aeronautics and Space Administration	43.001	Arizona St U 14-304		37,705
National Aeronautics and Space Administration	43.001	MSU G129-17-W157		11,880
National Aeronautics and Space Administration	43.001	OSGC SICHOP NASA SCHLRSHP		-44
National Aeronautics and Space Administration	43.001	Univ of OK 2017-42 NXX17AF88G		81,735
National Aeronautics and Space Administration	43.008	CCHMC 131050		25,714
National Aeronautics and Space Administration	43.008	USRA SOF 05_0100 Abel		10,555

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National Aeronautics and Space Administration	43.008	Vantage Partners VPL-16-164		18,720
National Aeronautics and Space Administration	43.008	Vantage Partners VPL-17-066		155,941
<b>Total National Aeronautics and Space Administration</b>				<b>347,235</b>
<b>National Science Foundation</b>				
National Science Foundation	47.041	AwareAbility Tech 011384-002		508
National Science Foundation	47.041	NCA&T 260116B	5,143	502,014
National Science Foundation	47.041	Sense Diagnostics NSF 1632270-1		85,518
National Science Foundation	47.049	Notre Dame 1219444		8,542
National Science Foundation	47.050	JMU S15-235-01		21,806
National Science Foundation	47.050	U of New Mexico 133549-87S1		16,651
National Science Foundation	47.050	USC 104889896		7,393
National Science Foundation	47.070	Carnegie Mellon Univ 1121941-372288		54,828
National Science Foundation	47.074	CCHMC 139353		7,524
National Science Foundation	47.076	APS BP008-2017		9,348
National Science Foundation	47.076	Mich State RC105254UC		50,742
National Science Foundation	47.076	Morgan State 0416-CS-PB-UC		1,413
National Science Foundation	47.076	Ohio State 60042097		101,010
National Science Foundation	47.076	Ohio State 60057047		1,000
<b>Total National Science Foundation</b>			<b>5,143</b>	<b>868,297</b>
<b>Total Research and Development - Pass Through Funds</b>			<b>1,256,002</b>	<b>19,438,644</b>
<b>Total Research and Development Cluster</b>			<b>16,149,373</b>	<b>110,331,770</b>
<b>Other</b>				
<b>Other - Direct Funds</b>				
<b>Department of Defense</b>				
Department of Defense	12	ARMY W91ZLK-17-P-0042		895
National Security Agency	12.900	Language Grant Program		80,214
National Security Agency	12.902	Information Security Grant Program	78,886	141,823
<b>Total Department of Defense</b>			<b>78,886</b>	<b>222,932</b>

# University of Cincinnati

A Component Unit of the State of Ohio

## Schedule of Expenditures of Federal Awards

for the year ended June 30, 2018

Federal Grantor/Pass-Through Grantor/ Cluster Title	Federal CFDA Number	Program Title, Pass-Through Entity and ID	Passed Through to Subrecipient	Total Federal Expenditures
<b>Department of Education</b>				
<b>TRIO Cluster</b>				
Office of Postsecondary Education	84.042	TRIO_Student Support Services		229,407
Office of Postsecondary Education	84.044	TRIO_Talent Search		286,799
Office of Postsecondary Education	84.047	TRIO_Upward Bound		827,171
Office of Postsecondary Education	84.217	TRIO_McNair Post-Baccalaureate Achievement		190,416
<b>Total TRIO Cluster</b>				<b>1,533,793</b>
<b>Other Department of Education</b>				
Office of Special Education and Rehabilitative Services	84.325	Special Education - Personnel Development to Improve Services and Results for Children with Disabilities		699,214
<b>Total Department of Education</b>				<b>2,233,007</b>
<b>Department of Health and Human Services</b>				
Health Resources and Services Administration	93.162	National Health Service Corps Loan Repayment Program		77,425
Health Resources and Services Administration	93.908	Nursing Education Loan Repayment Program		29,736
<b>Total Department of Health and Human Services</b>				<b>107,161</b>
<b>Department of Justice</b>				
Department of Justice	16	US COURTS: USCA 16C1025 Task 3		154,286
Department of Justice	16	US COURTS: USCA16C1025 Tasks 4 & 5		5,785
National Institute of Justice	16.560	National Institute of Justice Research, Evaluation, and Development Project Grants		1,551,202
Department of Justice	16.592	Local Law Enforcement Block Grants Program		237
Bureau of Justice Assistance	16.746	Capital Case Litigation		1,522
Bureau of Justice Assistance	16.827	Justice Reinvestment Initiative		67,707
<b>Total Department of Justice</b>				<b>1,780,739</b>
<b>National Endowment for the Humanities</b>				
National Endowment for the Humanities	45.130	Promotion of the Humanities_Challenge Grants		3,366
<b>National Security Agency</b>				
Department of Defense	12.903	2016: GenCyber Grants Program		7,856
<b>Office of Personnel Management</b>				
Office of Personnel Management	27.011	Intergovernmental Personnel Act (IPA) Mobility Program		191,369

