

# 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, 2016







# Dave Yost • Auditor of State

Board of Trustees  
University of Cincinnati  
51 Goodman Drive  
Cincinnati, Ohio 45221

We have reviewed the *Independent Auditor's Report* of the University of Cincinnati, Hamilton County, prepared by BKD, LLP, for the audit period July 1, 2015 through June 30, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

November 18, 2016

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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, 2016, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the University of Cincinnati Foundation, a discretely presented component unit of the University, which statements reflect total assets of \$470,417,000 as of June 30, 2016 and total revenues of \$94,166,000 for the year then ended. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the University of Cincinnati Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the University as of June 30, 2016, 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 2015 financial statements, and we expressed unmodified audit opinions on those audited financial statements in our report dated October 14, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### ***Other Matters***

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

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The accompanying schedule of expenditures of federal awards required by 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures performed as described above, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2016, on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

*BKD, LLP*

Cincinnati, Ohio  
October 14, 2016

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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, 2016. Comparative information as of and for the year ended June 30, 2015 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 the notes that follow this section.

The university originated in 1819 and was city owned until becoming a state university on July 1, 1977. The university is a comprehensive research based public institution of higher learning. Total enrollment for fall 2016 included 44,338 students. Among the university's student population are 3,382 international students from 114 different nations. 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 82%, 11%, and 7%, respectively. Faculty members on the three campuses totaled 4,029. The university, in total, employs approximately 9,623 people, making it one of the largest employers in the Cincinnati region.

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

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

The U.S. News & World Report rankings named the university in the top tier of the country's "Best National Universities," at 135th in the U.S. and 64th among top public universities. The university is also listed among the nation's elite for cooperative education (co-op) and internships. The university's overall emphasis on experiential learning earned the university its position on the short list of the nation's best 22 schools for co-ops and internships. Students collectively earn \$63 million annually, working in about 6,000 co-op placements for approximately 1,800 local, regional, national, and international employers. Additionally, the university has numerous programs ranked among the top 100 public universities in the nation.

Princeton Review's 2016 edition of "The Best 381 Colleges" identified the university for the tenth 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 143,000 students. Specific praise from students include the co-op program giving students a real edge in the job market, great academics and on-campus activities, one of the most beautiful campuses in the world, the life experiences of the professors related to what they are teaching, and diversity of the student population.

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

## 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.

## Reclassifications

Certain amounts from the prior year have been reclassified to conform with current-year presentation. This includes reclassifying \$62,956,000 of investments from current to noncurrent representing debt proceeds to be used for capital projects. These reclassifications had no effect on the change in net position.

## Statement of Net Position

The Statement of Net Position, which reports all assets, liabilities, deferred inflows and deferred outflows of the university, presents the financial position of the university at the end of the fiscal year. The university's net position is the residual value after subtracting liabilities and deferred inflows from the sum of assets and deferred outflows. Liabilities due within one year and assets available to pay those liabilities are classified as current. Other assets and liabilities are classified as noncurrent. Investment assets are carried at fair value. Capital assets are separated into two lines on the statement: those assets that are depreciated and those that are not depreciated. Items that are depreciated include buildings, equipment, infrastructure, land improvements, and library books. Items that are not depreciated include land, construction in progress, art, and rare book collections. There is no requirement to fund the accumulated depreciation. Instead, capital assets are largely funded by state capital appropriations, issuance of debt, and gifts from various donors. A summary of the university's net financial position at June 30, 2016 and 2015 follows:

## Summary Statement of Net Position

	(in thousands)	2016	2015	Increase/(Decrease)	
				Amount	Percent
Current assets	\$	297,352	\$	282,764	\$ 14,588 5.2%
Noncurrent assets					
Restricted cash		2,448	2,524	(76)	-3.0%
Investments		329,555	291,459	38,096	13.1%
Endowment investments		533,898	576,123	(42,225)	-7.3%
Accounts and notes receivable		31,770	30,463	1,307	4.3%
Investment in UC Health		420,645	420,645	-	0.0%
Capital assets, net of depreciation		1,569,845	1,531,066	38,779	2.5%
Total assets		3,185,513	3,135,044	50,469	1.6%
Deferred outflows of resources		133,967	62,476	71,491	114.4%
Current liabilities		242,615	244,401	(1,786)	-0.7%
Noncurrent liabilities		1,757,234	1,614,397	142,837	8.8%
Total liabilities		1,999,849	1,858,798	141,051	7.6%
Deferred inflows of resources		32,796	68,131	(35,335)	-51.9%
Net position	\$	1,286,835	\$	1,270,591	\$ 16,244 1.3%

## Current Assets

Current assets consist primarily of cash and cash equivalents, short-term investment of operating funds, and accounts receivable. Current assets increased by \$15 million in 2016. 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, 2016 totaled \$330 million, an increase of \$38 million from June 30, 2015. The funds are invested in the university's temporary investment pool with the exception of \$15 million, which is invested in Fund A of the endowment. Investments with a maturity date less than one year totaled \$212 million, and are classified as current investments with the exception of \$67 million of debt issued for capital projects which is classified as noncurrent.

### Endowment Investments

The university's endowment totaled \$1.166 billion at June 30, 2016. The endowment includes Fund A (actively managed pooled investments), Fund B (certain real estate), separately invested assets, and beneficial interests in irrevocable trusts. Below is a summary of the market value for each category of the university's endowment:

	(in thousands)	Increase/(Decrease)			
		2016	2015	Amount	Percent
Fund A (University's share)	\$ 554,008	\$ 588,402	\$ (34,394)	-5.8%	
Fund A (Foundation's share)	293,791	287,677	6,114	2.1%	
Total Fund A	847,799	876,079	(28,280)	-3.2%	
Fund B	1,018	1,018	-	0.0%	
Separately Invested	23,476	17,463	6,013	34.4%	
Beneficial Interests in Irrevocable Trusts	293,228	301,339	(8,111)	-2.7%	
Total Endowment Investments	\$ 1,165,521	\$ 1,195,899	\$ (30,378)	-2.5%	

Those amounts in the table above that are reported on the university's Statement of Net Position include the university's share of Fund A (excluding a \$15 million loan to UHCURC, accrued income of \$14 million, and the temporary investment pool's funds of \$15 million), Fund B, and separately invested funds. These investments total \$534 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, decreased in 2016 from \$876 million to \$848 million, a decrease of \$28 million (3.2%). The decrease is net of the 4.5% endowment spending distribution and the 1.5% Foundation distribution. Excluding Neighborhood Development Corporation loans of \$52 million and accrued interest of \$13 million, Fund A consists of approximately 14% cash and fixed income, 51% corporate stocks, 18% hedge funds, 16% private equity, and 1% 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 2017 will be consistent at 4.5% times the previous twelve-quarter moving average of market value.

The university is the beneficiary of numerous trusts held and administered by external trustees. The market value of these external trustee assets totaled \$293 million and \$301 million as of June 30, 2016 and June 30, 2015, respectively. These external trusts are irrevocable, and the university has a vested beneficial interest in the net income payable by the trusts. In accordance with GASB, these external trust assets are not reported on the university's Statement of Net Position. Income is received annually and reported on the university's Statement of Revenues, Expenses, and Changes in Net Position. The university received income of \$9 million and \$10 million in 2016 and 2015, respectively.

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

### **Investment in UC Health**

The university's interest in UC Health is valued at \$421 million. The university's value for its investment is based on the cost method of accounting as of July 1, 2011. For further discussion of UC Health, please refer to Note 5, Investment in UC Health.

### **Capital Assets**

Campus planners and communities around the country have recognized the significance of the university's physical campus. Forbes Magazine named the university as one of the most beautiful college campuses. The Princeton Review along with national press, New York Times, and Los Angeles Times have noted the strength of the campus plan and the design excellence of the buildings and other structures that shape the plan. The university Campus Master Plan 2000 drove \$2.3 billion of construction projects that transformed the Clifton Campus into a cohesive community that enhances the student, faculty, and staff experiences through improved teaching and research spaces. The university has maintained its design excellence and has enjoyed continuous growth in enrollment and program status in Higher Education.

The university's strategic and academic plans set the stage for the physical plan that primarily addresses stewardship of existing assets through the use of standards and design guides. The need to replace infrastructure in existing academic buildings is the driver of this plan along with the quest for improved energy efficiency and more flexible and radical use of space. Opportunities for changing classroom teaching and learning patterns will create more highly performing buildings that focus on both function and energy use. The strategy is sustainable and responsible given the recent completion of a major building initiative as well as constrained state and local resources available to fund major construction projects. Some buildings are not suited for renovation and do not accommodate growth of the student body and thus on occasion a new structure is needed.

During 2016, the university completed and capitalized significant projects including:

- Medical Sciences Building Rehabilitation, Phase 4
- Nippert Stadium Expansion
- Student Information System (Catalyst)
- Rieveschl Labs

Capital asset additions are funded using a combination of state capital appropriations, debt, gifts, and university funds. Capital additions totaled \$155 million in 2016 and \$159 million in 2015. Depreciation expense totaled \$113 million in 2016 and \$110 million in 2015. Capital additions are primarily comprised of capital projects that were either completed during the fiscal year or are in the construction or design phase at June 30 of each fiscal year.

Significant capital projects currently in either the design or construction phase:

- Campus Services Building
- Clermont College Central Plant
- College of Business
- Corbett Center Theater Improvements
- East Campus Open Space
- Fifth Third Arena Renovation
- Health Professions Building Renovation (Kowalewski Hall)
- Health Sciences Building
- High-Rise/Mixed Use Facility
- Scioto Hall Renovation
- Teachers College/Dyer Rehabilitation Phase 3
- UC Blue Ash New Classroom Building
- UC Blue Ash Muntz Hall Renovation Phase 1

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



## Liabilities

### Debt

Total debt representing bonds, notes and capital leases was \$1.151 billion at June 30, 2016; an increase of \$28.0 million from \$1.123 billion at June 30, 2015.

During 2016, the university refunded and retired a total of \$57 million of existing debt to achieve debt service savings. The total cash flow differential from refunding and retiring the debt totaled \$13 million (see Note 7 – “Debt Refunding and Retirement” section).

The university entered into an interest rate swap agreement which became effective May 1, 2009, and is currently associated with Series 2015A Floating Rate Notes (FRNs) which mature in May 2018. The intent of this derivative instrument is to protect the university against the potential of rising interest rates. The university reevaluated the municipal market and the fair value of the swap agreement in the spring of 2015 and decided to issue the FRNs to replace the maturing Bond Anticipation Notes associated with the swap agreement. This same evaluation process is planned to take place periodically to determine the optimal refinancing method for the Series 2015A FRNs and the outstanding swap agreement. The fair value of the swap agreement at June 30, 2016 was \$5.4 million and reported as an interest rate swap liability in the noncurrent liability section of the Statement of Net Position.

The university issued both tax-exempt and taxable debt in spring 2016. 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 rating increases came after extensive reviews of the university’s financial activities, strategic plans, and future prospects.

The university continues to invest and expand its educational and research facilities beyond the level provided by state capital appropriations 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, 2016 and 2015 is summarized below:

	(in thousands)	2016	2015	Increase/(Decrease)	
				Amount	Percent
Net investment in capital assets		\$ 517,931	\$ 540,841	\$ (22,910)	-4.2%
Restricted for:					
Nonexpendable:					
Endowment and gifts		320,346	343,791	(23,445)	-6.8%
Investment in UC Health		420,645	420,645	-	0.0%
Expendable:					
Endowment and gifts		301,475	313,522	(12,047)	-3.8%
Other, including debt service, debt proceeds & capital appr.		10,488	2,765	7,723	279.3%
Unrestricted		(284,050)	(350,973)	66,923	19.1%
<b>Total Net Position</b>		<b>\$ 1,286,835</b>	<b>\$ 1,270,591</b>	<b>\$ 16,244</b>	<b>1.3%</b>

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, moveable 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 2016, net investment in capital assets decreased by \$23 million. The change was a result of the addition of \$42 million in capital assets (net of \$113 million in depreciation expense), less retirements of \$3 million (net of \$17 million of accumulated depreciation), minus a \$62 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 decreased by \$23 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 restricted quasi-endowment funds, unspent expendable endowment funds (available through the endowment spending policy), gifts and support from affiliates. Restricted quasi-endowment funds totaled \$205 million and \$218 million in 2016 and 2015, respectively. Restricted expendable endowment funds available for spending totaled \$52 million in 2016 and \$57 million in 2015. Restricted gifts and support from affiliates totaled \$46 million and \$42 million in 2016 and 2015, respectively.

Unrestricted net position before reporting for pensions increased from \$164 million in 2015 to \$237 million in 2016, an increase of \$73 million due to positive operating results related mainly to increases in student enrollment, retention and graduation rates. In 2015, GASB Statement No. 68 of the Governmental Accounting Standards Board, *Accounting and Financial Reporting for Pensions* and an amendment of this statement, GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* was implemented. These statements established new accounting and financial reporting requirements for pension plans provided by the university to its employees. University employees participate in cost-sharing, multiple-employer plans, which are within the scope of these statements. These statements require the university to recognize a net pension liability (asset), pension expense, and pension related deferred inflows and outflows of resources based on the university's proportionate share of collective amounts for all participating employers in the plans. The cumulative net impact of the implementation of the pension standards at June 30, 2016 was \$521 million. Additional detail relating to unrestricted net position is in the table below:

	(in thousands)	2016	2015	Increase/(Decrease)	
				Amount	Percent
<b>Unrestricted Net Position</b>					
Balance before Reporting for Pensions*	\$	237,022	\$	163,950	\$ 73,072 44.6%
<b>Impact of Implementation of Pension Standards</b>					
Deferred Outflows of Resources - Pensions		114,945		43,516	71,429 164.1%
Net Pension Liability		(603,221)		(490,308)	(112,913) 23.0%
Deferred Inflows of Resources - Pensions		(32,796)		(68,131)	35,335 -51.9%
Net Impact of Implementation of Pension Standards		(521,072)		(514,923)	(6,149) 1.2%
<b>Total Unrestricted Net Position</b>	<b>\$</b>	<b>(284,050)</b>	<b>\$</b>	<b>(350,973)</b>	<b>\$ 66,923 19.1%</b>

\* See note 11 for retirement plans and other postemployment benefits

#### 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, 2016 and 2015:

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

	(in thousands)				Increase/(Decrease)	
					Amount	Percent
	2016	2015				
Operating Revenues	\$ 824,476	\$ 798,555	\$ 25,921			3.2%
Operating Expenses	1,116,404	1,049,974	66,430			6.3%
Operating Loss	(291,928)	(251,419)	(40,509)			16.1%
<b>Nonoperating Revenues (Expenses)</b>						
State educational appropriations	212,779	199,740	13,039			6.5%
Federal and state nonexchange grants	42,255	43,610	(1,355)			-3.1%
Gifts	29,699	28,379	1,320			4.7%
Support from affiliates	31,250	19,365	11,885			61.4%
Net investment income	19,938	35,648	(15,710)			-44.1%
Net interest on capital asset-related debt	(44,381)	(46,658)	2,277			-4.9%
Other nonoperating revenues (expenses)	(2,137)	14,192	(16,329)			-115.1%
Capital appropriations, gifts, and grants	18,471	32,107	(13,636)			-42.5%
Additions to permanent endowments	298	577	(279)			-48.4%
Increase in net position	16,244	75,541	(59,297)			-78.5%
Net position, beginning of year, as previously reported	1,270,591	1,718,843	(448,252)			-26.1%
Cumulative effect of change in accounting principle		(523,793)	523,793			-
Net position, beginning of year, as restated	1,270,591	1,195,050	75,541			6.3%
Net position, end of year	\$ 1,286,835	\$ 1,270,591	\$ 16,244			1.3%

Revenues and expenses are categorized as either operating or nonoperating. Significant recurring sources of the university's revenues, including state appropriations, federal and state grants (nonexchange), gifts, and support from affiliates are considered nonoperating. Consequently, the operating loss of \$292 million does not account for these important revenue sources. Adding these four revenue sources, which total \$316 million for the fiscal year, offsets the operating loss. This provides a more accurate view of the university's operating results.

Both operating revenues and operating expenses increased during 2016, resulting in a net increase in operating loss of \$41 million. Increases in State educational appropriations of \$13 million and support from affiliates of \$12 million offset a portion of this operating loss. The overall results for 2016 was an increase in net position of \$16 million compared to an increase in 2015 of \$76 million.

**REVENUES**

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

The university's revenues for the years ended June 30, 2016 and June 30, 2015, are summarized below:

### SUMMARY OF REVENUES

	(in thousands)	2016	2015	Increase/(Decrease)	
				Amount	Percent
<b>Operating Revenues</b>					
Net student tuition and fees	\$	465,293	\$	455,673	\$ 9,620 2.1%
Federal, state, & local grants and contracts		124,028		124,921	(893) -0.7%
Nongovernmental grants and contracts		21,019		20,489	530 2.6%
Sales and services of educational departments		87,446		79,449	7,997 10.1%
Auxiliary enterprises, net		111,082		103,848	7,234 7.0%
Other		15,608		14,175	1,433 10.1%
<b>Total operating revenues</b>		<b>824,476</b>		<b>798,555</b>	<b>25,921 3.2%</b>
<b>Nonoperating Revenues</b>					
State educational appropriations		212,779		199,740	13,039 6.5%
Federal and state nonexchange grants		42,255		43,610	(1,355) -3.1%
Gifts		29,699		28,379	1,320 4.7%
Support from affiliates		31,250		19,365	11,885 61.4%
Net investment income		19,938		35,648	(15,710) -44.1%
Other nonoperating revenues		-		14,192	(14,192) -100.0%
Capital appropriations, gifts, and grants		18,471		32,107	(13,636) -42.5%
Additions to permanent endowments		298		577	(279) -48.4%
<b>Total nonoperating and other revenues</b>		<b>354,690</b>		<b>373,618</b>	<b>(18,928) -5.1%</b>
<b>Total revenues</b>	<b>\$</b>	<b>1,179,166</b>	<b>\$</b>	<b>1,172,173</b>	<b>\$ 6,993 0.6%</b>

#### Operating Revenues

Net student tuition and fees are the primary source of operating revenue for the university. During 2016, the net revenue from student tuition and fees increased from \$455 million to \$465 million, an increase of \$10 million. The increase was a result of an increase in incoming first-year students combined with improved student retention. The university held tuition and fee rates stable during the 2016 academic year. The increase in auxiliary enterprises is directly correlated to the increase in enrollment.

The university has a high level of commitment to its research mission. Revenue from federal, state, and local grants and contracts totaled \$124 million in 2016, a decrease of \$1 million. Nongovernmental grants and contracts revenue increased from \$20 million to \$21 million in 2016, an increase of \$1 million. Research expenses totaled \$149 million in 2016, an increase of \$4 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 18% of revenue in 2016.

#### Nonoperating Revenues

State educational appropriations increased from \$200 million in 2015 to \$213 million in 2016, an increase of \$13 million. The State of Ohio's 2015-2016 approved budget appropriations bill included funding reforms for Ohio's public colleges and universities. The changes in the funding methodology reward the university for improving its graduation rates and course completions. Although state appropriations contribute a significantly lower percentage of the overall funding of university operations, particularly compared to tuition, the resources remain a vital source of funding for academic programs and administrative costs.

The results of fundraising efforts are an important component of the university's financial resources. Expendable gifts to the university received during 2016 totaled \$30 million, compared to \$28 million in 2015. In alignment with the university's Creating Our Third Century focus on people, experiences and resources, the Foundation is working to develop the university's next fundraising campaign.

Support from affiliate revenue increased from \$19 million to \$31 million, an increase of \$12 million. This increase is mainly due to an increase in support from University of Cincinnati Physicians Company for education and research activities associated with the College of Medicine.

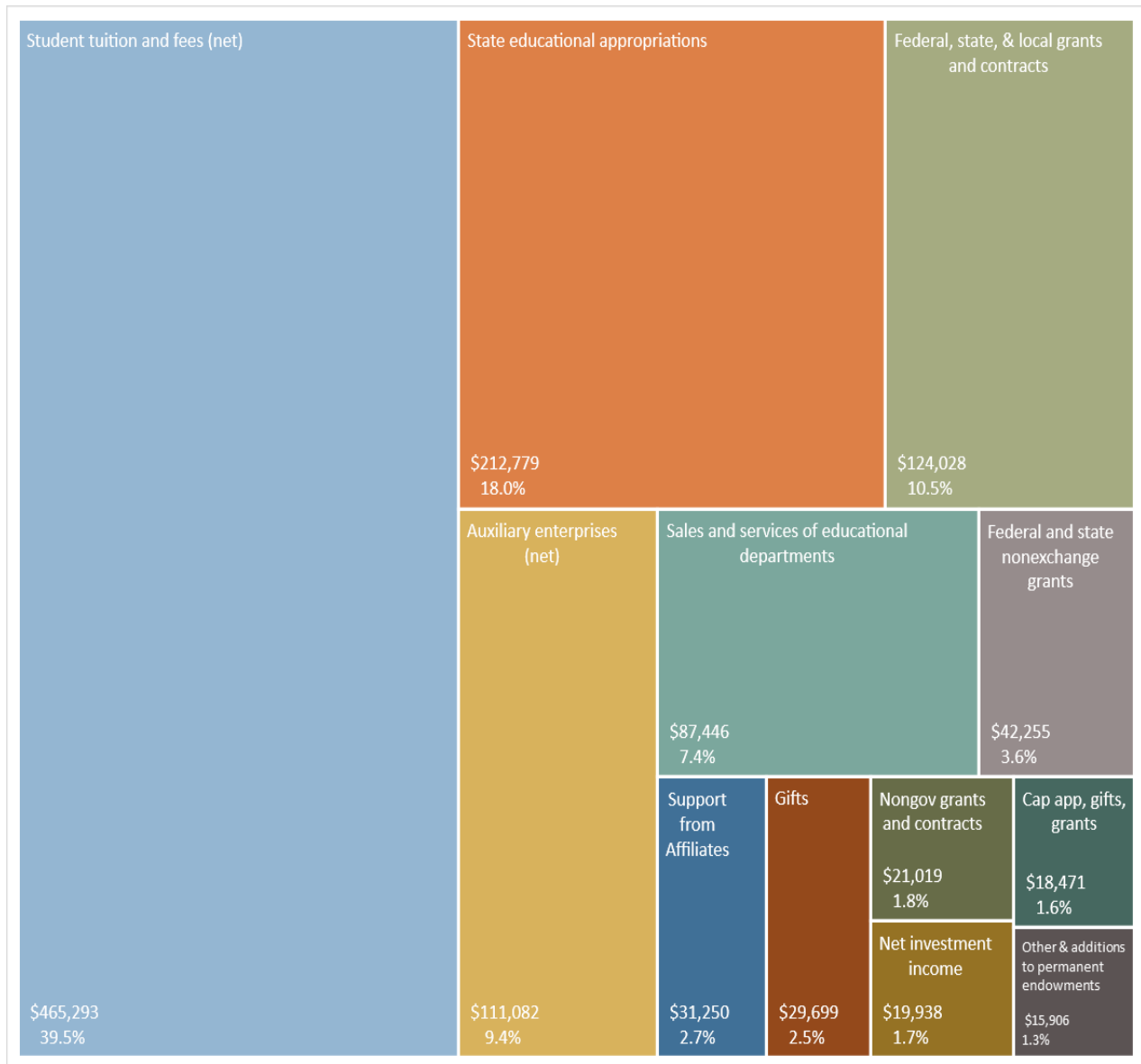
The university's investment income totaled \$20 million and \$36 million in 2016 and 2015 respectively, a decrease of \$16 million. Investment income includes both endowment income and temporary investment pool income. The decline in investment income is related to endowment investments and is mainly due to challenging financial market conditions.

Other nonoperating revenues decreased by \$14 million in 2016. The university sold the Goodman Garage to UC Health for \$15 million in 2015.

Capital appropriation, gifts, and grants decreased from \$32 million in 2015 to \$18 million in 2016. State capital is appropriated on a biannual basis. The decline was due to a major portion of the appropriation for capital being used in the first year of the biennium, which was 2015.

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, 2016 and June 30, 2015, are summarized below:

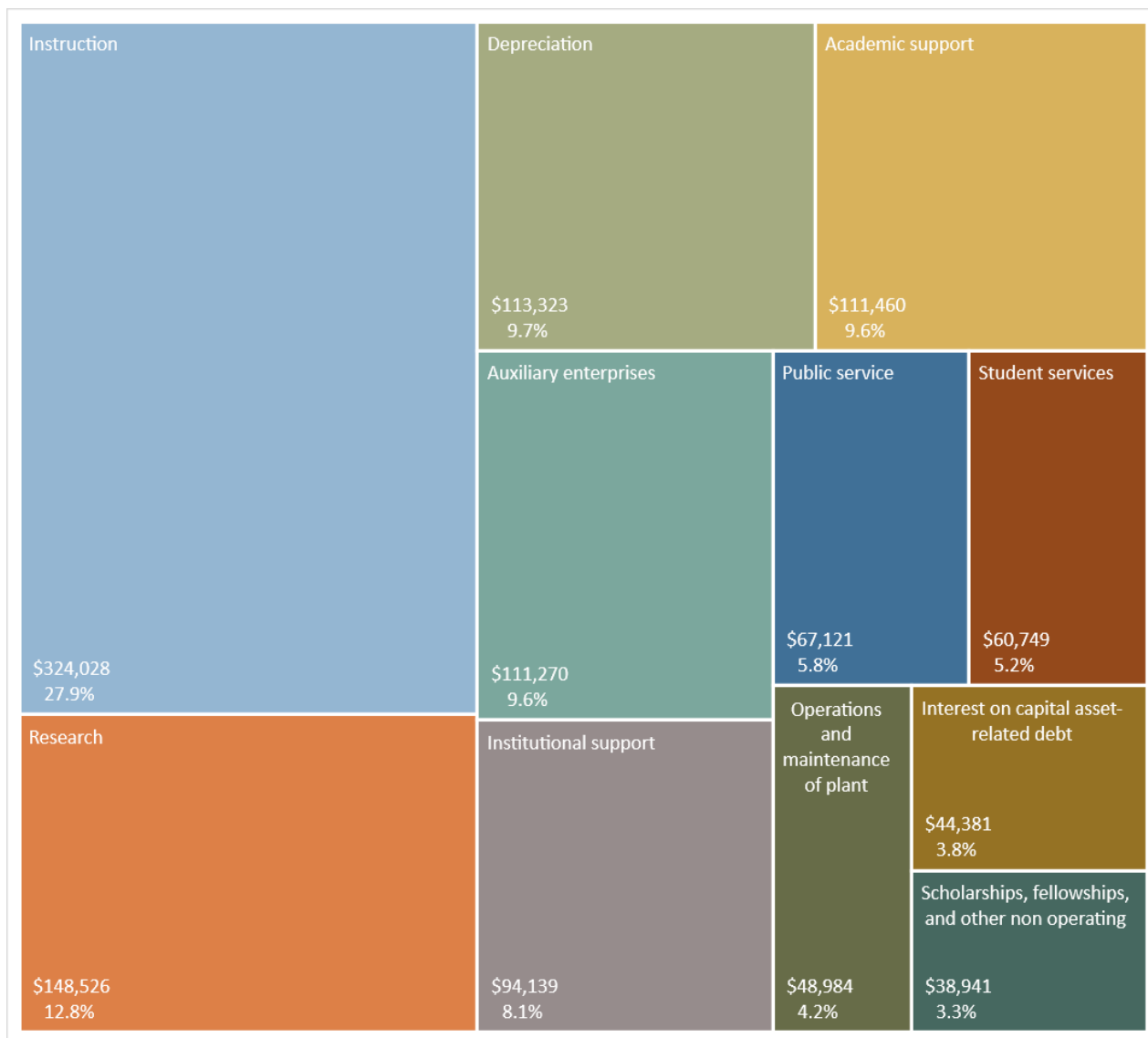
**SUMMARY OF EXPENSES**

	(in thousands)	2016	2015	Increase/(Decrease)	
				Amount	Percent
<b>Operating expenses</b>					
Instruction	\$	324,028	\$ 286,873	\$ 37,155	13.0%
Research		148,526	144,793	3,733	2.6%
Public service		67,121	62,016	5,105	8.2%
Academic support		111,460	96,795	14,665	15.2%
Student services		60,749	63,177	(2,428)	-3.8%
Institutional support		94,139	93,275	864	0.9%
Operations and maintenance of plant		48,984	56,032	(7,048)	-12.6%
Scholarships and fellow ships		36,804	35,653	1,151	3.2%
Auxiliary enterprises		111,270	101,694	9,576	9.4%
Depreciation		113,323	109,666	3,657	3.3%
<b>Total operating expenses</b>		<b>1,116,404</b>	<b>1,049,974</b>	<b>66,430</b>	<b>6.3%</b>
<b>Nonoperating expenses</b>					
Interest on capital asset-related debt		44,381	46,658	(2,277)	-4.9%
Other nonoperating expenses		2,137	-	2,137	
<b>Total nonoperating expenses</b>		<b>46,518</b>	<b>46,658</b>	<b>(140)</b>	<b>-0.3%</b>
<b>Total expenses</b>	<b>\$</b>	<b>1,162,922</b>	<b>\$ 1,096,632</b>	<b>\$ 66,290</b>	<b>6.0%</b>

Total university expenses (operating and nonoperating) increased by \$66 million in 2016. The increase was mainly attributable to increases in instruction, academic support, and auxiliary enterprises. Increases in instruction and auxiliary expenses are directly related to increases in enrollment. The increase in academic support is mainly due to an increase in personnel costs and distance learning initiatives.

The chart below portrays both operating and nonoperating expenses:

**Summary of Expenses (\$ in thousands)**



**ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE**

The university remains focused on balancing its education and research mission with its fiduciary responsibility to maintain a financially secure environment in which it operates. Given the institution's drive to be a university of first choice and ranked in the top tier, there are many opportunities that must be prioritized based on available resources and alignment with the university's strategic plan. Academic and research priorities include investing in faculty development, academic support, and recruiting world class researchers.

While many universities are challenged to meet their enrollment targets, the university welcomed in August 2016, the largest student body in its 197-year history. Total enrollment included 44,338 students on three campuses. The university also had the largest first-year class in the institution's history. The first-year class is representative of a continued diversified enrollment strategy and is comprised of students from 33 states and 45 countries and includes 55 National Merit/Achievement Scholarship recipients. The university's first-year retention rate on its Clifton campus is 88%.

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Higher education affordability is a regular conversation at the university and continues to be addressed from multiple perspectives. Undergraduate instructional fees have been held constant for the past three academic years. Additionally, the textbook affordability initiative has saved students more than \$1.9 million over the past year. The initiative focuses on finding and developing the most cost-effective means of textbook purchasing possible including securing leading-edge digital resources.

Leveraging research is a key focus of the university as it prepares for its 200<sup>th</sup> anniversary in 2019 and third century. The university's research enterprise is essential to its mission and continues to contribute innovative ideas impacting science, medicine, business, education, engineering, and the arts through research. The university actively seeks not only federal and state awards but also private grants. The university's research affiliates include Cincinnati Children's Hospital Medical Center, Cincinnati Department of Veterans Affairs Medical Center, Shriners for Children-Cincinnati, and UC Physicians. Additionally, the university works closely with University of Cincinnati Research Institute (UCRI), an independent not-for-profit commercialization mechanism providing the university with the ability to impact community economic growth and development. UCRI provides an effective interface for faculty and student interactions with its business and community partners.

To evaluate the needs of the university's physical campus, the university has developed a capital compendium that identifies, in priority order capital projects to be considered for funding. Potential funding sources include gift funding, state capital appropriations, university funds, and debt funding. The university's external debt policy promotes the integration of long term financial planning with long term capital planning while incorporating sound financial practices, proactive resource management, and thoughtful institutional planning.

The development of a comprehensive fundraising campaign to continue the great work of the foundation's successful billion-dollar campaign that concluded in 2013 is underway. Current fundraising efforts include solicitations of gifts for current use, additions to permanent endowments, and capital project funds. Fund raising efforts for a number of new multi-million dollar building campaigns are in motion and include new buildings for the Lindner College of Business and Law School plus a major renovation of the Fifth Third Arena.

# University of Cincinnati

A COMPONENT UNIT OF THE STATE OF OHIO

Statement of Net Position (in thousands) as of June 30, 2016 (with comparative information as of June 30, 2015)	University of Cincinnati		The University of Cincinnati Foundation	
	2016	2015	2016	2015
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$ 81,768	\$ 79,454	\$ 15,479	\$ 6,744
Current portion of investments	145,241	138,725		
Current portion of accounts receivable, net	54,926	48,209	3,029	2,589
Current portion of pledges receivable, net			27,678	26,026
Current portion of notes receivable, net	4,784	4,866		
Deposits with bond trustees		1,384		
Current portion of other assets	10,633	10,126	11,147	11,117
<b>Total current assets</b>	<b>297,352</b>	<b>282,764</b>	<b>57,333</b>	<b>46,476</b>
<b>Noncurrent assets</b>				
Restricted cash	2,448	2,524		
Investments	329,555	291,459		
Endowment investments	533,898	576,123	346,517	347,939
Accounts receivable, net	9,709	7,073		
Pledges receivable, net			62,465	51,755
Notes receivable, net	22,061	23,390		
Investment in UC Health	420,645	420,645		
Capital assets not being depreciated	167,119	278,680		
Capital assets being depreciated, net	1,402,726	1,252,386	4,102	3,780
<b>Total noncurrent assets</b>	<b>2,888,161</b>	<b>2,852,280</b>	<b>413,084</b>	<b>403,474</b>
<b>Total Assets</b>	<b>3,185,513</b>	<b>3,135,044</b>	<b>470,417</b>	<b>449,950</b>
<b>Deferred Outflows of Resources</b>				
Loss on refunding	19,022	18,960		
Pension	114,945	43,516		
<b>Total Deferred Outflows of Resources</b>	<b>133,967</b>	<b>62,476</b>	<b>-</b>	<b>-</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Accounts payable	63,657	61,583	2,876	3,439
Accrued liabilities	35,681	40,387		
Current portion of accrued compensation	71,500	68,132		
Current portion of bonds, notes, and leases payable	42,511	42,469		
Deposits and advances	25,869	29,196		
Funds held on behalf of others	3,397	2,634		
<b>Total current liabilities</b>	<b>242,615</b>	<b>244,401</b>	<b>2,876</b>	<b>3,439</b>
<b>Noncurrent liabilities</b>				
Accrued compensation	17,547	17,608		
Government loan advances	22,256	21,862		
Bonds, notes, and leases payable	1,108,842	1,080,857		
Interest rate swap liability	5,368	3,762		
Net pension liability	603,221	490,308		
Other noncurrent liabilities			23,093	20,472
<b>Total noncurrent liabilities</b>	<b>1,757,234</b>	<b>1,614,397</b>	<b>23,093</b>	<b>20,472</b>
<b>Total Liabilities</b>	<b>1,999,849</b>	<b>1,858,798</b>	<b>25,969</b>	<b>23,911</b>
<b>Deferred Inflows of Resources</b>				
Pension	32,796	68,131		
<b>Total Deferred Inflows of Resources</b>	<b>32,796</b>	<b>68,131</b>	<b>-</b>	<b>-</b>
<b>Net Position</b>				
Net investment in capital assets	517,931	540,841	4,102	3,780
Restricted for:				
Nonexpendable:				
Endowment and gifts	320,346	343,791	327,223	308,239
Investment in UC Health	420,645	420,645		
Expendable:				
Endowment and gifts	301,475	313,522	147,248	136,520
Other, including debt service, debt proceeds, and capital appropriations	10,488	2,765		
Unrestricted	(284,050)	(350,973)	(34,125)	(22,500)
<b>Total Net Position</b>	<b>\$ 1,286,835</b>	<b>\$ 1,270,591</b>	<b>\$ 444,448</b>	<b>\$ 426,039</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)

for the year ended June 30, 2016 (with comparative information for the year ended June 30, 2015)

	University of Cincinnati		The University of Cincinnati Foundation	
	2016	2015	2016	2015
<b>Operating Revenues</b>				
Student tuition and fees	\$ 566,633	\$ 555,813		
Less scholarship allowances	101,340	100,140		
Net student tuition and fees	465,293	455,673		
Federal grants and contracts	118,369	111,237		
State and local grants and contracts	5,659	13,684		
Nongovernmental grants and contracts	21,019	20,489		
Sales and services of educational departments	87,446	79,449		
Auxiliary enterprises (net of scholarship allowances of \$9,937 in 2016 and \$9,219 in 2015)	111,082	103,848		
Other operating revenues	15,608	14,175	\$ 22,621	\$ 20,202
<b>Total Operating Revenues</b>	<b>824,476</b>	<b>798,555</b>	<b>22,621</b>	<b>20,202</b>
<b>Operating Expenses</b>				
Educational and general:				
Instruction	324,028	286,873		
Research	148,526	144,793		
Public service	67,121	62,016		
Academic support	111,460	96,795		
Student services	60,749	63,177		
Institutional support	94,139	93,275	26,456	22,635
Operations and maintenance of plant	48,984	56,032		
Scholarships and fellowships	36,804	35,653		
Auxiliary enterprises	111,270	101,694		
Depreciation	113,323	109,666	869	185
<b>Total Operating Expenses</b>	<b>1,116,404</b>	<b>1,049,974</b>	<b>27,325</b>	<b>22,820</b>
<b>Operating Loss</b>	<b>(291,928)</b>	<b>(251,419)</b>	<b>(4,704)</b>	<b>(2,618)</b>
<b>Nonoperating Revenues (Expenses)</b>				
State educational appropriations	212,779	199,740		
Federal nonexchange grants	38,183	40,316		
State nonexchange grants	4,072	3,294		
Gifts	29,699	28,379	71,545	59,698
Support from affiliates	31,250	19,365		
Net investment income	19,938	35,648	(2,208)	3,555
Net interest on capital asset-related debt	(44,381)	(46,658)		
Payments to University of Cincinnati			(45,720)	(42,051)
Other nonoperating revenues (expenses)	(2,137)	14,192	(504)	(10,167)
<b>Net Nonoperating Revenues</b>	<b>289,403</b>	<b>294,276</b>	<b>23,113</b>	<b>11,035</b>
<b>Income (Loss) Before Other Revenues</b>	<b>(2,525)</b>	<b>42,857</b>	<b>18,409</b>	<b>8,417</b>
<b>Other Revenues</b>				
State capital appropriations	10,932	25,043		
Capital gifts and grants	7,539	7,064		
Additions to permanent endowments	298	577		
<b>Total Other Revenues</b>	<b>18,769</b>	<b>32,684</b>	<b>-</b>	<b>-</b>
<b>Increase in Net Position</b>	<b>16,244</b>	<b>75,541</b>	<b>18,409</b>	<b>8,417</b>
Net Position, beginning of year, as previously reported	1,270,591	1,718,843	426,039	417,622
Cumulative effect of change in accounting principle		(523,793)		
Net Position, beginning of year, as restated	1,270,591	1,195,050	426,039	417,622
<b>Net Position, End of Year</b>	<b>\$ 1,286,835</b>	<b>\$ 1,270,591</b>	<b>\$ 444,448</b>	<b>\$ 426,039</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)

University of Cincinnati

for the year ended June 30, 2016 (with comparative information for the year ended June 30, 2015)