# University of Cincinnati

A Component Unit of the State of Ohio

## Schedule of Expenditures of Federal Awards

for the year ended June 30, 2018

Federal Grantor/Pass-Through Grantor/ Cluster Title	Federal CFDA Number	Program Title, Pass-Through Entity and ID	Passed Through to Subrecipient	Total Federal Expenditures
<b>Total Other - Direct Funds</b>			<b>78,886</b>	<b>4,546,430</b>
<b>Other - Pass Through Funds</b>				
<b>Department of Agriculture</b>				
Food and Nutrition Service	10.558	ODE CACFP FY2016 USDA		12,268
Food and Nutrition Service	10.558	ODE CACFP sub USDA 17-18: Child Nutrition Programs		38,959
<b>Total Department of Agriculture</b>				<b>51,227</b>
<b>Department of Defense</b>				
Department of Defense	12	INNOVATIVE SCIENTIFIC SOLUTIONS INC SB20179		775
<b>Department of Education</b>				
Department of Education	84	CPS1701659-2016		8,304
Department of Education	84	ODE 010755		17,014
Department of Education	84	ODE 011010-002		7,663
Department of Education	84	ODE 062927		141,242
Department of Education	84	ODE 9156		200,301
Department of Education	84	ODE OLI4 010997-1013565		540,491
Department of Education	84	ODE Service to Familys & Children 010995-1013534		100,760
Department of Education	84	ODE T2T Support 01093-1013532		241,106
Department of Education	84	ODE Vision Project 010997-1013533	139,561	328,893
Department of Education	84	Ohio Deans Compact sub USED	785,638	1,237,703
Department of Education	84	Regents of the Univ. of Minnesota A006557006		57,848
Office of Educational Research and Improvement	84.287	ODE 09156		5,960
Office of Educational Research and Improvement	84.287	ODE 11140		198,887
Office of Special Education and Rehabilitative Services	84.323	ODE 15751 H323A120002		2,372
Office of Special Education and Rehabilitative Services	84.325	Dayton Public Schools 010418-002		611
Office of Special Education and Rehabilitative Services	84.325	Univ of Dayton Research Inst RSC16097		-610
Office of Special Education and Rehabilitative Services	84.326	Regents of the Univ. of Minnesota A002575604		123,703
Office of Postsecondary Education	84.334	OCOG GEARUP FY 2016-2017		31,175
Office of Postsecondary Education	84.334	OCOG GEARUP FY 2017-2018		16,307
Office of Postsecondary Education	84.334	OCOG GEARUP FY 2017-2018 Blueash		7,500
Office of Elementary and Secondary Education	84.367	ODHE 15-12 sub USED K-6		-27
Office of Elementary and Secondary Education	84.367	ODHE 16-10 (K-6) / USED S367B160030		34,919