2016 2015

### Cash Flows from Operating Activities

Student tuition and fees	\$ 462,321	\$ 454,240
Federal, state, and local grants and contracts	173,174	170,346
Sales and services of educational departments and auxiliary enterprises	201,593	186,887
Expenditures and other deductions:		
Compensation	(663,713)	(632,921)
Payments for materials, services and other	(360,054)	(344,890)
Loans issued	(4,871)	(5,081)
Loan principal collected	5,694	6,289
Interest on loans receivable	114	139
Other revenue	14,661	13,679

### Net Cash Used for Operating Activities

(171,081) (151,312)

### Cash Flows from Noncapital Financing Activities

State educational appropriations	211,675	199,498
Federal nonexchange grants	38,183	40,316
State nonexchange grants	4,072	3,294
Gift receipts for current use	29,109	28,565
Support from affiliates	31,250	19,365
Additions to permanent endowments	523	818

### Net Cash Provided by Noncapital Financing Activities

314,812 291,856

### Cash Flows from Capital and Related Financing Activities

State capital appropriations	5,842	25,476
Private gifts	7,539	5,761
Capital grants		1,167
Other	2,125	2,630
Proceeds from issuance of capital debt	128,724	160,824
Purchases of capital assets	(157,783)	(158,797)
Proceeds from sale of capital assets		15,074
Principal paid on capital debt and leases	(100,697)	(273,985)
Interest payments on capital debt and leases	(44,416)	(54,661)

### Net Cash Used for Capital and Related Financing Activities

(158,666) (276,511)

### Cash Flows from Investing Activities

Interest and dividends on investments, net	38,200	34,093
Proceeds from sales and maturities of investments	1,100,034	1,481,702
Purchases of investments	(1,118,974)	(1,400,061)
Other endowment expenditures	(2,087)	(3,305)

### Net Cash Provided by Investing Activities

17,173 112,429

### Net Increase (Decrease) in Cash and Cash Equivalents

2,238 (23,538)

Cash and Cash Equivalents, Beginning of Year	81,978	105,516
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### Cash and Cash Equivalents, End of Year

\$ 84,216 \$ 81,978

# University of Cincinnati

A COMPONENT UNIT OF THE STATE OF OHIO

## Statement of Cash Flows (in thousands)

University of Cincinnati

for the year ended June 30, 2016 (with comparative information for the year ended June 30, 2015)

2016

2015

### Reconciliation of Operating Loss to Net Cash Used for Operating Activities:

Operating loss	\$ (291,928)	\$ (251,419)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation expense	113,323	109,666
Changes in assets and liabilities:		
Accounts receivable, net	(877)	1,242
Notes receivable, net	1,411	1,208
Other assets	(550)	(811)
Accounts payable	6,913	(10,874)
Accrued compensation and other	(3,135)	6,003
Advances	(3,476)	(9,440)
Compensated absences	663	515
Deposits	518	188
Pension	6,149	(8,870)
Other liabilities	(92)	11,280
<b>Net Cash Used for Operating Activities</b>	<b>\$ (171,081)</b>	<b>\$ (151,312)</b>

### Noncash Transactions

Accrued liabilities for property, plant and equipment	\$ 20,911	\$ 25,268
Gifts of property, plant and equipment	58	137

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, 2016

#### 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, 2016, 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.

### Recent Accounting Pronouncements

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for the university's fiscal year ending June 30, 2018. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources and expenses related to other postemployment benefits (OPEB), such as health insurance provided to retirees. This standard requires the university to recognize its proportionate share of the net OPEB liability related to its participation in the Ohio Public Employees Retirement System and the State Teachers Retirement System of Ohio pension plans. The net OPEB liability is defined as the difference between the total OPEB liability and the plan's fiduciary net position. This statement will enhance accountability and transparency through revised note disclosures and required supplementary information. The university is evaluating the impact Statement 75 will have on its financial statements.

In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*, effective for the university's fiscal year ending June 30, 2016. This statement permits qualifying investment pools to measure pooled investments at amortized cost for financial reporting purposes. Previous standards provided that external investment pools may measure their investments at amortized cost for financial reporting purposes if the provisions of Securities and Exchange Commission (SEC) Rule 2a7 were followed. This statement replaces the SEC reference with similar criteria due to changes to the SEC regulations. There was no impact to the university's financial statements due to the adoption of Statement No. 79.

In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units*, effective for the university's fiscal year ending June 30, 2017. This statement requires the blending method when presenting component units in the financial statements if the component unit is organized as a not-for-profit corporation and the university is the sole corporate member. This additional criterion does not apply to component units in the financial reporting entity pursuant to the provisions of GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The university is evaluating the impact Statement No. 80 will have on its financial statements.

In March 2016, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*, effective for the university's fiscal year ending June 30, 2018. This statement establishes standards for irrevocable split-interest agreements in which resources are irrevocably transferred to an intermediary who administers these resources for the benefit of two or more beneficiaries. Under this standard the university is required to recognize assets, liabilities, and deferred inflows of resources at the inception of such agreements. Additionally, this statement requires recognition of assets representing a beneficial interest in irrevocable split-interest agreements that are administered by a third party in which the university controls the present service capacity of the beneficial interest. The university is evaluating the impact Statement No. 81 will have on its financial statements.

In March 2016, GASB issued Statement No. 82, *Pension Issues*, effective for the university's fiscal year ending June 30, 2017. This statement addresses implementation issues associated with GASB's pension standards including 1) presentation of payroll-related measures in required supplementary information, 2) selection of assumptions and the treatment of deviations from guidance found in actuarial standards and 3) classification of

payments made by employers to satisfy plan member contribution requirements. The university is evaluating the impact Statement No. 82 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, 2016, as adjusted by cash receipts, cash disbursements and securities distributions through June 30, 2016, 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, 2016. 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 fair 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 liability not included in pension expense and employer pension contributions subsequent to the measurement date of the net pension liability.

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

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

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

**Cost-Sharing Defined Benefit Pension Plans**— The university participates in two cost-sharing, multiple-employer defined benefit pension plans, the Ohio Public Employees Retirement System and the State Teachers Retirement System of Ohio, (the Plans). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Plans and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefits payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

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

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

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

**Management estimates**—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred inflows and outflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Comparative Information**— Financial information presented by the university for 2015 is for comparative purposes. This information should be read in conjunction with the university's financial statements for the year ended June 30, 2015, 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. This includes reclassifying \$62,956,000 of investments from current to noncurrent representing debt proceeds to be used for capital projects. 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. Restricted cash consists of bond proceeds restricted for capital expenditures. For purposes of the Statement of Cash Flows, restricted cash is included in cash and cash equivalents. Substantially all cash, cash equivalents, and investment assets reported on the Statement of Net Position are managed by the university.

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

### Temporary Investment Pool

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

At June 30, 2016, the fair value of the temporary investment pool (*in thousands*) is as follows:

Temporary Investment Pool	Current	Noncurrent	Total
Cash & cash equivalents			
Petty cash	\$ 73	\$ -	\$ 73
Bank deposits - Federally insured	562	-	562
Bank deposits - Uninsured	4,246	-	4,246
Money market funds	77,039	2,448	79,487
Cash in-transit	(152)	-	(152)
Total cash & cash equivalents	81,768	2,448	84,216
Investments			
U.S. Agency securities	10,597	37,076	47,673
U.S. Treasury securities	4,004	43,737	47,741
Corporate notes and bonds	127,521	213,640	341,161
Endowment Fund A	-	15,059	15,059
Municipal notes and bonds	3,119	20,043	23,162
Total investments	145,241	329,555	474,796
Total Temporary Investment Pool	\$ 227,009	\$ 332,003	\$ 559,012

### Endowment Investments

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



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

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

At June 30, 2016, the fair value of the endowment (*in thousands*) is as follows:

Endowment Investments	Fund A	Fund B	Separately Invested	Irrevocable External Trusts	Total
Investment Type					
Cash & cash equivalents	\$ (5,610)	\$ 187	\$ 132	\$ -	\$ (5,291)
U.S. Agency securities	28,742	-	-	-	28,742
U.S. Treasury securities	21,016	-	22	-	21,038
Corporate notes and bonds	63,577	-	193	-	63,770
NDCL* - principal	52,007	-	17,481	-	69,488
NDCL* - accrued income	13,022	-	1,274	-	14,296
Corporate stocks	395,821	-	1,608	-	397,429
Alternative investments					
Private equity	126,264	-	1,767	-	128,031
Hedge funds	144,335	-	-	-	144,335
Real estate	8,625	831	999	-	10,455
Irrevocable external trusts	-	-	-	293,228	293,228
Total endowment investments	847,799	1,018	23,476	293,228	1,165,521
Shares held by UC Foundation	(293,791)	-	-	-	(293,791)
Loan to UHCURC (component unit)	(14,733)	-	-	-	(14,733)
NDCL* - accrued income	(13,022)	-	(1,274)	-	(14,296)
Accrued income - other	(800)	-	-	-	(800)
TIP investment in Fund A	(15,059)	-	-	-	(15,059)
Fund A valuation timing adjustment	284	-	-	-	284
Irrevocable external trusts	-	-	-	(293,228)	(293,228)
University reported endowment investments	\$ 510,678	\$ 1,018	\$ 22,202	\$ -	\$ 533,898

\* Neighborhood Development Corporation Loans (NDCL)

Endowment shares held by UC Foundation, investments held in irrevocable external trusts, a note payable from University Heights Community Urban Redevelopment Corporation (UHCURC), accrued income, and TIP investment in Fund A are excluded from endowment investments reported on the Statement of Net Position. The Foundation's share of Fund A is included in the Foundation's assets listed in a discretely presented column on the Statement of Net Position. In accordance with GASB standards, external trust assets are not reported on the Statement of Net Position. As explained in Note 16, UHCURC is a blended component unit of the university and as such, the note receivable is eliminated from endowment investments recorded on the Statement of Net Position. The TIP investment in Fund A is included in 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 Foundation's fundraising fee totaled \$9,500,000 in 2016. 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 2016 endowment spending policy provided for an annual distribution of 4.5% of the twelve-quarter moving-average market value of endowment units net of NDCL's and strategic real estate.

At June 30, 2016, Fund A shares totaled 10,987,649 with a market value of \$847,799,000. The Foundation owned 3,870,700 of those shares with a market value of \$293,791,000 (excludes accrued income). The Foundation's share of Fund A is approximately 35.2%. Since 2002, substantially all Foundation endowments have been invested in Fund A.

Fund A includes loans made to certain nonprofit neighborhood development corporations for the purpose of developing residential and commercial facilities on the borders of the campus. The outstanding balance recorded for these loans totals \$64,940,000 and includes principal of \$52,007,000, net of \$18,340,000 of loan loss reserves and accrued interest of \$13,022,000, net of \$29,519,000 of interest reserves. A loan to UHCURC (a blended component unit) for \$14,733,000, 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 A also includes alternative investments consisting of private equity, hedge funds, and real estate. The private equity portion of the portfolio totals \$126,264,000. Certain of these private equity investments are valued based on their value as of March 31, 2016 adjusted for cash receipts, cash disbursements, and securities distributions through June 30, 2016 (please refer to Note 1, Summary of Significant Accounting Policies, regarding valuation of alternative investments). The hedge fund portion of the portfolio totals \$144,335,000. Real estate holdings in Fund A total \$8,625,000. The university's outstanding commitment to purchase various alternative investments at June 30, 2016, is \$92,700,000.

At June 30, 2016, the net loss per share for Fund A is as follows (*in thousands*):

Endowment Fund A	Fair Value	Net Cost	Gain/(Loss)	Shares Outstanding	Price Per Share
Beginning balance	\$ 876,079	\$ 864,641	\$ 11,438	10,598	\$ 82.66
Ending balance	847,799	870,565	<u>(22,766)</u>	10,988	77.16
Unrealized annual net loss			<u>(34,204)</u>		
Realized annual net gain			<u>14,678</u>		
Total annual net loss			<u>\$ (19,526)</u>		
Total loss per share			\$ (1.78)		

#### Fund B and Separately Invested Assets

Fund B is comprised of real estate holdings received through donor bequest and cash generated from the sale of donated real estate assets. Fund B totals \$1,018,000 with \$831,000 held in real estate and \$187,000 in cash. Separately invested funds include neighborhood development corporation loans, corporate stocks held per donor stipulation, strategic private equity investments, and donated real estate; their value totaled \$22,202,000 at June 30, 2016.

### Real Estate

Fund A, Fund B, and separately invested assets each include land and other real estate held as investments. At June 30, 2016, the fair market value totaled \$10,455,000 including \$8,625,000 in Fund A, \$831,000 in Fund B, and \$999,000 in separately invested endowments. Independent real estate appraisals are obtained on a three-year cycle; however, relevant real estate markets are reviewed between appraisal periods to determine if the reported market values remain reasonable. Appraisers usually consider the use of three valuation approaches when developing a market value opinion for real property. These are the cost approach, sales comparison approach, and income capitalization approach. The most recent appraisals were received for June 2015.

### Beneficial Interest in Irrevocable External Trusts

The university is the beneficiary of numerous trusts held and administered by external trustees. The market value of these external trustee assets totaled \$293,228,000 at June 30, 2016. These external trusts are irrevocable, and the university has a vested beneficial interest in the net income payable by the trusts. In accordance with GASB standards, these external trust assets are not reported on the university's Statement of Net Position. Income is received annually and reported on the university's Statement of Revenues, Expenses, and Changes in Net Position. In 2016, the university received income of \$8,741,000. Income from the trusts will continue to be received in perpetuity.

### Off-Balance-Sheet Risk

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

### Interest Rate Risk

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

At June 30, 2016, the university's investment maturities (*in years, in thousands*) are as follows:

Investments	Less than 1	1 to 5	6 to 10	More than 10	Total
<b>Temporary Investment Pool</b>					
U.S. Agency securities	\$ 11,847	\$ 28,516	\$ 7,310	\$ -	\$ 47,673
U.S. Treasury securities	4,003	43,738	-	-	47,741
Corporate notes and bonds	183,144	154,302	2,687	1,028	341,161
Municipal notes and bonds	13,267	9,895	-	-	23,162
<b>Total Temporary Investment Pool</b>	<b>212,261</b>	<b>236,451</b>	<b>9,997</b>	<b>1,028</b>	<b>459,737</b>
<b>Endowment Investments</b>					
U.S. Agency securities	-	4,759	965	12,893	18,617
U.S. Treasury securities	5,812	2,965	294	4,563	13,634
Corporate notes and bonds	3,801	11,837	17,868	7,867	41,373
NDCL* - principal	108	15,825	3,962	16,538	36,433
<b>Total Endowment Investments</b>	<b>\$ 9,721</b>	<b>\$ 35,386</b>	<b>\$ 23,089</b>	<b>\$ 41,861</b>	<b>\$ 110,057</b>

\* Neighborhood Development Corporation Loans (NDCL)

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

Debt proceeds issued for capital projects with maturities of less than one year total \$67,020,000 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 \$438,900,000 (includes temporary investment pool share) and is comprised mainly of endowment portfolio investments in equity securities. Amounts reflected as maturities for neighborhood development corporation loans represent management's best estimate of anticipated collections for these demand notes.

#### Credit Risk

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

At June 30, 2016, the university's investment credit risk is as follows (*in thousands*):

	AAA	AA	A	BBB	BB & B	Not Rated	Total
<b>Temporary Investment Pool</b>							
U.S. Agency securities	\$ 47,673	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 47,673
U.S. Treasury securities	47,741	-	-	-	-	-	47,741
Corporate notes and bonds	37,655	68,004	222,026	13,476	-	-	341,161
Municipal notes and bonds	11,757	7,005	4,400	-	-	-	23,162
<b>Total Temporary Investment Pool</b>	<b>144,826</b>	<b>75,009</b>	<b>226,426</b>	<b>13,476</b>	<b>-</b>	<b>-</b>	<b>459,737</b>
<b>Endowment Investments</b>							
U.S. Agency securities	11,124	153	201	234	-	6,905	18,617
U.S. Treasury securities	13,634	-	-	-	-	-	13,634
Corporate notes and bonds	2,607	6,269	17,802	11,483	2,539	673	41,373
NDCL* - principal	-	-	-	-	-	36,433	36,433
<b>Total Endowment Investments</b>	<b>\$ 27,365</b>	<b>\$ 6,422</b>	<b>\$ 18,003</b>	<b>\$ 11,717</b>	<b>\$ 2,539</b>	<b>\$ 44,011</b>	<b>\$ 110,057</b>

\* Neighborhood Development Corporation Loans (NDCL)

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

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

The portion of endowment investments, after exclusions, not subject to credit risk is \$438,900,000 (includes temporary investment pool share of Fund A) 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.

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### 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, 2016, 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, 2016 (*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	\$ 76,415	\$ -	\$ 76,415	\$ -
U.S. Treasury securities	68,779	67,147	1,632	-
Corporate notes and bonds	404,931	972	403,959	-
Municipal notes and bonds	23,162	-	23,162	-
NDCL - principal	54,755	-	-	54,755
Equity securities				
U.S. equities	118,049	118,049	-	-
Non-U.S. equities	122,184	122,184	-	-
Commingled funds	146,874	-	-	146,874
Public real assets	10,322	-	-	10,322
Real estate	10,455	-	-	10,455
Total investments by fair value level	<u>\$1,035,926</u>	<u>\$ 308,352</u>	<u>\$ 505,168</u>	<u>\$ 222,406</u>
Investments measured at the net asset (NAV)				
Hedge funds	144,335			
Private equity funds	128,031			
Total investments measured at the NAV	<u>272,366</u>			
	<u>1,308,292</u>			
Cash, cash equivalents and other	(5,807)			
Shares held by UC Foundation	(293,791)			
Total investments measured at fair value	<u>\$1,008,694</u>			
Investment derivative instruments				
Interest rate swap (liability)	<u>\$ (5,368)</u>		<u>\$ (5,368)</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	\$ 54,755	Estimate of loan loss reserves based on aggregate cash flow projections and independent appraisals of underlying real estate
Commingled funds; Public real assets	157,196	Positions are valued by a general or managing partner (or functional equivalent)
Real estate	10,455	Independent appraisals every three years
	<u>\$ 222,406</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)	\$ 144,335	\$ -	Quarterly/Annually, after lock-up period	45-90 days
Private equity funds (B)	128,031	92,700	Non-redeemable	none
	<u>\$ 272,366</u>	<u>\$ 92,700</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 2016.

(B) This category includes several 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, 2016 is as follows (*in thousands*):

Accounts receivable	\$ 51,912
Notes receivable	26,846
Accrued interest receivable	<u>12,722</u>
Total	91,480
Less current receivables	<u>59,710</u>
Noncurrent receivables	<u>\$ 31,770</u>

Allowances for uncollectible receivables have been provided in the amount of approximately \$3,196,000 for accounts receivable and \$6,372,000 for notes receivable as of June 30, 2016.

An allowance for uncollectible accrued interest receivable has been provided in the amount of approximately \$21,864,000 related to loans made to certain nonprofit entities as of June 30, 2016.

**5. Investment in UC Health**

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 equity interest in the net assets of UC Health. The equity interest 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 investment valuation such as impairment. There has been no change to the equity interest value 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 2016 were approximately \$12,600,000.

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 for 2016 were approximately \$26,400,000 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 employee’s salaries and benefits. Total salaries and benefits for 2016 were approximately \$26,100,000 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, 2016 is summarized as follows *(in thousands)*:

	Balance July 1, 2015	Additions	Retirements	Transfers	Balance June 30, 2016
Capital assets not being depreciated:					
Land	\$ 25,235	\$ -	\$ -	\$ -	\$ 25,235
Construction in progress	237,912	133,347	-	(244,990)	126,269
Collections	15,533	82	-	-	15,615
Total nondepreciable assets	278,680	133,429	-	(244,990)	167,119
Capital assets being depreciated:					
Land improvement	104,366	-	(742)	3,829	107,453
Buildings	2,128,896	-	(10,998)	201,177	2,319,074
Infrastructure	119,929	-	-	3,210	123,139
Building equipment	15,720	-	-	1,935	17,655
Moveable equipment	217,145	13,233	(7,746)	1,145	223,777
Computer software	39,544	311	(32)	33,694	73,516
Library books	184,515	8,098	(563)	-	192,050
Total	2,810,115	21,642	(20,081)	244,990	3,056,666
Less: Accumulated depreciation	1,557,729	113,323	(17,112)	-	1,653,940
Total depreciable assets	1,252,386	(91,681)	(2,969)	244,990	1,402,726
Capital assets, net	\$ 1,531,066	\$ 41,748	\$ (2,969)	\$ -	\$ 1,569,845

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

Bonds, notes, capital leases, and other debt at June 30, 2016 comprise the following (in thousands):

Long-term Debt	Interest Rates	Final Maturity	Beginning Balance July 1, 2015	Additions	Reductions	Ending Balance June 30, 2016	Current Portion
<b>Bonds - fixed rate debt</b>							
2006A	3.75-5.00%	2031	\$ 13,305	\$ -	\$ 13,305	\$ -	\$ -
2007A	5.00%	2023	47,670	-	13,970	33,700	4,755
2007G	3.88-5.00%	2018	46,800	-	39,840	6,960	3,410
2008C	3.25-5.00%	2031	31,665	-	1,430	30,235	1,485
2008G	5.00-5.50%	2020	10,930	-	1,975	8,955	2,070
2009C	3.50-5.00%	2030	92,500	-	3,520	88,980	3,625
2009E	3.25-4.65%	2030	4,965	-	250	4,715	260
2010C (a, b)	4.03-6.48%	2039	91,265	-	1,860	89,405	1,905
2010F	3.00-5.00%	2034	77,920	-	1,610	76,310	1,690
2010G (a, b)	4.72-6.28%	2032	14,880	-	-	14,880	-
2011A	3.50-5.00%	2021	11,210	-	1,645	9,565	1,730
2011C	3.00-5.25%	2031	25,100	-	810	24,290	845
2011E	3.38-5.00%	2028	28,720	-	-	28,720	-
2012A	2.00-5.00%	2031	84,430	-	5,600	78,830	5,785
2012C	4.00-5.00%	2033	81,255	-	3,560	77,695	3,955
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	94,460	-	175	94,285	1,430
2014C	3.25-5.00%	2041	30,415	-	-	30,415	-
2014D	5.00%	2036	54,130	-	-	54,130	-
2016A	5.00%	2034	-	46,215	-	46,215	-
2016B (a)	3.949%	2042	-	25,165	-	25,165	-
2016C	5.00%	2046	-	37,980	-	37,980	-
<b>Total bonds - fixed rate debt</b>			<b>949,230</b>	<b>109,360</b>	<b>89,550</b>	<b>969,040</b>	<b>32,945</b>
<b>Notes - floating rate debt</b>							
2015A	0.6571%	2018	24,085	-	-	24,085	-
<b>Capital Leases</b>							
King Highland-Stetson	4.25-5.97%	2033	775	-	775	-	-
King Highland- Turner	4.25%	2033	235	-	235	-	-
King Highland-Stetson/Turner	3.00-5.00%	2038	37,585	-	-	37,585	-
<b>Total capital leases</b>			<b>38,595</b>	<b>-</b>	<b>1,010</b>	<b>37,585</b>	<b>-</b>
<b>Other Debt</b>							
Stratford Heights 2010 (c)	3.13-5.00%	2039	48,210	-	1,050	47,160	1,105
Premium			63,206	19,364	9,087	73,483	8,461
<b>Total other debt</b>			<b>111,416</b>	<b>19,364</b>	<b>10,137</b>	<b>120,643</b>	<b>9,566</b>
<b>Total bonds, notes, capital leases and other debt</b>			<b>1,123,326</b>	<b>128,724</b>	<b>100,697</b>	<b>1,151,353</b>	<b>42,511</b>
Less: current portion of debt			(42,469)		42	(42,511)	
<b>Net long-term debt</b>			<b>\$ 1,080,857</b>	<b>\$ 128,724</b>	<b>\$ 100,739</b>	<b>\$ 1,108,842</b>	

Notes:

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

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## Debt Issuances

During the year ended June 30, 2016, the university issued the following general receipt obligations:

### Fixed Rate Bonds

Series 2016A tax exempt bonds were issued on May 27, 2016 in the amount of \$46,215,000. The net proceeds of the Series 2016A Bonds were issued to (1) current refund the 2027 through 2031 maturities of the Series 2006A Bonds, (2) advance refund the 2026 through 2031 maturities of the Series 2007A Bonds, (3) advance refund the 2026 through 2034 maturities of the Series 2007G Bonds, and to pay associated issuance costs relating to the Series 2016A Bonds. This series was issued at a premium and bears a 5.00% interest rate. The final maturity of Series 2016A is June 1, 2034.

Series 2016B taxable bonds were issued on May 27, 2016 in the amount of \$25,165,000. The net proceeds of the Series 2016B Bonds were issued to finance the design, acquisition, construction and/or renovation for various capital projects and to pay associated issuance costs relating to the Series 2016B Bonds. Capital projects being considered for funding from this issue include, but are not limited to, Campus Services Building Demolition and Renovation, Fifth Third Arena Renovation and Sawyer Hall Dining/Housing. This series bears a 3.949% interest rate. The final maturity of Series 2016B is June 1, 2042.

Series 2016C tax exempt bonds were issued on June 15, 2016 in the amount of \$37,980,000. The net proceeds of the Series 2016C Bonds were issued to finance the design, acquisition, construction and/or renovation for various capital projects and to pay associated issuance costs relating to the Series 2016C Bonds. Capital projects being considered for funding from this issue include, but are not limited to, Health Professions Building Renovation, College of Business New Building, Fifth Third Arena Renovation, Health Sciences Building, Sawyer Hall Dining/Housing, Law College New Building, CCM Infrastructure Replacements, East Campus Master Plan Site Improvements, Langsam Library Renovations, General Roof Replacements, and the Engineering Research Center Roof, Caulking and Panel Replacement. This series bears a 5.00% interest rate. The final maturity of Series 2016C is June 1, 2046.

## Debt Refunding and Retirement

During the year ended June 30, 2016, the university refunded the following general receipt obligations:

The Series 2016A general receipt bonds issued on May 27, 2016 current refunded a total of \$7,815,000 of the Series 2006A fixed rate bonds and advance refunded a total of \$46,070,000 which included \$9,515,000 of Series 2007A and \$36,555,000 of Series 2007G fixed rate bonds. The purpose of this transaction was to refund future callable maturities to achieve debt service savings. The cash flow differential from the refunding equals \$13,290,000 and will be realized over a period of 19 years as a reduction of interest expense. The transaction also produced an economic gain (the difference between the present values of the debt service payments on the old and new debt) of \$10,780,000. As a result of the refunding, \$2,666,000 has been recorded as a loss on refunding within the deferred outflows of resources on the Statement of Net Position and will be amortized into income from 2016-2034. The loss on refunding reflects the difference between the refunding reacquisition price for the respective portion of Series 2016A and the net carrying amount of the outstanding principal balances of the refunded debt issues.

During the year ended June 30, 2016, the university retired \$2,795,000 of callable obligations for the Series 2006A Bonds representing the 2017 maturity. The cash flow differential from this debt retirement is \$140,000 and will be realized in FY17 as a reduction of interest expense.

## Capital Lease Obligations

The university has capital lease obligations in connection with the financing of two buildings (One Stetson Square and the Turner Center) which are owned by King Highland Community Urban Redevelopment Corporation and occupied, all or in part, by the university. As of June 30, 2016, 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 to the payment of these leases. Holders of the general

receipt bonds and the floating rate notes have a prior and superior claim to the general receipts than does King Highland.

### Collateralization and Debt Service Reserves

The general receipts bonds and floating rate notes are collateralized by a pledge of the university's general receipts. The capital lease obligations and capital leases (Stetson and Turner) are secured by base rent payments under the leases. The net book value of assets under capital lease obligations is \$27,789,000 as of June 30, 2016. Payment of base rents is subordinate to debt service payments on the university's general receipt bonds and bond anticipation notes.

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

### Derivative Transactions

The university has one pay-fixed interest rate swap in effect at June 30, 2016, which has been in existence since May 1, 2009. The initial objective of this interest rate swap was to protect the university against the potential of rising interest rates within the fixed rate market. Through the evaluation process outlined in GASB standards, the university has determined its interest rate swap to be ineffective, thus it is considered to be an investment derivative versus a hedging derivative. The fair value of the swap on June 30, 2016 was (\$5,368,000). The negative fair value increased by \$1,606,000 in 2016; this change is reported as an investment loss within the Statement of Revenues, Expenses and Changes in Net Position and increases the interest rate swap liability on the Statement of Net Position.

The following table summarizes the university's pay-fixed interest rate swap agreement as of June 30, 2016:

Associated Debt Issue	Outstanding Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Index Received	Fair Value	Swap Termination Date	Counterparty Rating
2015A FRNS	\$24,075,000	5/1/2009	3.163%	USD- 67% LIBOR-BBA-1M	(\$5,368,000)	6/1/2030	AA-/Aa3

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

### Risks

**Credit Risk:** There are no counterparty collateral posting requirements on the swap. The university was not exposed to credit risk of the counterparty as the swap had a negative fair value throughout fiscal year 2016. 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, 2016, the university is experiencing basis risk due to the issuance of FRNs at a higher rate of interest than what is being received on the swap.

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

**Market-access Risk:** Market conditions in the spring of 2009 prevented the university from issuing a variable rate bond series to coincide with the June 1, 2030 maturity date of the swap, therefore Series 2009A BANS were issued on May 12, 2009. Subsequent BANS have been issued on an annual

basis to refund maturing notes; Series 2015A FRNs is the current debt issue associated with the swap. The university will again reevaluate the municipal market and the fair value of the swap in the spring of 2018 to take appropriate actions relating to the Series 2015A FRNs and the outstanding swap.

### Fair Value

As of June 30, 2016, the fair value of the swap agreement was a liability of \$5,368,000 (reported as interest rate swap liability on the Statement of Net Position), indicating the amount that the university would be required to pay the counterparty to terminate the swap agreement. The fair value was estimated using the income approach, which converts future cash flows to a single present value using discounting. That value is then adjusted to incorporate non-performance risk for the university since the swap is a liability. The fair value of the swap agreement was developed by an independent third party with no vested interest in the swap transaction.

### Debt Service Commitments

For bonds and notes payable at June 30, 2016 (including the UHCURC/Hamilton County bonds), scheduled annual debt service payments subsequent to June 30, 2016 are as follows (*in thousands*):

Fiscal Year	Principal*	Interest**	Total
2017	\$ 34,050	\$ 50,023	\$ 84,073
2018	63,845	48,504	112,349
2019	39,580	46,529	86,109
2020	47,315	44,600	91,915
2021	55,260	42,269	97,529
2022-2026	254,815	171,823	426,638
2027-2031	239,860	111,849	351,709
2032-2036	167,310	60,448	227,758
2037-2041	113,365	20,695	134,060
2042-2046	24,885	3,440	28,325
<b>Total</b>	<b>\$ 1,040,285</b>	<b>\$ 600,180</b>	<b>\$ 1,640,465</b>

\* Fiscal year 2018 principal includes \$24,085,000 of FRNs that are outstanding as of June 30, 2016. These FRNs are expected to be retired, renewed or refunded into long term debt.

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

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

Scheduled principal and interest payments on capital leases subsequent to June 30, 2016 are (in thousands):

Fiscal Year	Principal	Interest	Total
2017	\$ -	\$ 1,581	\$ 1,581
2018	-	1,581	1,581
2019	-	1,581	1,581
2020	-	1,582	1,582
2021	-	1,582	1,582
2022-2026	8,455	7,366	15,821
2027-2031	10,240	5,582	15,822
2032-2036	12,920	2,909	15,829
2037-2038	5,970	361	6,331
<b>Total</b>	<b>\$ 37,585</b>	<b>\$ 24,125</b>	<b>\$ 61,710</b>

#### Defeased Debt

Debt defeased by the university for which amounts remain outstanding at June 30, 2016, is (in thousands):

<u>Bond Series</u>	<u>Maturity Dates</u>	<u>Interest Rate(s)</u>	<u>Amount Outstanding</u>
Series 2007A	2019-2031	4.25%-5.00%	\$ 29,210
Series 2007G	2019-2034	5.00%	67,125
	<b>Total</b>		<b><u>\$ 96,335</u></b>

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

#### Other

Interest expense on indebtedness, net of the Build America Bond federal interest subsidy (\$2,133,000), for the year ended June 30, 2016 was \$44,381,000. Capitalized interest expense on construction-related debt, net of interest earnings (\$253,000) was \$3,300,000.

## 8. Other Long-Term Liabilities

Other long-term liabilities as of June 30, 2016 are as follows (*in thousands*):

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Current Portion	Noncurrent Portion
Other long-term liabilities:						
Compensated absences	\$ 55,954	\$ 6,734	\$ 6,072	\$ 56,616	\$ 39,069	\$ 17,547
Government loan advances	21,862	535	141	22,256	-	22,256
Interest rate swap liability	3,762	1,606	-	5,368	-	5,368
Total other long-term liabilities	\$ 81,578	\$ 8,875	\$ 6,213	\$ 84,240	\$ 39,069	\$ 45,171

## 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 \$16,434,000 for the year ended June 30, 2016.

There are four significant operating leases that the university has entered into with initial or remaining terms in excess of one year as of June 30, 2016.

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 2016 was \$517,000.

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 2016 was \$590,000.

Commencing in 2016, the university entered into multi-year lease agreements with 222 Senator Place, LLC (two year term) and Block 3 Community Redevelopment Corporation (three year term with one additional year renewal option) to expand housing capacity for students. The expense for these leases in 2016 was \$781,000 and \$6,391,000, respectively.

Future minimum payments for the above four operating leases as of June 30, 2016, are as follows (*in thousands*):

<u>Year Ended June 30,</u>	
2017	\$ 8,823
2018	8,235
2019	1,770
2020	1,211
2021	684
2022-2023	1,243
	<u>\$ 21,966</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



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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.

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

**Contributions**

The ORC provides OPERS and STRS Ohio statutory authority over employee and employer contributions. The required contractually determined contribution rates, respectively of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The contractually required contribution rates for the employee and the university are as follows for the year ended June 30, 2016:

	OPERS (Staff)	OPERS (Law Enforcement Staff)	STRS Ohio
Employee	10%	13.00%	13%
University	14%	18.10%	14%

For the year ended June 30, 2016, contributions to the pension plans from the university were \$22,275,000 for OPERS and \$18,599,000 for STRS Ohio.

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

At June 30, 2016, the university reported a liability of \$195,177,000 and \$408,044,000 for OPERS and STRS Ohio, respectively, for its proportionate share of the net pension liability. This was an increase of \$59,267,000 for OPERS and \$53,646,000 for STRS Ohio compared to the liabilities reported as of June 30, 2015. The net pension liability was measured as of December 31, 2015 for OPERS and June 30, 2015 for STRS Ohio and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The university's proportion of the net pension liability was based on a projection of the university's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the university's proportion was 1.13% for OPERS Traditional Pension Plan, 1.45% for OPERS Combined Plan and 1.48% for STRS Ohio.

For the year ended June 30, 2016, the university recognized pension expense of \$27,772,000 and \$20,722,000 for OPERS and STRS Ohio, respectively. At June 30, 2016, 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	\$ -	\$ 18,568	\$ 18,568
Net difference between projected and actual earnings on pension plan investments	57,883	-	57,883
Changes in proportion	50	4,441	4,491
University's contributions subsequent to the measurement date	11,571	22,432	34,003
	<u>\$ 69,504</u>	<u>\$ 45,441</u>	<u>\$ 114,945</u>

	Deferred Inflows of Resources		
	OPERS	STRS Ohio	Total
Differences between expected and actual experience	\$ 4,105	\$ -	\$ 4,105
Net difference between projected and actual earnings on pension plan investments	-	28,691	28,691
	<u>\$ 4,105</u>	<u>\$ 28,691</u>	<u>\$ 32,796</u>

At June 30, 2016, the university reported \$11,571,000 and \$22,432,000 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2016 related to pensions will be recognized in pension expense as follows (*in thousands*):

Year ended June 30,	OPERS	STRS Ohio	Total
2017	\$ 12,653	\$ (5,305)	\$ 7,348
2018	13,574	(5,305)	8,269
2019	14,699	(5,305)	9,394
2020	13,059	10,233	23,292
2021	(40)	-	(40)
Thereafter	(117)	-	(117)
	<u>\$ 53,828</u>	<u>\$ (5,682)</u>	<u>\$ 48,146</u>

### Actuarial Assumptions

For OPERS, the total pension liability was determined by an actuarial valuation as of December 31, 2015 using the following actuarial assumptions, applied to all prior periods in the measurement:

OPERS	Traditional Pension Plan	Combined Plan
Valuation date	December 31, 2015	December 31, 2015
	Period ended	Period ended
Experience study	December 31, 2010	December 31, 2010
Inflation	3.75%	3.75%
	4.25% - 10.05% including	4.25% - 8.05% including inflation
Salary increases	inflation at 3.75%	at 3.75%
Investment rate of return	8.00%	8.00%
Cost-of-living adjustments	Pre 1/7/2013 retirees: 3.00% simple; post 1/7/2013 retirees: 3.00% simple through 2018, then 2.80% simple	Pre 1/7/2013 retirees: 3.00% simple; post 1/7/2013 retirees: 3.00% simple through 2018, then 2.80% simple

For STRS Ohio, the total pension liability was determined by an actuarial valuation as of June 30, 2015 using the following actuarial assumptions, applied to all prior periods included in the measurement:

STRS Ohio	
Valuation date	June 30, 2015
Experience study	Period ended June 30, 2012
Inflation	2.75%
Salary increases	12.25% at age 20 to 2.75% at age 70
Investment rate of return	7.75%, net of investment expenses, including inflation
Cost-of-living adjustments	2% simple for members retiring before August 1, 2013; 2% simple delayed until fifth anniversary of retirement date for members retiring August 1, 2013 or later

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

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

Asset Class	OPERS		STRS Ohio	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equities	21%	5.84%	31%	8.00%
International equities	18%	7.40%	26%	7.85%
Fixed income	23%	2.31%	18%	3.75%
Real estate	10%	4.25%	10%	6.75%
Alternative investments	10%	9.25%	14%	8.00%
Other investments	18%	4.59%	1%	3.00%
	<u>100%</u>		<u>100%</u>	

### Discount Rate

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

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

	1% Decrease (7.0%)	Current Discount Rate (8.0%)	1% Increase (9.0%)
OPERS	\$ 312,071	\$ 195,177	\$ 96,607

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
STRS Ohio	\$ 566,805	\$ 408,044	\$ 273,789

### Pension Plan Fiduciary Net Position

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

### Defined Contribution Plans

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

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

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

At June 30, 2016, there were 2,469 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 13%, respectively. The employer contribution rate for participants electing out of OPERS and STRS Ohio was 14% for 2016. During 2016, 2015, and 2014, the employer contributions were \$18,726,000, \$17,080,000, and \$15,953,000, 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 2016

were 0.77% to OPERS and 4.5% to STRS Ohio. The employer contributions to the OPERS unfunded liability account during 2016, 2015, and 2014 were \$660,000, \$612,000, and \$563,000, respectively. The employer contributions to the STRS Ohio unfunded liability account during 2016, 2015, and 2014 were \$3,883,000, \$3,449,000, and \$3,113,000, respectively.

#### **Payables to the Pension Plans**

At June 30, 2016, the university reported a payable of \$3,841,000 and \$3,583,000 for OPERS and STRS Ohio, respectively, for the outstanding amount of contributions to the pension plans required for the year ended June 30, 2016.