# University of Cincinnati

A Component Unit of the State of Ohio

## Schedule of Expenditures of Federal Awards

for the year ended June 30, 2018

Federal Grantor/Pass-Through Grantor/ Cluster Title	Federal CFDA Number	Program Title, Pass-Through Entity and ID	Passed Through to Subrecipient	Total Federal Expenditures
Office of Elementary and Secondary Education	84.367	ODHE 16-11 G7-12		21,668
<b>Total Department of Education</b>			<b>925,199</b>	<b>3,323,790</b>
<b>Department of Health and Human Services</b>				
<b>Medicaid Cluster</b>				
Centers for Medicare and Medicaid Services	93.778	NE Ohio Med Univ G0104		70
Centers for Medicare and Medicaid Services	93.778	OSURF 60051005	92,686	172,672
Centers for Medicare and Medicaid Services	93.778	OSURF 60055269		-3,913
<b>Total Medicaid Cluster</b>			<b>92,686</b>	<b>168,829</b>
<b>CCDF (Child Care and Development) Cluster</b>				
Administration for Children and Families	93.575	ODJFS DHHS DAYCARE		61,875
Administration for Children and Families	93.575	ODJFS/DHHS DAY CARE CONTR Program Income		4,246
<b>Total CCDF (Child Care and Development) Cluster</b>				<b>66,121</b>
Administration for Children and Families	93.600	CHCCAA Contract #14-43		106,894
Administration for Children and Families	93.600	CHCCAA Contract #16-23		-10,974
Administration for Children and Families	93.600	CHCCAA Contract #17-23 Headstart FY17-18		583,073
Administration for Children and Families	93.600	CHCCAA Contract #17-23 Headstart FY18-19		28,490
<b>Total Department of Health and Human Services</b>			<b>92,686</b>	<b>942,433</b>
<b>Department of Justice</b>				
Department of Justice	16	City of Norfolk TA YR3		10,195
Department of Justice	16	CPOC sub DOJ: DVP-Domestic Violence Assessment		18,850
Department of Justice	16	Hillsborough County-EPICS / 2014-DC-BX-0064		9,788
Department of Justice	16	IOWA PO #238 07131700068		65,446
Office of Juvenile Justice and Delinquency Prevention	16.540	PA Council of Chief Juvenile Prob Offcrs EPICS Trng		26,429
Office of Juvenile Justice and Delinquency Prevention	16.540	PA Council of Chief Juvenile Probation Officers/ OJJDP 1011379-02		12,856
Bureau of Justice Assistance	16.585	TN Association of Drug Court Professionals-ORAS / BJA 2017-V		11,088
Bureau of Justice Assistance	16.593	Council on Chemical Abuse COCA2015-SA-01-26637		66
Bureau of Prisons	16.601	CEPP / NIC 16CS05GKU0-CEPP 2017		346

# University of Cincinnati

A Component Unit of the State of Ohio

## Schedule of Expenditures of Federal Awards

for the year ended June 30, 2018

Federal Grantor/Pass-Through Grantor/ Cluster Title	Federal CFDA Number	Program Title, Pass-Through Entity and ID	Passed Through to Subrecipient	Total Federal Expenditures
Bureau of Justice Assistance	16.606	CT Dept of Corrections 13DOC0112AA		2,970
Bureau of Justice Assistance	16.738	Alexandria 17-A4022Ad15		6,574
Bureau of Justice Assistance	16.738	IACP DOJ 2017-VI-BX-K001 BJA		9,966
Bureau of Justice Assistance	16.738	Minnesota Department of Correction 124771		3,231
Bureau of Justice Assistance	16.738	NY DOC sub BJA 2014-RY-BX-K005-EPICS Training		28,382
Bureau of Justice Assistance	16.738	OCJS 2013-DG-E0R-6953	42,160	146,391
Bureau of Justice Assistance	16.738	OCJS 2013-JG-B01-V6077		38,467
Bureau of Justice Assistance	16.738	OCJS 2017-CP-CPI-344		28,777
Bureau of Justice Assistance	16.738	OCJS SUB BJA 2016-JG-HT-P6096		73,303
Bureau of Justice Assistance	16.738	ODRC 403-18-2324		7,591
Bureau of Justice Assistance	16.738	OJJDP DJJ-17-016 via DJJ Virginia sub BJA-EPICS training		17,423
Bureau of Justice Assistance	16.738	VA Dept. of CJ / DOJ - EPICS TRAINING		32,173
Bureau of Justice Assistance	16.751	IL DOC-EPICS TRAINING / 2014-CZ-BX-0025-IL DOC BJA		13,742
Bureau of Justice Assistance	16.751	Minnesota Department of Correction 125135		46,500
Bureau of Justice Assistance	16.751	Minnesota Department of Correction Contract 120771		2,192
Bureau of Justice Assistance	16.751	Nebraska Board of Pardons and Parole 2013-ZB-BX-K002 / BJA 2		29,501
Bureau of Justice Assistance	16.812	Arizona Women's Education and Employment sub BJA		11,299
Bureau of Justice Assistance	16.812	City of New Haven 23012748-56694 / BJA 2015-CZ-BX-0010-EPICS		13,784
Bureau of Justice Assistance	16.812	Civics Firsts #CFInc EPICS-1 OJJDP-Milford CT EPICS		26,945
Bureau of Justice Assistance	16.812	CT Dept of Corrections 18DOC0112AA		131,833
Bureau of Justice Assistance	16.812	CT Dept of Corrections DOCM1-0000165817		620
Bureau of Justice Assistance	16.812	GA Dept. of Juvenile Justice 22112001		24,903
Bureau of Justice Assistance	16.812	GA Dept. of Juvenile Justice EPICS training		2,713
Bureau of Justice Assistance	16.812	GA Dept. of Juvenile Justice EPICS training 2 of 2		13,124
Bureau of Justice Assistance	16.812	Guam Judicial Branch Sub BJA 2014-VV-BX-0017		67,516
Bureau of Justice Assistance	16.812	Guam Judicial Branch Sub OJJDP 2015-CZ-BX-0023		57
Bureau of Justice Assistance	16.812	IOWA PO #238 09121600366		2,801
Bureau of Justice Assistance	16.812	Nevada Dept. of Corr. EPICS 2016-CZ-BX-0015		50,411
Bureau of Justice Assistance	16.812	Nevada Dept. of Corr. EPICS NRAS/ORAS Training		132,065
Bureau of Justice Assistance	16.812	Nevada Dept. of Corr. EPICS NRAS/ORAS training sub BJA 2016-		56,510
Bureau of Justice Assistance	16.812	PATHFINDERS OF OREGON EPICS-I / BJA 2017-CY-BX-0108		3,789