#### **Other Postemployment Benefits**

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

Each year the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. For the calendar year ended December 31, 2015, OPERS allocated 2.0% of the employer contribution rate to fund the health care program for members in the Traditional Pension Plan and Combined Plan. Payment amounts vary depending on the number of covered dependents and the coverage selected. University employer contributions to OPERS to fund OPEB for 2016, 2015, and 2014 were approximately \$3,155,000, \$3,079,000, and \$1,550,000 respectively.

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

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

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

## **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 2016. 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 \$26,245,000 are adequate to cover estimated liabilities resulting from known claims and incidents and incurred-but-not-reported incidents as of June 30, 2016 for the university and University of Cincinnati Physicians, Inc. Trust assets related to the university total \$4,628,000 and are included in current portion of other assets; liabilities of \$551,000 are included in accrued liabilities in the Statement of Net Position as of June 30, 2016.

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

Property and casualty insurance is also provided through the IUC-IC program, consisting of commercial property insurance with a \$350,000 retention, and a self-insurance pool to fund retained losses subject to a \$100,000 university deductible. Total insurance expense paid through the IUC-IC program was \$1,621,000.

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 2016 was approximately \$82,045,000. Changes in the self-insured health care benefits as of June 30, 2016 are as follows:

Liability at the beginning of fiscal year	\$ 5,780
Current year claims including changes in estimates	78,554
Claim payments	<u>(78,696)</u>
Liability at the end of fiscal year	<u>\$ 5,638</u>

### 13. Capital Project Commitments

At June 30, 2016, the university is committed to future capital expenditures as follows (*in thousands*):

Contractual commitments	\$ 50,978
Estimated completion costs of projects	268,243
Total	<u>\$ 319,221</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, 2016	\$ 7,829
Approved state appropriations not yet requested	4,820
University funded prior to June 30, 2016	98,927
Funds to be provided subsequent to June 30, 2016, from various available sources	<u>207,645</u>
Total	<u>\$ 319,221</u>

The \$319,221,000 of funding to be provided subsequent to June 30, 2016 will come from state funds, debt, and university funds.



**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	\$ 99,433
Research	33,412
Academic support	40,788
College/programs	78,748
Scholarships	70,609
Interest in UC Health	420,645
Other	12,089
	<u>755,724</u>
Less: UHCURC Elimination	14,733
Total	<u>\$ 740,991</u>

Restricted expendable:	
Instruction	\$ 27,713
Research	95,705
Academic support	25,272
College/programs	106,133
Scholarships	36,268
Student loans	10,413
Grants and contracts	1,215
Capital projects	9,244
Total	<u>\$ 311,963</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, 2015 have been blended with the university's financial statements for the fiscal year ended June 30, 2016.

A condensed statement of net position for UHCURC as of August 31, 2015 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>8/31/2015</u>
Current assets	\$ 44
Capital assets not being depreciated	4,788
Capital assets being depreciated, net	<u>41,681</u>
Total assets	<u>46,513</u>
Deferred outflows of resources	<u>769</u>
Current liabilities	1,669
Accrued interest payable – University of Cincinnati	11,497
Notes payable – University of Cincinnati	16,998
Other long-term debt	<u>45,435</u>
Total liabilities	<u>75,599</u>
Net investment in capital assets	(992)
Unrestricted	<u>(27,325)</u>
Total net position	<u>\$ ( 28,317)</u>

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

	<u>8/31/2015</u>
Operating revenues	\$ 3,333
Operating expenses	81
Depreciation	<u>1,539</u>
Operating income	1,713
Other nonoperating expenses	<u>3,301</u>
Decrease in net position	(1,588)
Net position, beginning of the year	<u>(26,729)</u>
Net position, end of the year	<u>\$ ( 28,317)</u>

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**Statement of Cash Flows**

	<u>8/31/2015</u>
Net cash from operating activities	\$ 1,072
Net cash used for capital and financing activities	<u>(1,078)</u>
Net decrease in cash and cash equivalents	(6)
Cash and cash equivalents, beginning of the year	<u>50</u>
Cash and cash equivalents, end of the year	<u><u>\$ 44</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.

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**THE UNIVERSITY OF CINCINNATI FOUNDATION NOTES TO FINANCIAL STATEMENTS**

**PLEDGES RECEIVABLE**

Contributors to the Foundation have made unconditional pledges totaling approximately \$102,861,000 as of June 30, 2016. 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 \$93,255,000 as of June 30, 2016.

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

	<b>2016</b>
Less than one year	\$ 29,509,698
One to five years	36,257,362
More than five years	<u>37,094,050</u>
	102,861,110
Less discount to present value	(9,606,242)
Less allowance for uncollectible pledges	<u>(3,111,800)</u>
	<u>\$ 90,143,068</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, 2016 of approximately \$18,942,000 are included in the total amount of unconditional pledges due and fall within either the due in one to five years or due in more than five years categories. The allowance for uncollectible pledges includes approximately \$34,000 associated with the irrevocable bequests, as of June 30, 2016.

Twelve donors currently have outstanding conditional pledges to the Foundation. As of June 30, 2016, 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 \$2,387,000 as of June 30, 2016.

**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 accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the absence or existence of donor-imposed restrictions.

The Board of Trustees has interpreted the State of Ohio's UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

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

There are 1,044 endowment funds, at June 30, 2016. As of June 30, 2016, the fair value of these funds collectively was \$41,482,784 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 2016 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 2016, income earned in the investment pool was less than the amount allocated for expenditure by approximately \$7,960,000. This shortfall was funded by cumulative capital gains in the investment pool for the year ended June 30, 2016.

The endowment net asset composition by type of fund as of June 30, 2016 was as follows:

	<b>2016</b>			
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor restricted endowment funds	\$ -	\$ 84,285,458	\$ 295,855,901	\$ 380,141,359
Board designated endowment funds	(37,694,169)	-	-	(37,694,169)
<b>Total</b>	<b>\$ (37,694,169)</b>	<b>\$ 84,258,458</b>	<b>\$ 295,855,901</b>	<b>\$ 342,447,190</b>

The change in endowment fund net assets for the year ended June 30, 2016, is as follows:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ (23,890,377)	\$ 78,754,894	\$ 273,076,168	\$ 327,940,685
Investment income:				
Interest and dividend income	340,158	8,827,137	6,703	9,173,998
Net realized/unrealized loss	(13,535,105)	(6,103,707)	-	(19,638,812)
Total investment income	(13,194,947)	2,723,430	6,703	(10,464,814)
Contributions and other transfers	-	12,557,242	20,179,044	32,736,286
Appropriation of endowment assets for expenditure	(614,027)	(10,178,340)	(206,879)	(10,999,246)
Other changes:				
Other income	-	113,154	2,411,745	2,524,899
Income reinvestment	5,182	315,078	389,120	709,380
<b>Endowment net assets, end of year</b>	<b>\$ (37,694,169)</b>	<b>\$ 84,285,458</b>	<b>\$ 295,855,901</b>	<b>\$ 342,447,190</b>

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

## INVESTMENTS

The Foundation combines its pooled investment securities with the investment pool of the university in order to maximize investment diversification and realize economies of scale with respect to costs of managing the investments. The Foundation continues to serve as trustee for these assets. The Foundation maintains individual records of each fund included in the transfer of assets to the investment pool of the university. Each fund subscribes to, or disposes of, units in the pool at the unit market value at the end of each quarter. Income is allocated to each fund in the pool based on units of participation.

The Foundation also manages other investments, which amounted to approximately \$47,144,000 as of June 30, 2016. 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, 2016:

	<b>2016 Fair Value</b>	<b>2016 Cost</b>
Cash equivalents	\$ 2,566,112	\$ 2,566,112
U.S. Government and agency obligations	3,411,108	3,294,853
Corporate bonds	9,886,632	9,870,855
Mutual funds	20,363,020	19,117,911
Common stocks and exchange traded funds	11,414,580	8,783,185
Investment property	215,000	215,000
University pooled investments	298,660,384	332,961,944
<b>Total</b>	<b>\$ 346,516,836</b>	<b>\$ 376,809,860</b>

The number of units in the university pooled investments owned by the Foundation totaled 3,870,700, which represents 35% share of the university investment pool as of June 30, 2016. The university pooled investments holds primarily common stock, mutual funds, and corporate and government fixed income obligations, which are stated at fair value as determined by market prices. In addition, the pool invests in loans to certain not-for-profit entities for the purpose of developing residential and commercial facilities near the university's main campus. These loans are secured by mortgages, some of which are subordinated to external financing arrangements, on parcels of land purchased by these not-for-profit entities for development. Certain investments in the university pooled investments are stated at fair value, as provided by the investment managers. Audited financial statements of the underlying investments in the university pooled investments as of June 30, 2016, 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, 2016. The Foundation believes that the carrying value of these investments is a reasonable estimate of fair value at June 30, 2016. 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:

	<b>2016</b>
U.S. and international equity securities	36%
Fixed income securities	13
Hedge funds and private equity capital	43
Real estate and community development	8
<b>Total</b>	<b>100%</b>

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**BENEFICIAL INTEREST IN TRUSTS – OTHER TRUSTEES**

The Foundation has been notified of thirteen trusts held by other trustees where the remainder interest will irrevocably benefit the university. In addition, the Foundation has been notified of two charitable lead unitrusts held by other trustees where annual payments are received by the Foundation. The Foundation values these assets by projecting the value of the trust assets to future periods and then discounting the anticipated cash flows at a rate reflective of the credit risk involved. Beneficial interest in trusts held by other trustees amounted to approximately \$9,633,000 as of June 30, 2016.

**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>	<u>2016</u>	<u>2015</u>
University's proportion of the net pension liability	1.13%	1.13%
University's proportionate share of the net pension liability	\$ 195.2	\$ 135.9
University's covered-employee payroll	\$ 153.8	\$ 150.5
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	126.88%	90.32%
Plan fiduciary net position as a percentage of the total pension liability	81.19%	86.53%
<b>STRS Ohio</b>	<u>2016</u>	<u>2015</u>
University's proportion of the net pension liability	1.48%	1.46%
University's proportionate share of the net pension liability	\$ 408.0	\$ 354.4
University's covered-employee payroll	\$ 131.1	\$ 128.9
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	311.11%	275.03%
Plan fiduciary net position as a percentage of the total pension liability	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  
Ohio Public Employees Retirement System (OPERS)  
State Teachers Retirement System of Ohio (STRS Ohio)  
Last 10 Years\*  
(Dollar amounts in millions)**

	2016	2016	2015	2015
	OPERS	STRS Ohio	OPERS	STRS Ohio
Contractually required contribution	\$ 22.3	\$ 18.6	\$ 21.7	\$ 18.4
Contributions in relation to the contractually required contribution	(22.3)	(18.6)	(21.7)	(18.4)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
University's covered-employee payroll	\$ 157.8	\$ 132.8	\$ 154.0	\$ 131.1
Contributions as a percentage of covered-employee payroll	14.11%	14.00%	14.12%	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.



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## Notes to Required Supplementary Information

### Changes of Benefit Terms

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

- The minimum age and number of years of service required to receive an unreduced benefit were each increased by two years for members in the state and local divisions. The 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.

### Changes of Assumptions

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

# University of Cincinnati

A Component Unit of the State of Ohio

## Schedule of Expenditures of Federal Awards

for the year ended June 30, 2016

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		\$1,800,239
Office of Student Financial Assistance Programs	84.033	Federal Work-Study Program		1,698,723
Office of Student Financial Assistance Programs	84.038	Federal Perkins Loan Program_Federal Capital Contributions		23,953,347
Office of Student Financial Assistance Programs	84.063	Federal Pell Grant Program		36,382,813
Office of Student Financial Assistance Programs	84.268	Federal Direct Student Loans		273,255,882
Department of Education	84.379	Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)		69,409
<b>Total Department of Education</b>				<b>337,160,413</b>
<b>Department of Health and Human Services</b>				
Health Resources and Services Administration	93.264	Nurse Faculty Loan Program (NFLP)		1,084,706
Health Resources and Services Administration	93.342	Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students		580,319
Health Resources and Services Administration	93.364	Nursing Student Loans		755,776
<b>Total Department of Health and Human Services</b>				<b>2,420,801</b>
<b>Total Student Financial Assistance - Direct Funds</b>				<b>339,581,214</b>
<b>Total Student Financial Assistance Cluster</b>				<b>339,581,214</b>
<b>Research and Development Cluster</b>				
<b>Research and Development - Direct Funds</b>				
<b>Department of Agriculture</b>				
National Institute of Food and Agriculture	10.200	Grants for Agricultural Research, Special Research Grants		3,062
National Institute of Food and Agriculture	10.310	Agriculture and Food Research Initiative (AFRI)	3,115	47,522
<b>Total Department of Agriculture</b>				<b>50,584</b>
<b>Department of Commerce</b>				
National Institute of Standards and Technology (NIST)	11.609	Measurement and Engineering Research and Standards	33,780	166,847
<b>Department of Defense</b>				
Department of the Navy, Office of the Chief of Naval Research	12.300	Basic and Applied Scientific Research		87,005
Office of the Secretary of Defense	12.351	Basic Scientific Research - Combating Weapons of Mass Destruction	89,563	310,664

# University of Cincinnati

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## Schedule of Expenditures of Federal Awards

for the year ended June 30, 2016

Federal Grantor/Pass-Through Grantor/ Cluster Title	Federal CFDA Number	Program Title, Pass-Through Entity and ID	Passed Through to Subrecipient	Total Federal Expenditures
U.S. Army Medical Command	12.420	Military Medical Research and Development	23,317	1,067,641
U.S. Army Materiel Command	12.431	Basic Scientific Research		129,056
Department of the Air Force, Materiel Command	12.800	Air Force Defense Research Sciences Program	391,439	2,374,542
National Security Agency	12.900	Language Grant Program		18,150
National Security Agency	12.901	Mathematical Sciences Grants Program		22,903
Advanced Research Projects Agency	12.910	Research and Technology Development		485,700
Department of Defense	12.RD	Department of Defense		211,054
<b>Total Department of Defense</b>			<b>504,319</b>	<b>4,706,715</b>
<b>Department of Education</b>				
Institute of Education Sciences	84.324	Research in Special Education		287,031
<b>Department of Energy</b>				
Department of Energy	81.049	Office of Science Financial Assistance Program		881,192
Department of Energy	81.057	University Coal Research		92,367
Department of Energy	81.135	Advanced Research and Projects Agency Energy Financial Assistance Program	23,202	164,212
Department of Energy	81.RD	Department of Energy		35,328
<b>Total Department of Energy</b>			<b>23,202</b>	<b>1,173,099</b>
<b>Department of Health and Human Services</b>				
Centers for Disease Control and Prevention	93.070	Environmental Public Health and Emergency Response		-30
Food and Drug Administration	93.103	Food and Drug Administration_Research	922,809	1,835,411
Health Resources and Services Administration	93.110	Maternal and Child Health Federal Consolidated Programs	642,732	814,470
National Institutes of Health	93.113	Environmental Health	297,521	5,950,162
National Institutes of Health	93.121	Oral Diseases and Disorders Research		336,325
Health Resources and Services Administration	93.124	Nurse Anesthetist Traineeships		32,860
Office of Minority Health	93.137	Community Programs to Improve Minority Health Grant Program	4,616	308,766
National Institutes of Health	93.142	NIEHS Hazardous Waste Worker Health and Safety Training	1,290,094	1,729,191
National Institutes of Health	93.173	Research Related to Deafness and Communication Disorders		726,968
Health Resources and Services Administration	93.178	Nursing Workforce Diversity		402,832
Agency for Healthcare Research and Quality	93.226	Research on Healthcare Costs, Quality and Outcomes	49,528	413,292
National Institutes of Health	93.242	Mental Health Research Grants	139,649	3,469,497
Substance Abuse and Mental Health Services Administration	93.243	Substance Abuse and Mental Health Services_Projects of Regional and National Significance		210,044
Health Resources and Services Administration	93.247	Advanced Nursing Education Grant Program		318,365

# University of Cincinnati

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## Schedule of Expenditures of Federal Awards

for the year ended June 30, 2016

Federal Grantor/Pass-Through Grantor/ Cluster Title	Federal CFDA Number	Program Title, Pass-Through Entity and ID	Passed Through to Subrecipient	Total Federal Expenditures
Health Resources and Services Administration	93.250	Geriatric Academic Career Awards		323,604
Centers for Disease Control and Prevention	93.262	Occupational Safety and Health Program	54,337	2,381,540
Centers for Disease Control and Prevention	93.270	Adult Viral Hepatitis Prevention and Control		187,781
National Institutes of Health	93.279	Drug Abuse and Addiction Research Programs	1,464,116	3,538,828
National Institutes of Health	93.281	Mental Health Research Career/Scientist Development Awards		157,452
National Institutes of Health	93.286	Discovery and Applied Research for Technological Innovations to Improve Human Health	16,685	63,381
National Institutes of Health	93.350	National Center for Advancing Translational Sciences	1,790,374	3,388,122
National Institutes of Health	93.351	Research Infrastructure Programs		963,500
Health Resources and Services Administration	93.359	Nurse Education, Practice and Retention Grants		291,441
National Institutes of Health	93.361	Nursing Research		14,213
Health Resources and Services Administration	93.365	Sickle Cell Treatment Demonstration Program		31,504
National Institutes of Health	93.393	Cancer Cause and Prevention Research	674,310	1,638,267
National Institutes of Health	93.395	Cancer Treatment Research	11,944	807,706
National Institutes of Health	93.396	Cancer Biology Research	359,175	3,016,217
National Institutes of Health	93.398	Cancer Research Manpower		619,476
Administration for Children and Families	93.583	Refugee and Entrant Assistance_Wilson/Fish Program		122,639
Administration for Children and Families	93.632	University Centers for Excellence in Developmental Disabilities Education, Research, and Service	617,675	654,712
Administration for Children and Families	93.674	Chafee Foster Care Independence Program		16,126
National Institutes of Health	93.837	Cardiovascular Diseases Research	422,363	5,554,840
National Institutes of Health	93.838	Lung Diseases Research	174,876	1,543,150
National Institutes of Health	93.839	Blood Diseases and Resources Research	0	21,820
National Institutes of Health	93.846	Arthritis, Musculoskeletal and Skin Diseases Research	81,545	628,191
National Institutes of Health	93.847	Diabetes, Digestive, and Kidney Diseases Extramural Research	1,237,535	5,849,048
National Institute of Diabetes and Digestive and Kidney Disease	93.848	Digestive Diseases and Nutrition Research		-962
National Institute of Diabetes and Digestive and Kidney Disease	93.849	Kidney Diseases, Urology and Hematology Research		-1,990
National Institutes of Health	93.853	Extramural Research Programs in the Neurosciences and Neurological Disorders	3,549,335	11,967,423
National Institutes of Health	93.855	Allergy, Immunology and Transplantation Research	690,822	3,655,311
National Institutes of Health	93.859	Biomedical Research and Research Training	206,028	3,672,722
National Institutes of Health	93.865	Child Health and Human Development Extramural Research	206,960	282,663
National Institutes of Health	93.866	Aging Research		35,273
National Institutes of Health	93.867	Vision Research	11,918	1,429,019

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## Schedule of Expenditures of Federal Awards

for the year ended June 30, 2016

Federal Grantor/Pass-Through Grantor/ Cluster Title	Federal CFDA Number	Program Title, Pass-Through Entity and ID	Passed Through to Subrecipient	Total Federal Expenditures
Health Resources and Services Administration	93.884	Grants for Training in Primary Care Medicine and Dentistry		404,919
Fogarty International Center	93.934	Fogarty International Research Collaboration Award		165,234
Department of Health and Human Services	93.RD	Department of Health and Human Services	34,952	691,369
<b>Total Department of Health and Human Services</b>			<b>14,951,899</b>	<b>70,662,692</b>
<b>Department of Housing and Urban Development</b>				
Department of Housing and Urban Development	14.RD	Department of Housing and Urban Development	36,331	248,591
<b>Department of Justice</b>				
Federal Bureau of Investigation	16.307	Combined DNA Index System		213,514
Office of Juvenile Justice and Delinquency Prevention	16.540	Juvenile Justice and Delinquency Prevention_Allocation to States		115,472
National Institute of Justice	16.562	Criminal Justice Research and Development_Graduate Research Fellowships		10,812
Bureau of Prisons	16.601	Corrections_Training and Staff Development		226,304
Bureau of Justice Assistance	16.812	Second Chance Act Prisoner Reentry Initiative		163,014
<b>Total Department of Justice</b>				<b>729,116</b>
<b>Department of the Interior</b>				
U.S. Geological Survey	15.807	Earthquake Hazards Reduction Program		61,366
U.S. Geological Survey	15.816	Minerals Resources External Research Program		11,451
<b>Total Department of the Interior</b>				<b>72,817</b>
<b>Department of Transportation</b>				
Federal Aviation Administration (FAA)	20.108	Aviation Research Grants		28,798
<b>Department of Veterans Affairs</b>				
Department of Veterans Affairs	64.RD	Human Capital Investment Plan	3,264	19,779
<b>Environmental Protection Agency</b>				
Office of Research and Development	66.511	Office of Research and Development Consolidated Research/Training/Fellowships	17,218	688,521
Office of Research and Development	66.516	P3 Award: National Student Design Competition for Sustainability		18,592
<b>Total Environmental Protection Agency</b>			<b>17,218</b>	<b>707,113</b>
<b>National Aeronautics and Space Administration</b>				
National Aeronautics and Space Administration	43.002	Aeronautics		34,203
National Aeronautics and Space Administration	43.RD	National Aeronautics and Space Administration	100,046	380,289
<b>Total National Aeronautics and Space Administration</b>			<b>100,046</b>	<b>414,492</b>

# University of Cincinnati

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## Schedule of Expenditures of Federal Awards

for the year ended June 30, 2016

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>National Endowment for the Humanities</b>				
National Endowment for the Humanities	45.160	Promotion of the Humanities_Fellowships and Stipends		56,077
<b>National Science Foundation</b>				
National Science Foundation	47.041	Engineering Grants	53,171	2,231,588
National Science Foundation	47.049	Mathematical and Physical Sciences	74,810	2,715,411
National Science Foundation	47.050	Geosciences		437,230
National Science Foundation	47.070	Computer and Information Science and Engineering		372,627
National Science Foundation	47.074	Biological Sciences		836,042
National Science Foundation	47.075	Social, Behavioral, and Economic Sciences	188,914	441,596
National Science Foundation	47.076	Education and Human Resources	305,485	4,039,187
<b>Total National Science Foundation</b>			<b>622,380</b>	<b>11,073,681</b>
<b>Office of Personnel Management</b>				
Office of Personnel Management	27.011	Intergovernmental Personnel Act (IPA) Mobility Program		1,185,683
<b>Total Research and Development - Direct Funds</b>			<b>16,295,554</b>	<b>91,583,115</b>
<b>Research and Development - Pass Through Funds</b>				
<b>Department of Commerce</b>				
National Oceanic and Atmospheric Administration (NOAA)	11.417	Ohio State Univ 60047465		4,371
National Oceanic and Atmospheric Administration (NOAA)	11.417	Ohio State Univ 60049228		54,626
National Oceanic and Atmospheric Administration (NOAA)	11.417	Ohio State Univ 60049634		4,745
<b>Total Department of Commerce</b>				<b>63,742</b>
<b>Department of Defense</b>				
Department of the Navy, Office of the Chief of Naval Research	12.300	ULRF 14-0861		15,930
Office of the Secretary of Defense	12.351	New Jersey Inst of Technology 996289 / DTRA HDTRA1-15-1-002		133,990
U.S. Army Medical Command	12.420	CCHMC 135658		1,709
U.S. Army Medical Command	12.420	UCSD 10271745-005		6,272
U.S. Army Medical Command	12.420	UCSD PO#10320447-002		-1,094
U.S. Army Medical Command	12.420	UTMB-Galveston 13-027		18,917
U.S. Army Medical Command	12.420	Wake Forest WFUHS 441017 SR-07		341,358
U.S. Army Materiel Command	12.431	Rice U R17941		-1,910
Office of the Secretary of Defense	12.630	U Missouri C00037615-1		-1,246
Advanced Research Projects Agency	12.910	U PENN 12-DARPA-1068_D12AP00025		192,972

# University of Cincinnati

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## Schedule of Expenditures of Federal Awards

for the year ended June 30, 2016

Federal Grantor/Pass-Through Grantor/ Cluster Title	Federal CFDA Number	Program Title, Pass-Through Entity and ID	Passed Through to Subrecipient	Total Federal Expenditures
Department of Defense	12.RD	Battelle Contract No 479607		106,925
Department of Defense	12.RD	Battelle Contract No. 00393878		-3
Department of Defense	12.RD	CERV VA Sub #00100		105,049
Department of Defense	12.RD	DAGSI RQ1-UC-13-6-AFRL		49
Department of Defense	12.RD	DAGSI RQ-UC-15-9- OC4-AFRL		33,717
Department of Defense	12.RD	Eccrine Systems Inc Award 100		218,156
Department of Defense	12.RD	Ecosil Technologies, LLC 009287-003		4
Department of Defense	12.RD	Faraday Tech SUB SC-2726	16,224	32,970
Department of Defense	12.RD	Fast-Track Biologics-0047-1062-CPP1-05-UC		222,856
Department of Defense	12.RD	GE-FA8650-09-D-2922		19,107
Department of Defense	12.RD	General NANO sub Navy N00014-12-C-0537		1,858
Department of Defense	12.RD	General NANO sub Navy N00014-13-C-0072		-450
Department of Defense	12.RD	GIRD Systems, Inc. Sub #30-0001-0914F09		21,464
Department of Defense	12.RD	Henry Jackson Fdn sub#862839		5,000
Department of Defense	12.RD	HPTI-Pett-CIN Task Ord-03		92,893
Department of Defense	12.RD	INFOSCITEX CORP FPH98-S023/AF FA8650-15-D-2516		17,000
Department of Defense	12.RD	Inhibikas Therapeutics Inc. #0000013121 MOD3		27,759
Department of Defense	12.RD	Knite PO#977		39,000
Department of Defense	12.RD	McGill Univ Health Center 5536		182
Department of Defense	12.RD	Neuren Pharm sub Army W81XWH-09-1-0496		-26,289
Department of Defense	12.RD	Neuren Pharma sub ARMY W81XWH-09-1-049		66,325
Department of Defense	12.RD	Northrop Grumman Subcon# 7500125451		-443
Department of Defense	12.RD	NRL N00173-15-P-0533		66,347
Department of Defense	12.RD	Tech Assessment & Transfer PO#6078-01		23,694
Department of Defense	12.RD	Tetra Tech W91237-09-D-0003		21
Department of Defense	12.RD	U CA Riverside S-00749		70,082
Department of Defense	12.RD	UES S-104-000-001		126,907
Department of Defense	12.RD	UES S108-050-003		48,089
Department of Defense	12.RD	UES S-875-202-002		9,995
Department of Defense	12.RD	UES S-926-013-004		86,502
Department of Defense	12.RD	Univ New Mexico 650339-87S1		31,650
Department of Defense	12.RD	Universal Tech Corp 15-7900-0005-03-C4		7,962
Department of Defense	12.RD	Universal Tech Corp 15-7900-0006-10-C7		1,426

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for the year ended June 30, 2016

Federal Grantor/Pass-Through Grantor/ Cluster Title	Federal CFDA Number	Program Title, Pass-Through Entity and ID	Passed Through to Subrecipient	Total Federal Expenditures
Department of Defense	12.RD	Vantage Partners LLC AGR-VPL-15-014		4,739
Department of Defense	12.RD	Westat 6339-S01 Task 1		57,177
<b>Total Department of Defense</b>			<b>16,224</b>	<b>2,224,618</b>
<b>Department of Education</b>				
Institute of Education Sciences	84.305	ULRF12-0345-02		-397
Institute of Education Sciences	84.324	ULRF15-0169-01		19,849
Department of Education	84.395	ARRA OSURF 60035141-M10		198,692
Office of Postsecondary Education	84.407	Ohio State Univ 60027994		14,837
Office of Postsecondary Education	84.407	Ohio State Univ 60051504		21,535
Department of Education	84.RD	OBR01-3939		1,251
<b>Total Department of Education</b>				<b>255,767</b>
<b>Department of Energy</b>				
Department of Energy	81.049	Battelle Contract No 00102835		87,742
Department of Energy	81.049	CPWR 1080-49		-970
Department of Energy	81.089	Arizona St U 16-866		115,525
Department of Energy	81.089	U Missouri 00042083-02		122,545
Department of Energy	81.RD	Battelle Contract No. 00149581		154
Department of Energy	81.RD	Battelle Contract No.00227796		43,319
Department of Energy	81.RD	SANDIA/DOE INDUSTRY/UNIV CONSORTIUM: EXPERIMENTAL STRUCTURAL		4,292
Department of Energy	81.RD	UT-Battelle #4000143960		4,980
<b>Total Department of Energy</b>				<b>377,587</b>
<b>Department of Health and Human Services</b>				
Centers for Disease Control and Prevention	93.080	HFM 15-16-434		12,011
Food and Drug Administration	93.103	Cincinnati Health Department 3510479		-19
Substance Abuse and Mental Health Services Administration	93.104	CCMHRB Fast Trac Year 6 009541		60,719
Substance Abuse and Mental Health Services Administration	93.104	CCMHRB Fast Trac Year 7 009541		15,015
Substance Abuse and Mental Health Services Administration	93.104	HCMHRB National Evaluation of JOURNEY Sub SAMHSA SE		47,081
Substance Abuse and Mental Health Services Administration	93.104	Talbert House Prime SAMHSA BJA Grant 1H79T1025930-01		37,802
Substance Abuse and Mental Health Services Administration	93.104	Talbert House SAMHSA BJA Grant 008401		17,575
Health Resources and Services Administration	93.107	U Toledo 205366 (RSP C-010336-21)		4,258
Health Resources and Services Administration	93.107	U Toledo F2014-14		4,894



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Health Resources and Services Administration	93.107	U Toledo F2015-89		11,514
Health Resources and Services Administration	93.110	HFM MCHB 2015-2016_1-H30MC24047-01-01		11,000
National Institutes of Health	93.113	Brown Univ 00000781		39,130
National Institutes of Health	93.113	CCHMC 107837		168,197
National Institutes of Health	93.113	CCHMC 131098 A03		132,139
National Institutes of Health	93.113	CCHMC 137071		80,057
National Institutes of Health	93.113	CCHMC 137609		51,636
National Institutes of Health	93.113	CCHMC 138045		31,838
National Institutes of Health	93.113	Harvard College 112135-5057091		54,726
National Institutes of Health	93.113	Mich St U RC105513UC		24,724
National Institutes of Health	93.113	North Carolina State Univ SubAwd No. 2015-0273-01		50,471
National Institutes of Health	93.113	U Illinois 2011-04282-01-03		86,206
National Institutes of Health	93.113	U Illinois 2012-02586-01-02		167,481
National Institutes of Health	93.113	UCSF 6375SC		53,501
National Institutes of Health	93.113	Univ Texas Medical Branch 15-038		14,262
National Institutes of Health	93.142	ICWU SUB ES06162-23 HDPTP		2,311
National Institutes of Health	93.142	ICWU SUB ES06162-23 HWWT		7,560
National Institutes of Health	93.142	ICWU Sub ES06162-24 HWWT		36,905
National Institutes of Health	93.142	ICWU Sub ES09758-23/ DOE		2,155
Health Resources and Services Administration	93.145	U Illinois Chicago 2015-04958-04-00		153,453
Health Resources and Services Administration	93.145	U Pittsburgh 0019469 (124872-8)		28,508
National Institutes of Health	93.172	CCHMC 135783		6,889
National Institutes of Health	93.172	Harvard College 1228005		39,387
National Institutes of Health	93.173	GSU SP00011574-01		16,155
National Institutes of Health	93.173	GSU SP00011574-02		-2,382
National Institutes of Health	93.173	RFCUNY/41884-00 Amnd 1		189,293
National Institutes of Health	93.173	STAR Sub 5R44DC010104-S1-03-04R		9,272
National Institutes of Health	93.173	TRINCH 719115 Amend #4 R01 DC 011321-04		7,286
National Institutes of Health	93.173	TRINCH WX00251796 Amend #3		-2,622
Centers for Disease Control and Prevention	93.184	HFM CDC14-15-HTC434		2,510
Agency for Healthcare Research and Quality	93.226	CWRU RES509339	3,188	8,154
Agency for Healthcare Research and Quality	93.226	CWRU RES510265		2,125
Agency for Healthcare Research and Quality	93.226	Wright State 669622 A1		44,563

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Agency for Healthcare Research and Quality	93.226	Wright State 669622		12,868
National Institutes of Health	93.242	FIMR-500484-CIN-A2		622
National Institutes of Health	93.242	FIMR-500494-CIn-01-A3		3,643
National Institutes of Health	93.242	U Washington UWSC8644		5,941
National Institutes of Health	93.242	Univ of Texas at San Antonio sub MH091997		94,504
Health Resources and Services Administration	93.250	Emma Pendleton Bradley Hospital 712-7457		26,399
Health Resources and Services Administration	93.250	Mt. Sinai 0255-7855-4609		-176
Health Resources and Services Administration	93.250	Mt. Sinai 0255-7865-4609		1,016,916
Health Resources and Services Administration	93.250	Mt. Sinai 0255-7875-4609		137,825
Health Resources and Services Administration	93.250	NKFM LU 206610		3,130
Centers for Disease Control and Prevention	93.262	TEXAS A&M 23-S120001 - M1600525 Year 5		14,488
Centers for Disease Control and Prevention	93.262	TEXAS A&M 23-S120001-M1500736 Year 4		16,893
National Institutes of Health	93.273	CCHMC 132581		15,451
National Institutes of Health	93.273	Miami University G02250		14,284
National Institutes of Health	93.279	Ai Cure Tech 009163-003		-409
National Institutes of Health	93.279	BREF NIDA-VA#1032 AZD8529		331,438
National Institutes of Health	93.279	Emory Univ T502315		15,001
National Institutes of Health	93.279	FIU 800005519-01UG		5,954
National Institutes of Health	93.279	FIU 800005519-01UG/		22,168
National Institutes of Health	93.279	RiboNova Inc. RUC001		46,824
National Institutes of Health	93.279	U Toledo N2013-9		401
National Institutes of Health	93.279	UCSF 8644		22,613
National Institutes of Health	93.279	UKRF 3210000007-15-257		22,392
Centers for Disease Control and Prevention	93.283	ODH 03140014BC0815		17
Centers for Disease Control and Prevention	93.283	ODH 03140014BC0916		164,286
National Institutes of Health	93.307	AAMC 5U24 MD006960-05 A5,6		128,233
National Institutes of Health	93.307	AAMC 5U24MD006960-05		16,267
National Institutes of Health	93.307	AAMC/Holistic Review 009217		20,116
National Institutes of Health	93.307	AAMC/NIH U24MD006960-04		2,077
National Institutes of Health	93.307	APLU 5U24MD006960		15,937
National Institutes of Health	93.307	Massachusetts General 227810		35,747
National Institutes of Health	93.310	Baylor College Med 101994491		32,240
National Institutes of Health	93.310	Baylor College of Medicine 101811297		-3,115

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National Institutes of Health	93.310	Baylor College of Medicine 101994491		-65,877
National Institutes of Health	93.350	CCHMC UC-CCTST TR000077 Community Health Grant		4,727
National Institutes of Health	93.361	Rhode Island Hospital 701-5500-OH		41,279
National Institutes of Health	93.389	Miami U G02017		10,830
National Institutes of Health	93.394	Vanderbilt Univ 43818		2,123
National Institutes of Health	93.395	Bexion Pharm 009373-003		99,459
National Institutes of Health	93.395	GOG 27469-033 (2010-2017)		4,834
National Institutes of Health	93.395	NRG sub NIH UC OB-GYN		6,461
National Institutes of Health	93.395	NRG sub NIH UCCI		57,963
National Institutes of Health	93.395	Oregon Health & Science University NCI SWOG CA32102		68,335
National Institutes of Health	93.396	U Mich 3003077923		4,868
National Institutes of Health	93.396	U Illinois 488904 E3133A3		9,425
National Institutes of Health	93.396	U Illinois 488904-E3133 A2		18,918
National Institutes of Health	93.399	NSABP SUB NCI TIND 187		1,256
Administration for Children and Families	93.645	ODJFS G-1617-06-0249		77,127
Administration for Children and Families	93.658	Butler County JFS 15-06-02989		45,296
Administration for Children and Families	93.658	ODJFS G1415-06-0331		28,116
Administration for Children and Families	93.670	Lighthouse Yth Srvs 90 CA1809-02-00		80,511
Administration for Children and Families	93.674	HCJFS Contract #129955 HEMI 2015-16		217,733
Centers for Medicare and Medicaid Services	93.779	OBR A-1617-05-0132		216,027
Centers for Medicare and Medicaid Services	93.779	OBR G-145-07-0060		11,388
Centers for Medicare and Medicaid Services	93.791	Independent Living Options CBPT 009545		-7,117
National Institutes of Health	93.837	OSU 60048207	13,045	20,350
National Institutes of Health	93.837	ArchieMD, Inc. 5RR44HL092770		89,911
National Institutes of Health	93.837	Augusta Univ 29937-1		3,263
National Institutes of Health	93.837	Augusta University 27641		17,839
National Institutes of Health	93.837	Brigham & Woman's Hospital 104005		435
National Institutes of Health	93.837	Brigham & Woman's Hospital 109135		52,732
National Institutes of Health	93.837	Brown Univ 00000300		41,464
National Institutes of Health	93.837	CCHMC 107954 A05		49,269
National Institutes of Health	93.837	CCHMC 109363 A03		-2,080
National Institutes of Health	93.837	CCHMC 109363 A04		22,924
National Institutes of Health	93.837	CCHMC 131302		86,302

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National Institutes of Health	93.837	CCHMC 133536		95,045
National Institutes of Health	93.837	CCHMC 133851		99,692
National Institutes of Health	93.837	CCHMC 134433		31,713
National Institutes of Health	93.837	CCHMC 135458		49,986
National Institutes of Health	93.837	CCHMC 136652		5,676
National Institutes of Health	93.837	CCHMC 137829		6,420
National Institutes of Health	93.837	CCHMC 27641 YR1		6,783
National Institutes of Health	93.837	CCHMC 27641 YR2		51,748
National Institutes of Health	93.837	CCLCM-CWRU 482SUB		1,628
National Institutes of Health	93.837	CCLCM-CWRU 620SUB		15,332
National Institutes of Health	93.837	Cleveand Clinic 664-SUB		13,087
National Institutes of Health	93.837	CWRU RES507570	4,774	4,764
National Institutes of Health	93.837	CWRU RES507653 Option 1	12,382	19,440
National Institutes of Health	93.837	CWRU RES508800	20,845	32,727
National Institutes of Health	93.837	Duke University 162060		-200
National Institutes of Health	93.837	Duke University 179452		27,404
National Institutes of Health	93.837	Duke University 203-4168		88,350
National Institutes of Health	93.837	Duke University 203-4543		37,999
National Institutes of Health	93.837	Duke University 203-4836		8,804
National Institutes of Health	93.837	Duke University 203-8833		6,967
National Institutes of Health	93.837	Duke University 2303-4543		2,508
National Institutes of Health	93.837	Harvard College 111153-5085668		159,349
National Institutes of Health	93.837	Mass General 224838		17,442
National Institutes of Health	93.837	Mass General 225707		87,713
National Institutes of Health	93.837	Ohio Univ UT18476		4,662
National Institutes of Health	93.837	OSU 60048204,60048206		17,138
National Institutes of Health	93.837	OSU 60054401		4,532
National Institutes of Health	93.837	OSURF 60042938	-9,075	-9,075
National Institutes of Health	93.837	U of Rochester 415539-G-007		-4,221
National Institutes of Health	93.837	U Washington 758399		2,475
National Institutes of Health	93.837	U Washington UWSC7453		10,335
National Institutes of Health	93.837	UTHSC 0007526A		-1,429
National Institutes of Health	93.837	UTHSC 0008027A		-428