# University of Cincinnati

A Component Unit of the State of Ohio

## Schedule of Expenditures of Federal Awards

for the year ended June 30, 2018

Federal Grantor/Pass-Through Grantor/ Cluster Title	Federal CFDA Number	Program Title, Pass-Through Entity and ID	Passed Through to Subrecipient	Total Federal Expenditures
Bureau of Justice Assistance	16.812	UTEC Inc. / 2017-CY-BX-0116		1,306
Department of Justice	16.817	City of Tulsa BJA DOJ 2016-AJ-BX-0007		24,295
<b>Total Department of Justice</b>			<b>42,160</b>	<b>1,206,218</b>
<b>Department of Labor</b>				
Employment Training Administration	17.270	Safer Foundation sub DOL PE-30786-17-60-A-17		14,752
Employment Training Administration	17.275	FRCSA FRCSA-DOL-001		9,127
<b>Total Department of Labor</b>				<b>23,879</b>
<b>Department of Transportation</b>				
<b>Highway Planning and Construction Cluster</b>				
Federal Highway Administration (FHWA)	20.205	NCHRP HR 12-109	20,702	33,432
Federal Highway Administration (FHWA)	20.205	ODOT 27144		44,403
Federal Highway Administration (FHWA)	20.205	ODOT 27899		457,603
Federal Highway Administration (FHWA)	20.205	ODOT 30267		36,891
Federal Highway Administration (FHWA)	20.205	ODOT 30347		105,113
Federal Highway Administration (FHWA)	20.205	ODOT 30556	18,842	76,275
Federal Highway Administration (FHWA)	20.205	ODOT 30792		163,205
Federal Highway Administration (FHWA)	20.205	ODOT 30794		7,851
Federal Highway Administration (FHWA)	20.205	Ohio University UT19212 / FHA / USDOT Task 1		8,562
Federal Highway Administration (FHWA)	20.205	URS CORP-OHIO Sub ODOT 14174		200,826
<b>Total Highway Planning and Construction Cluster</b>			<b>39,544</b>	<b>1,134,161</b>
<b>Total Department of Transportation</b>			<b>39,544</b>	<b>1,134,161</b>
<b>National Aeronautics and Space Administration</b>				
National Aeronautics and Space Administration	43.001	OSGC 2017 Research Infrastructure Grant		3,000
National Aeronautics and Space Administration	43.001	OSGC FY2015-2018 NASA SCHLRSHP		23,217
National Aeronautics and Space Administration	43.001	OSGC SICHOP 2017 UC CubeCats CubSat Groundstation		830
National Aeronautics and Space Administration	43.001	OSGC Sichop UC CubeCats		3,989
National Aeronautics and Space Administration	43.001	OSGC SICHOP UC Galactocats 2018 NASA		4,997
<b>Total National Aeronautics and Space Administration</b>				<b>36,033</b>

# University of Cincinnati

A Component Unit of the State of Ohio

## Schedule of Expenditures of Federal Awards

for the year ended June 30, 2018

<b>Federal Grantor/Pass-Through Grantor/ Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Program Title, Pass-Through Entity and ID</b>	<b>Passed Through to Subrecipient</b>	<b>Total Federal Expenditures</b>
<b>National Security Agency</b> Department of Defense	12.905	Dakota State Univ 170406-840219-01		83,779
<b>Total Other - Pass Through Funds</b>			<b>1,099,589</b>	<b>6,802,295</b>
<b>Total Other</b>			<b>1,178,475</b>	<b>11,348,725</b>
<b>Total Federal Awards Expenditures</b>			<b>\$17,327,848</b>	<b>\$465,167,790</b>

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## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended June 30, 2018

### 1. Summary of Significant Accounting Policies

#### Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the University of Cincinnati ("university") under programs of the federal government for the year ending June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the university, it is not intended to and does not present the financial position, changes in net position or cash flows of the university.