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National Institutes of Health	93.837	UTHSCH 0010610A		4,707
National Institutes of Health	93.837	UTHSCH 0010667B		100,832
National Institutes of Health	93.837	UTHSCH 001066B		29,526
National Institutes of Health	93.837	UTHSCH HL077863		79,421
National Institutes of Health	93.838	CCLCM-CWRU 566SUB		25,620
National Institutes of Health	93.838	CCLCM-CWRU 684		5,170
National Institutes of Health	93.838	Cleveland Clinic 687-SUB		1,812
National Institutes of Health	93.838	Cornell U 15050777		31,946
National Institutes of Health	93.838	Cornell U 16050776		18,536
National Institutes of Health	93.838	OSURF 60040118		38,884
National Institutes of Health	93.838	Vanderbilt Univ 42525 A1		4,992
National Institutes of Health	93.838	Vanderbilt Univ 42525 A2		36,269
National Institutes of Health	93.839	KeraNetics LLC sub SBIR NHLBI R44HL099010-02		106,610
National Institutes of Health	93.846	CAL-IRV 2013-2914		37,404
National Institutes of Health	93.846	CCHMC 130426 A03		108,491
National Institutes of Health	93.846	CCHMC 130426 A04		91,238
National Institutes of Health	93.846	CCHMC 131976		15,372
National Institutes of Health	93.846	CCHMC 133118		-2,292
National Institutes of Health	93.846	CCHMC 134297		9,546
National Institutes of Health	93.846	CCHMC 134297 A01		33,998
National Institutes of Health	93.846	CCHMC 135196		22,308
National Institutes of Health	93.846	U Mich 3003154652		18,362
National Institutes of Health	93.847	Augusta Univ 25034-81		5,177
National Institutes of Health	93.847	Augusta University 25730-8		10,470
National Institutes of Health	93.847	CCHMC 131860		51,139
National Institutes of Health	93.847	CCHMC 131862		63,024
National Institutes of Health	93.847	CCHMC 131862-M2		17,163
National Institutes of Health	93.847	CCHMC 133185		2,993
National Institutes of Health	93.847	CCHMC133185-M2		13,907
National Institutes of Health	93.847	Emory Univ T317401		2,795
National Institutes of Health	93.847	GWU S-GRD1415-AC6	8,722	38,289
National Institutes of Health	93.847	GWU S-GRD1516-AC6	71,796	292,118
National Institutes of Health	93.847	Tufts Medical Center 5007467-SERV-M3	9,917	10,012

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National Institutes of Health	93.847	U Arizona 325433		1,910
National Institutes of Health	93.847	UC Davis 201400949-01		-9,922
National Institutes of Health	93.847	UC Davis 201400949-02		173,051
National Institutes of Health	93.847	UCLA 1562GTA108		240,055
National Institutes of Health	93.847	Univ of Maryland 1300318		-137
National Institutes of Health	93.847	Univ of NC 5-34495		12,916
National Institutes of Health	93.847	Univ. of Maryland 1300318		3,178
National Institutes of Health	93.847	Univ. of Utah10019799-01		10,558
National Institutes of Health	93.847	Wayne State 16004		34,752
National Institutes of Health	93.853	CCHMC 134275 A02		17,242
National Institutes of Health	93.853	Cornell U 16040482-02		5,020
National Institutes of Health	93.853	Dystonia Fndn Coalition RFA-OD-08-001-Dev Awd		-12,954
National Institutes of Health	93.853	Emory Univ T095810 Amend 4,5,6		8,884
National Institutes of Health	93.853	Emory Univ T472593		88,032
National Institutes of Health	93.853	Great Lakes NeuroTech sub 1R43NS074627-01A1		-14,733
National Institutes of Health	93.853	Great Lakes NeuroTech sub NS065554-05		5,304
National Institutes of Health	93.853	Johns Hopkins 2000794678		63,558
National Institutes of Health	93.853	Johns Hopkins 2000796412		2,381
National Institutes of Health	93.853	Johns Hopkins 2001954609		287,515
National Institutes of Health	93.853	LSJU61118961-116661		64,974
National Institutes of Health	93.853	Mass General 226396		8,281
National Institutes of Health	93.853	Mass General 2CARE PS#221606		371
National Institutes of Health	93.853	Mass General NN103		19,924
National Institutes of Health	93.853	Mass General NN104		183,045
National Institutes of Health	93.853	Mayo Clinic Jacksonville CREST-2 Trial Study 002		2,000
National Institutes of Health	93.853	MAYO Clinic Jacksonville CREST-2 Trial Study 003		5,385
National Institutes of Health	93.853	Med College Wisconsin SubAwd 1,2 Sub NS035929		-2,262
National Institutes of Health	93.853	Northwestern Univ 60036745		63,863
National Institutes of Health	93.853	Regents of U of California San Francisco 7894SC		182,494
National Institutes of Health	93.853	U Alabama 004267887-005 A2		-8,181
National Institutes of Health	93.853	U Alabama 004267887-005 A3		183,128
National Institutes of Health	93.853	U Maryland 069208		605
National Institutes of Health	93.853	U Mich 3000691483		11,359

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National Institutes of Health	93.853	U Mich 3001300231		16,441
National Institutes of Health	93.853	U Mich 3001413194	27,000	79,336
National Institutes of Health	93.853	U Mich 3002112001		30,027
National Institutes of Health	93.853	U Mich SUBK00002381-ATACHII	3,688	3,976
National Institutes of Health	93.853	U Michigan 300262052		93
National Institutes of Health	93.853	U of California SF 7894sc		62,704
National Institutes of Health	93.853	U Washington 755603		2,900
National Institutes of Health	93.853	UMDNJ 99-705 Clinical Trial		3,184
National Institutes of Health	93.853	Univ of VA GC12107-146758		166
National Institutes of Health	93.853	Univ of VA-GC12107-149687		1,820
National Institutes of Health	93.853	Yale A09014 M10A10557		19,806
National Institutes of Health	93.855	Brigham & Woman's Hospital 110007		6,547
National Institutes of Health	93.855	Brigham & Woman's Hospital 110208		360,857
National Institutes of Health	93.855	Brigham & Woman's Hospital 111670		514,323
National Institutes of Health	93.855	Brigham & Women's Hospital 110238		16,740
National Institutes of Health	93.855	Brigham & Women's Hospital 115113		1,759
National Institutes of Health	93.855	CCHMC 131298 A03		1,340
National Institutes of Health	93.855	CCHMC 131298 A04		110,675
National Institutes of Health	93.855	CWRU FHI360		7,285
National Institutes of Health	93.855	CWRU RES508646		-6,881
National Institutes of Health	93.855	CWRU RES509526		230,571
National Institutes of Health	93.855	CWRU RES510456 Yr 3		207,253
National Institutes of Health	93.855	Denver Health & Hospital Authority E400A2		55,947
National Institutes of Health	93.855	Denver Health and Hospital Authority E3400A3		209,174
National Institutes of Health	93.855	Duquesne G1200050		78,207
National Institutes of Health	93.855	St. Jude 111277090-7664433		44,607
National Institutes of Health	93.855	SUNY Buffalo R964455		86,112
National Institutes of Health	93.855	Univ of Massachusetts-Worcester WA00148596/RFS2014100		225,449
National Institutes of Health	93.859	CCHMC 133106		46,503
National Institutes of Health	93.859	CCHMC 135637 7		-11,393
National Institutes of Health	93.859	CCHMC 137210		36,853
National Institutes of Health	93.859	U Illinois 2013-01835-02		17,435
National Institutes of Health	93.859	UC Davis 201502820-01		19,627

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National Institutes of Health	93.865	Baylor College of Medicine 101565366		157,504
National Institutes of Health	93.865	CCHMC 134525		49,892
National Institutes of Health	93.865	CCHMC 135801		11,070
National Institutes of Health	93.865	KUMCRI ZAC00050		3,510
National Institutes of Health	93.865	UAB 000501070 001		23,845
National Institutes of Health	93.865	UTSMC RGC 0000000836 GMO160232		56,715
National Institutes of Health	93.866	CCHMC 109878		10,519
National Institutes of Health	93.866	CCHMC 133051		14,606
National Institutes of Health	93.867	TissueTech SBIR EY022502		52,309
National Institutes of Health	93.879	CCHMC 136153		15,078
Health Resources and Services Administration	93.884	CCHMC 134024		7,422
Health Resources and Services Administration	93.918	Cin Healthh Network 6H76HA00111 2014		-6
Health Resources and Services Administration	93.918	Cin Healthh Network 6H76HA00111 2015		75,529
Health Resources and Services Administration	93.918	Cincinnati Health Network 009673-002 2H76HA00111-25-00	22,788	466,387
Health Resources and Services Administration	93.918	Cincinnati Health Network 009673-003 2H76HA00111-25-00		135,613
Health Resources and Services Administration	93.926	CCHMC 134574		20,400
Health Resources and Services Administration	93.926	CCHMC 135934		3,978
Centers for Disease Control and Prevention	93.940	Hamilton County Public Health #2016-0072 HIV EIP		57,201
Centers for Disease Control and Prevention	93.940	Hamilton County Public Health 2015 HIV EIP		100,311
Centers for Disease Control and Prevention	93.940	ODH 03140012HT0415		29,237
Centers for Disease Control and Prevention	93.940	ODH 03140012HT0516		25,188
Centers for Disease Control and Prevention	93.946	Emory Univ T437116		4,361
Centers for Disease Control and Prevention	93.946	Emory Univ T462932		13,569
Health Resources and Services Administration	93.969	UKRF 3048111909-15-067		-227
Centers for Disease Control and Prevention	93.991	ODH 03140014CC0514		199
Department of Health and Human Services	93.RD	U Illinois 2010-06621-31-02		4,590
Department of Health and Human Services	93.RD	U Illinois 2015-06621-31-03		783
<b>Total Department of Health and Human Services</b>			<b>177,123</b>	<b>12,955,633</b>
<b>Department of Homeland Security</b>				
Department of Homeland Security	97.130	Medical Univ of South Carolina MUSC 13-001 YEAR 3		62,050
<b>Department of Housing and Urban Development</b>				
Office of Healthy Homes and Lead Hazard Control	14.906	Silent Spring Institute 7504 - UCinn		2,030



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<b>Department of Justice</b>				
Office of Juvenile Justice and Delinquency Prevention	16.540	ODYS 2013-JJ-DMC-0550		191,902
Office of Juvenile Justice and Delinquency Prevention	16.541	2015-JF-FX-0064-OJJDP FY 2015		6,802
National Institute of Justice	16.560	DOJ 2015-CK-BX-0001	286	67,860
<b>Total Department of Justice</b>			<b>286</b>	<b>266,564</b>
<b>Department of the Interior</b>				
U.S. Geological Survey	15.805	OSU 60069767		1
U.S. Geological Survey	15.805	Univ South Carolina 16-2995		17,521
U.S. Geological Survey	15.808	AmericaView AV14-OH-UC01- G14AP00002		10,814
U.S. Geological Survey	15.808	Univ Southern Cal-LA 70160554		8,284
Department of the Interior	15.RD	OSU 60054084		5,923
Department of the Interior	15.RD	OSU 60054085		2,203
<b>Total Department of the Interior</b>				<b>44,746</b>
<b>Department of Transportation</b>				
Federal Aviation Administration (FAA)	20.108	FAA 15-G-007		162,372
Federal Aviation Administration (FAA)	20.108	FAA 15-G-013		109,680
Department of Transportation	20.RD	NAS HR 12-91 Mod 1	33,714	160,096
Department of Transportation	20.RD	URS CORP-OHIO Sub ODOT 14174 Phase II		307,400
<b>Total Department of Transportation</b>			<b>33,714</b>	<b>739,548</b>
<b>Environmental Protection Agency</b>				
Environmental Protection Agency	66.RD	Pegasus WA 4-11 Task 1 B		10,270
Environmental Protection Agency	66.RD	Pegasus WA 0-05 Task 1.1		43,207
Environmental Protection Agency	66.RD	Pegasus WA 0-05 Task 1.2		39,773
Environmental Protection Agency	66.RD	Pegasus WA 0-05 Task 2.3		12,497
Environmental Protection Agency	66.RD	Pegasus WA 0-11 Task 1		25,601
Environmental Protection Agency	66.RD	Pegasus WA 4- 11 Task 2		11,632
Environmental Protection Agency	66.RD	Pegasus WA 4 -5 Task 2		40,893
Environmental Protection Agency	66.RD	Pegasus WA 4-05 Task 1.1		35,320
Environmental Protection Agency	66.RD	Pegasus WA 4-05 Task 1.2		22,221
Environmental Protection Agency	66.RD	Pegasus WA 4-05 Task 1.4		4,036
Environmental Protection Agency	66.RD	Pegasus WA 4-05 Task 2.3		15,895

# University of Cincinnati

A Component Unit of the State of Ohio

## Schedule of Expenditures of Federal Awards

for the year ended June 30, 2016

Federal Grantor/Pass-Through Grantor/ Cluster Title	Federal CFDA Number	Program Title, Pass-Through Entity and ID	Passed Through to Subrecipient	Total Federal Expenditures
Environmental Protection Agency	66.RD	Pegasus WA 4-45 Task 3		53,577
Environmental Protection Agency	66.RD	Pegasus WA 4-45 Task 1		26,514
Environmental Protection Agency	66.RD	Pegasus WA 4-82		44,025
Environmental Protection Agency	66.RD	SRC Inc. SCFA 53502		4,753
<b>Total Environmental Protection Agency</b>				<b>390,214</b>
<b>Institute of Museum and Library Services</b>				
Institute of Museum and Library Services	45.312	Zoological Soc of Cinci LG-25-12-059-12		40,089
Institute of Museum and Library Services	45.312	Zoological Soc of Cinci LG-25-12-059-12 CREW		22,637
<b>Total Institute of Museum and Library Services</b>				<b>62,726</b>
<b>National Aeronautics and Space Administration</b>				
National Aeronautics and Space Administration	43.001	Arizona St U 14-304		23,885
National Aeronautics and Space Administration	43.RD	CAL-TECH 1531308		57,243
National Aeronautics and Space Administration	43.RD	CCHMC 131050		57,576
National Aeronautics and Space Administration	43.RD	GE PO #200-14-14N44252		155,434
National Aeronautics and Space Administration	43.RD	NIAA Sub No. C15-2A00-UC, Sub Actvty No. 2A06-UC		19,980
National Aeronautics and Space Administration	43.RD	OAI 063583		533
National Aeronautics and Space Administration	43.RD	Space Telescope Science Inst HST-GO-13310.005		2,235
National Aeronautics and Space Administration	43.RD	Vanderbilt Univ 8042-018286		13,349
<b>Total National Aeronautics and Space Administration</b>				<b>330,235</b>
<b>National Science Foundation</b>				
National Science Foundation	47.041	Bettery 008828-001		-4,944
National Science Foundation	47.041	Bettery 009586-002		13,652
National Science Foundation	47.041	NCA&T 260116B		767,123
National Science Foundation	47.041	Sense Diagnostics / NSF IIP-1520285		25,776
National Science Foundation	47.049	American Physical Society PhysTEC - NonPSC YR3		14,551
National Science Foundation	47.049	American Physical Society PhysTEC - NonPSC YR2		3,794
National Science Foundation	47.049	American Physical Society PhysTEC - PSC-YR3		65,615
National Science Foundation	47.049	Notre Dame 1219444		10,336
National Science Foundation	47.050	JMU S15-235-01		34,576
National Science Foundation	47.050	U of New Mexico 133549-87S1		13,390
National Science Foundation	47.074	U Illinois 2012-00109-01		16,284

# University of Cincinnati

A Component Unit of the State of Ohio

## Schedule of Expenditures of Federal Awards

for the year ended June 30, 2016

Federal Grantor/Pass-Through Grantor/ Cluster Title	Federal CFDA Number	Program Title, Pass-Through Entity and ID	Passed Through to Subrecipient	Total Federal Expenditures
National Science Foundation	47.076	Mich St U RC105254UC		6,407
National Science Foundation	47.076	Ohio State 60042097		34,500
National Science Foundation	47.076	U of Tennessee at Chattanooga 8500029533		4,555
National Science Foundation	47.076	Wright State 667378		8,651
<b>Total National Science Foundation</b>				<b>1,014,266</b>
<b>Total Research and Development - Pass Through Funds</b>			<b>227,347</b>	<b>18,789,726</b>
<b>Total Research and Development Cluster</b>			<b>16,522,901</b>	<b>110,372,841</b>
<b>Other</b>				
<b>Other - Direct Funds</b>				
<b>Department of Education</b>				
<b>TRIO Cluster</b>				
Office of Postsecondary Education	84.042	TRIO_Student Support Services		199,933
Office of Postsecondary Education	84.044	TRIO_Talent Search		322,828
Office of Postsecondary Education	84.047	TRIO_Upward Bound		846,607
Office of Postsecondary Education	84.066	TRIO_Educational Opportunity Centers		253,611
Office of Postsecondary Education	84.217	TRIO_McNair Post-Baccalaureate Achievement		236,628
<b>Total TRIO Cluster</b>				<b>1,859,607</b>
<b>Other Department of Education</b>				
Office of Educational Research and Improvement	84.287	Twenty-First Century Community Learning Centers		195,401
Office of Special Education and Rehabilitative Services	84.325	Special Education - Personnel Development to Improve Services and Results for Children with Disabilities		316,665
Office of Postsecondary Education	84.334	Gaining Early Awareness and Readiness for Undergraduate Programs		298,278
Department of Education	84.RD	Department of Education		979
<b>Total Other Department of Education</b>				<b>811,323</b>
<b>Total Department of Education</b>				<b>2,670,930</b>
<b>Department of Health and Human Services</b>				
Administration for Children and Families	93.600	Head Start		594,398

# University of Cincinnati

A Component Unit of the State of Ohio

## Schedule of Expenditures of Federal Awards

for the year ended June 30, 2016

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>Environmental Protection Agency</b>				
Office of Research and Development	66.514	Science To Achieve Results (STAR) Fellowship Program		2,437
<b>Office of Personnel Management</b>				
Office of Personnel Management	27.011	Intergovernmental Personnel Act (IPA) Mobility Program		158,202
<b>U.S. Department of State</b>				
Bureau of Near Eastern Affairs	19.021	Investing in People in The Middle East and North Africa		227,203
Under Secretary for Public Diplomacy and Public Affairs	19.040	Public Diplomacy Programs		539
<b>Total U.S. Department of State</b>				<b>227,742</b>
<b>Total Other - Direct Funds</b>				<b>3,653,709</b>
<b>Other - Pass Through Funds</b>				
<b>Department of Agriculture</b>				
Food and Nutrition Service	10.558	ODE Sub USDA CACFP FY 2015		8,574
Food and Nutrition Service	10.558	ODE Sub USDA CACFP FY 2016		35,902
<b>Total Department of Agriculture</b>				<b>44,476</b>
<b>Department of Defense</b>				
Department of Defense	12.RD	INNOVATIVE SCIENTIFIC SOLUTIONS INC SB20179		23,214
<b>Department of Education</b>				
<b>Special Education (IDEA) Cluster</b>				
Office of Special Education and Rehabilitative Services	84.027	Univ of Dayton RSC14036		40,069
<b>Total Special Education (IDEA) Cluster</b>				<b>40,069</b>
Office of Postsecondary Education	84.116	U Louisville #10-1109-02		240
Office of Special Education and Rehabilitative Services	84.323	Ohio Department of Education 15751		5,689
Office of Special Education and Rehabilitative Services	84.325	U Dayton RSC15083		72,093
Office of Special Education and Rehabilitative Services	84.325	UDRI RSC15069 / H325A120003		13,197
Office of Elementary and Secondary Education	84.367	Dayton City Schools 009695-002 Title II A ITQ		21,425
Office of Elementary and Secondary Education	84.367	OBR 14-12 sub USED Grades K-6		34,408
Office of Elementary and Secondary Education	84.367	OBR14-11 sub USED Grades 7-12		36,182
Office of Elementary and Secondary Education	84.367	OBR15-12 sub USED Grades K-6		32,004
Office of Elementary and Secondary Education	84.367	OBR15-13 sub USED Grade 7-12		30,161
Department of Education	84.RD	Battelle OSLN 009573-002		14,167