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB A-21 or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

#### 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

Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

### 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 Loan Programs

The university administers the Federal Perkins, Health Professions Student, Nursing Student and Nursing Faculty Federal Loan Programs. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. 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, 2018 are as follows:

Federal Perkins Loan Program (CFDA 84.038)	\$	3,900,629
Health Professions Student Loan Program (CFDA 93.342)		71,400
Nursing Student Loan Program (CFDA 93.364)		93,300
Nursing Faculty Loan Program (CFDA 93.264)		366,722
	<u>\$</u>	<u>4,432,051</u>

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

Outstanding loans at June 30, 2018 include the following:

Federal Perkins Loans	\$ 20,063,197
Health Professions Student Loans	362,249
Nursing Student Loans	648,248
Nursing Faculty Loan Program	1,345,232
	<u>\$ 22,418,926</u>

#### 4. 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 July 19, 2016 the university received approval for indirect cost recovery rates effective from July 1, 2016 through June 30, 2020. The indirect cost rates structure is as follows:

Rate Type	Effective July 1, 2017 through June 30, 2018
Organized Research:	
On-campus	59.5%
Off-campus	26.0%

Instruction:	
On-campus	57.0%
Off-campus	26.0%

Other Sponsored Activities	
On-campus	30.0%
Off-campus	26.0%

Rate Type	Effective July 1, 2018 through June 30, 2019
Organized Research:	
On-campus	60.0%
Off-campus	26.0%

Instruction:	
On-campus	57.0%
Off-campus	26.0%

Other Sponsored Activities	
On-campus	30.0%
Off-campus	26.0%

Rate Type	Effective July 1, 2019 through June 30, 2020
Organized Research:	
On-campus	60.5%
Off-campus	26.0%
Instruction:	
On-campus	57.0%
Off-campus	26.0%
Other Sponsored Activities	
On-campus	30.0%
Off-campus	26.0%

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

**Independent Auditor's Report**

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, 2018, and the related statements of revenues, expenses and changes in net position and cash flows, where applicable, for the year then ended, and the related notes to the basic financial statements, and have issued our report thereon dated October 15, 2018, which contained a reference to the report of other auditors and an emphasis of matters paragraph regarding changes 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**

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (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 entity'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 or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. 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 15, 2018

## Report on Compliance for the 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 the Major Federal Program

We have audited the University of Cincinnati's (University) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget *Compliance Supplement* that could have a direct and material effect on the University's major federal program for the year ended June 30, 2018. The University's major federal program is 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 federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the University's major federal program 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the major federal program. However, our audit does not provide a legal determination of the University's compliance.

## **Opinion on the 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 its major federal program for the year ended June 30, 2018.

## **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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 a 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**BKD, LLP**

Cincinnati, Ohio  
October 15, 2018

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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***Summary of Auditor's Results***

*Financial Statements*

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was:
- Unmodified       Qualified       Adverse       Disclaimer
2. The independent auditor's report on internal control over financial reporting disclosed:
- Significant deficiency(ies)?       Yes       None reported
- Material weakness(es)?       Yes       No
3. Noncompliance considered material to the financial statements was disclosed by the audit?       Yes       No

*Federal Awards*

4. The independent auditor's report on internal control over compliance for major federal awards programs disclosed:
- Significant deficiency(ies)?       Yes       None reported
- Material weakness(es)?       Yes       No
5. The opinion expressed in the independent auditor's report on compliance for major federal awards was:
- Unmodified       Qualified       Adverse       Disclaimer
6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)?       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, 2018**

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7. The University's major program was:

<b>Cluster/Program</b>	<b>CFDA Number</b>
Research and Development Cluster	Various

8. The threshold used to distinguish between Type A and Type B programs was \$3,000,000.

9. The University qualified as a low-risk auditee?  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, 2018**

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**Findings Required to be Reported by *Government Auditing Standards***

<b>Reference Number</b>	<b>Finding</b>
	No matters are reportable.

**Findings Required to be Reported by the Uniform Guidance**

<b>Reference Number</b>	<b>Finding</b>
	No matters are reportable.

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

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2018**

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<b>Reference Number</b>	<b>Summary of Finding</b>	<b>Status</b>
No matters are reportable.		