# University of Cincinnati

A Component Unit of the State of Ohio

## Schedule of Expenditures of Federal Awards

for the year ended June 30, 2016

Federal Grantor/Pass-Through Grantor/ Cluster Title	Federal CFDA Number	Program Title, Pass-Through Entity and ID	Passed Through to Subrecipient	Total Federal Expenditures
Department of Education	84.RD	Battelle OSLN 010141-002		2,382
Department of Education	84.RD	Dayton Public Schools 009570-002 Title III		11,234
<b>Total Department of Education</b>				<b>313,251</b>
<b>Department of Health and Human Services</b>				
<b>Medicaid Cluster</b>				
Centers for Medicare and Medicaid Services	93.778	Northeast Ohio Medical University G0066-E		17,323
Centers for Medicare and Medicaid Services	93.778	OCMGRC 60046085	41,046	104,655
Centers for Medicare and Medicaid Services	93.778	OSU 60050888		84,608
Centers for Medicare and Medicaid Services	93.778	OSU 60051005	123,372	731,777
<b>Total Medicaid Cluster</b>			<b>164,418</b>	<b>938,363</b>
<b>CCDF (Child Care and Development) Cluster</b>				
Administration for Children and Families	93.575	ODJFS/DHHS DAY CARE CONTR FY12-FY15		-1,571
Administration for Children and Families	93.575	ODJFS/DHHS DAY CARE CONTR FY16		40,794
Administration for Children and Families	93.575	OHIO CHILD CARE RES & REF ASSN-Step Up To Qlity Yr 6		8,227
<b>Total CCDF (Child Care and Development) Cluster</b>				<b>47,450</b>
Administration for Children and Families	93.600	CHCCAA HHS Headstart 14-43		-31,480
<b>Total Department of Health and Human Services</b>			<b>164,418</b>	<b>954,333</b>
<b>Department of Justice</b>				
Office of Juvenile Justice and Delinquency Prevention	16.523	OJJDP via DJJ Virginia EPICS 15-A3177JB11		10,104
Violence Against Women Office	16.526	Arizona Supreme Court 2016-00000088 AZYAS Train the Trainer		14,447
Office of Juvenile Justice and Delinquency Prevention	16.540	Arizona Supreme Court 2014- 00000195		49,176
Office of Juvenile Justice and Delinquency Prevention	16.540	Arizona Supreme Court 2014-00000195IT Maintenance Contract		19,136
Office of Juvenile Justice and Delinquency Prevention	16.541	Arizona Supreme Court 2014-00000195 A1-AZYAS		17,654
Office of Juvenile Justice and Delinquency Prevention	16.542	CT Department of Corrections 13DOC0112AA		31,342
Bureau of Justice Assistance	16.738	CPD 35X0021		3,500
Bureau of Justice Assistance	16.738	DOJ SUB OCJS 2013-DG-EOR-6953		79,069
Bureau of Justice Assistance	16.745	Florida Dept of Juvenile Justice 10143		9,597
Bureau of Justice Assistance	16.751	City of Norfolk Technical Assistance Year 2		11,333
Bureau of Justice Assistance	16.751	ODRC 403-12-0842		8,237

# University of Cincinnati

A Component Unit of the State of Ohio

## Schedule of Expenditures of Federal Awards

for the year ended June 30, 2016

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 Department of Justice</b>				<b>253,595</b>
<b>Department of Transportation</b>				
<b>Highway Safety Cluster</b>				
National Highway Traffic Safety Administration (NHTSA)	20.600	ODPS SC-2015-8-00-00-00458-00		12,411
<b>Highway Planning and Construction Cluster</b>				
Federal Highway Administration (FHWA)	20.205	Cleveland St 279-M189-2014		7,772
Federal Highway Administration (FHWA)	20.205	ODOT 26231		1,950
Federal Highway Administration (FHWA)	20.205	ODOT 26601	5,824	26,678
Federal Highway Administration (FHWA)	20.205	ODOT 27144A		100,507
Federal Highway Administration (FHWA)	20.205	ODOT 27226 S		26,075
Federal Highway Administration (FHWA)	20.205	Ohio Univ FHA 25160B Task 8		11,514
Federal Highway Administration (FHWA)	20.205	Ohio Univ FHA 25160B Task 7		16,031
Federal Highway Administration (FHWA)	20.205	Ohio Univ UT19212 Task 1		8,968
Federal Highway Administration (FHWA)	20.205	U Toledo F-2015-84		151,251
<b>Total Highway Planning and Construction Cluster</b>			<b>5,824</b>	<b>350,746</b>
<b>Total Department of Transportation</b>			<b>5,824</b>	<b>363,157</b>
<b>National Aeronautics and Space Administration</b>				
National Aeronautics and Space Administration	43	OSGC/NASA AAVC		423
National Aeronautics and Space Administration	43.001	OAI OSGC/NASA SCHOLARSHIP		2,157
National Aeronautics and Space Administration	43.001	OAI OSGC/NASA Seed Grant-Cohen Flight Camp @ UC		275
National Aeronautics and Space Administration	43.001	OSGC FY15-16 Scholarships		3,750
National Aeronautics and Space Administration	43.RD	OSGC Hybrid Rocket Lander NASA		1,932
National Aeronautics and Space Administration	43.RD	URSA 09960-17		54,580
<b>Total National Aeronautics and Space Administration</b>				<b>63,117</b>
<b>National Endowment for the Humanities</b>				
National Endowment for the Humanities	45.129	OHC sub NEH QU14-071		-114
<b>Total Other - Pass Through Funds</b>			<b>170,242</b>	<b>2,015,029</b>
<b>Total Other</b>			<b>170,242</b>	<b>5,668,738</b>

# University of Cincinnati

*A Component Unit of the State of Ohio*

## Schedule of Expenditures of Federal Awards

for the year ended June 30, 2016

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 Federal Awards Expenditures</b>			<b>16,693,143</b>	<b>\$455,622,793</b>

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**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2016**

**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 ended June 30, 2016. 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 and Nursing Student 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, 2016 are as follows:

Federal Perkins Loan Program (CFDA 84.038)	\$	3,233,718
Health Professions Student Loan Program (CFDA 93.342)		82,600
Nursing Student Loan Program (CFDA 93.364)		137,700
Nursing Faculty Loan Program (CFDA 93.264)		317,699
	<u>\$</u>	<u>3,771,717</u>

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



Outstanding loans at June 30, 2016 include the following:

Federal Perkins Loans	\$	19,622,137
Health Professions Student Loans		448,353
Nursing Student Loans		653,838
Nursing Faculty Loan Program		1,044,853
	<u>\$</u>	<u>21,769,181</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 May 18, 2012 the university received approval for indirect cost recovery rates effective from July 1, 2012 through June 30, 2016. The indirect cost rates structure is as follows:

Rate Type	Effective July 1, 2013 through June 30, 2015
Organized Research:	
On-campus	58.5%
Off-campus	26.0%

Instruction:	
On-campus	56.0%
Off-campus	26.0%

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

Rate Type	Effective July 1, 2015 through June 30, 2016
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Organized Research:	
On-campus	58.0%
Off-campus	26.0%

Instruction:	
On-campus	56.0%
Off-campus	26.0%

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

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

Board of Trustees  
University of Cincinnati  
Cincinnati, Ohio

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements of the University of Cincinnati (University) and its discretely presented component unit, collectively a component unit of the State of Ohio, which comprise the statement of net position as of June 30, 2016, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the basic financial statements, and have issued our report thereon dated October 14, 2016, which contained a reference to the report of other auditors. Other auditors audited the financial statements of the University of Cincinnati Foundation, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

***Internal Control Over Financial Reporting***

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses 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 14, 2016

## 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 compliance of the University of Cincinnati (University), a component unit of the State of Ohio, with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended June 30, 2016. 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, contracts 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, 2016.

## 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 its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for its 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 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 14, 2016

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

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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, 2016**

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7. The University's major program was:

<b>Cluster/Program</b>	<b>CFDA Number</b>
Student Financial Assistance Cluster	84.007,84.033, 84.038, 84.063, 84.268, 84.379, 93.264, 93.342, 93.364

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, 2016**

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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, 2016**

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<b>Reference Number</b>	<b>Summary of Finding</b>	<b>Status</b>
2015-001	<p><i><b>Federal program</b></i> – Federal Pell Grant Program, CFDA No. 84.063, U.S. Federal Supplemental Educational Opportunity Grant, CFDA No. 84.007, Federal Direct Student Loans, CFDA No. 84.268, Federal Perkins Loan Program, CFDA No. 84.038, Teacher Education Assistance for College and Higher Education Grants (TEACH), CFDA No. 84.379, U.S. Department of Education, Program Year 2015. – Special Tests and Provisions – Return of Title IV Funds – Schools must determine the amount of Title IV aid earned by the student as of the student’s withdrawal date. The University does not have controls in place to verify attendance for students who withdraw prior to the census date. The University was calculating return of funds for students who withdrew prior to the census date without substantiating whether or not they actually attended class.</p>	Resolved

# **University of Cincinnati**

Independent Accountant's Report on Application of Agreed-Upon Procedures  
Performed on the Intercollegiate Athletic Program as  
Required by NCAA Bylaw 3.2.4.16

June 30, 2016

**University of Cincinnati**  
**June 30, 2016**

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## Independent Accountant's Report on Application of Agreed-Upon Procedures

Board of Trustees  
University of Cincinnati  
Cincinnati, Ohio

We have performed the procedures enumerated below, which were agreed to by the management of the University of Cincinnati (University), solely to assist you with respect to evaluating whether the accompanying statement of revenues and expenses of the University is in compliance with the National Collegiate Athletic Association (NCAA) Bylaw 3.2.4.16 for the year ended June 30, 2016. The management of the University is responsible for its aforementioned financial statement elements, accounts and items. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below for the purpose for which this report has been requested or for any other purpose.

The procedures performed and findings obtained are described below:

### Statement of Revenues and Expenses

1. We obtained the statement of revenues and expenses (Statement), as prepared by the Department of Athletics of the University (Athletics), for the year ended June 30, 2016. We compared the revenue and expense amounts reported on the Statement to the supporting schedules prepared by management of the University, noting they agreed without exception.
2. We compared a sample (see items 4-38 below) of operating revenue receipts and operating expenses obtained from the above operating revenue and expense supporting schedules to adequate supporting schedules. Excluding items 21 and 23 below, no exceptions were noted.
3. We compared each major revenue category greater than 10% of total revenues and each major expense category greater than 10% of total expenses on the Statement to prior year amounts and current year budgeted amounts. We obtained and documented an understanding of any significant variances (greater than \$1 million or a 10% change) from prior year amounts and current year budgeted amounts and noted the following:

### Actual Revenue and Expenses as Compared to Prior Year

- *Ticket Sales* – The increase of \$2,111,323 is primarily attributable to an increase in sales as the construction of Nippert Stadium was completed and games were held on-site in 2016 as opposed to off-site in 2015.
- *Direct Institutional Support* – The increase of \$1,606,078 is primarily attributable to a transfer of funds from Athletics to the Plant Fund P600065.

- *AAC Conference Distributions* – The decrease of \$1,945,490 is primarily attributable to decreases in NCAA base and supplemental distributions and exit fees.
- *Royalties, Licensing, Advertising and Sponsorships* – The increase of \$1,502,120 resulted from the change from Adidas to Under Armour.
- *Support Staff/Administrative Salaries, Benefits and Bonuses Paid by the University and Related Entities* – The increase of 13.64% is primarily attributable to a number of salary increases and additional positions created within the department.
- *Athletic Facilities Debt Service, Leases and Rental Fees* – The increase of \$4,512,298 is primarily attributable to the debt payment on the Nippert West Pavilion.

#### **Actual Revenue and Expenses to Current Year Budget**

- *Athletic Facilities Debt Service, Leases and Rental Fees* – The increase of \$4,634,972 is primarily attributable to the debt payment on the Nippert West Pavilion.

#### **Revenues**

4. *Ticket Sales* – For football and men’s basketball ticket revenue, we compared the detail of tickets sold, complimentary tickets provided and unsold tickets for the year ended June 30, 2016, from the Paciolan ticketing system to the general ledger without exception.
5. *Student Fees* – We inquired as to whether student fees are allocated to Athletics, and the University’s management represented there are no restricted student fee allocations from the University to the Department of Athletics. All allocations are unrestricted and reported as direct institutional support.
6. *Direct State or Other Governmental Support* – We inquired of the University’s management who represented there was no direct state or other governmental support during the year ended June 30, 2016.
7. *Direct Institutional Support* – We compared direct institutional support recorded by Athletics with institutional transfer authorizations held by the Controller’s Office of the University and noted no exceptions.
8. *Transfers Back to the Institution* – We inquired of the University’s management who represented there were no transfers back to the institution during the year ended June 30, 2016.
9. *Indirect Institutional Support* – We compared the indirect institutional support recorded by Athletics during the reporting period with expense payments, cost allocation detail and other corroborative supporting documentation and recalculated totals, without exception.
10. *Guarantees* – We noted there were no settlement reports for guaranteed contests during the year ended June 30, 2016. We selected three contractual agreements related to revenues derived from guaranteed contests and agreed the revenue recorded to the agreements without exception.
11. *Contributions* – We obtained a list of contributions of all money, goods or services received directly by Athletics from individuals and other donors. There were two contributions greater

- than 10% of the total contributions received. We agreed the amount to the general ledger and supporting documentation without exception.
12. *Compensation and Benefits Provided by a Third-Party* – We inquired of the University’s management as to whether Athletics received any revenues or contributions to specifically support compensation or benefits from outside organizations for the year ended June 30, 2016, and they represented there were no compensation or benefits provided by third parties.
  13. *Media Rights* – We inquired of the University’s management who represented there was no media rights revenue during the year ended June 30, 2016.
  14. *NCAA Distributions* – We compared the amounts recorded in the Statement to the summary of NCAA distributions and agreed to supporting documentation of the cash receipts without exception.
  15. *Conference Distributions* – We compared the amounts recorded in the Statement to the summary of Conference distributions and agreed to supporting documentation of the cash receipts without exception.
  16. *Program Sales, Concession, Novelty Sales and Parking* – We compared the amount recorded in the Statement to the general ledger detail without exception.
  17. *Royalties, Licensing, Advertisements and Sponsorships* – We obtained and inspected agreements related to the University’s participation in revenues from royalties, licensing, advertisements and sponsorships during the reporting period and compared and agreed the related revenues to the Statement and recalculated the totals without exception.
  18. *Sports Camps Revenues* – We inquired of the University’s management who represented there were no sports camp revenues during the year ended June 30, 2016.
  19. *Athletics Restricted Endowment and Investment Income* – We obtained and inspected agreements for the Stuart R. Garrison Memorial Endowed Athletic Scholarship Fund, David DeCarlo Endowment Fund, Alex Gordon Scholarship Fund, Charles H. Keating, Jr. Endowed Athletic Scholarship and the Clark A. Oyler Fund and noted that the use of endowment and investment income agreed with the restricted purpose of the fund.
  20. *Other Operating Revenue* – We obtained supporting schedules for other operating revenue reported in the Statement, noting they agreed without exception.

## **Expenses**

21. *Athletic Student Aid* – We randomly selected 70 athletic students (20% of total student athletes receiving aid) from the University’s listing of student aid recipients. For each selection, we obtained individual student account detail and compared total aid allocated from the related award letter to amounts applied to the student’s account and noted four exceptions, as noted below. We also performed a check of each student selected to ensure their information was reported accurately in the NCAA Membership Financial Reporting System (System) and noted no exceptions. We also recalculated totals from the System for each sport and overall without exception.
  - a. When comparing total aid allocated from the award letter to the amounts applied to one student’s account, we noted a \$900 difference due to an error in the allocation of the student’s aid between tuition and scholarships.

- b. When comparing total aid allocated from the award letter to the amounts applied to one student's account, we noted a \$4,822 difference due to an error when posting to financial aid. The student's bill and the athletic GIA (Grant-In-Aid) did not accurately reflect the amounts.
  - c. When comparing total aid allocated from the award letter to the amounts applied to one student's account, we noted a \$900 difference due to a reduction that was approved for the student but not properly reflected on their account.
  - d. When comparing total aid allocated from the award letter to the amounts applied to one student's account, we noted a \$165 difference due to a disbursement that was not appropriately disbursed but reflected on the student's account.
22. *Guarantees* – We inspected visiting institution's away-game settlement reports received by the University during the year ended June 30, 2016 and agreed related expenses to the University's Statement without exception. We obtained and inspected contractual agreements pertaining to expenses recorded by the University from guaranteed contests and agreed recorded expenses to the University's Statement without exception.
23. *Coaching Salaries, Benefits and Bonuses Paid by the University and Related Entities* – We obtained a listing of coaches employed by the University and randomly selected five coaches (Michael Cronin, Joseph Walker, Thomas Tuberville, Neil Stafford, and Jamelle Elliott) which included football, men's basketball, strength & conditioning, women's soccer, and women's basketball coaches. We compared and agreed the financial terms and conditions of their contracts, and compared the salaries and bonuses for each selection to the related coaching salaries, benefits and bonuses recorded in the Statement and noted no exceptions. We further inspected payroll summary registers for the year ended June 30, 2016 for each selection and agreed them to the related coaching salaries, benefits, and bonuses paid by the University and related entities expense recorded by the University in the Statement. In one instance, BKD noted a \$2,064 difference between the contract amount and amount recorded by the University.
24. *Coaching Other Compensation and Benefits Paid by a Third Party* – We inquired of the University's management, as to whether there were any coaching compensation or benefits paid by a third party and they represented there were no other compensation or benefits provided by third parties.
25. *Support Staff/Administrative Salaries, Benefits and Bonuses Paid by the University and Related Entities* – We selected a sample of five support staff/administrative personnel employed by the University (Rannen Roberson, Alexander Ryan, Ryan Koslen, Andrew Kolb, Andrew Edward Nagel), and compared the related salaries, benefits and bonuses paid by the University to the Statement and noted no exceptions.
26. *Support Staff/Administrative Salaries, Benefits and Bonuses Paid by a Third Party* – We inquired of the University's management as to whether there were any support staff/administrative salaries, benefits or bonuses paid by a third party and they represented there were no support staff/administrative compensation or benefits provided by third parties.
27. *Severance Payments* – We inquired of the University's management as to whether there were any employees who received severance pay during the year ended June 30, 2016, and they represented that there were no employees who received severance pay during the year.
28. *Recruiting* – We obtained the recruiting policies for Athletics and compared them to the NCAA policies. No exceptions were noted. We obtained supporting schedules for recruiting expenses and agreed them to the Statement without exception.

29. *Team Travel* – We obtained the team travel policies for Athletics and compared them to the NCAA policies. No exceptions were noted. We obtained the supporting schedule for team travel expenses and agreed the amounts in the supporting schedules to the Statement, noting no exceptions.
30. *Equipment, Uniforms, and Supplies* – We obtained general ledger detail and compared the total expenses reported to the Statement without exception. We selected a sample of two transactions and agreed the expenses to support without exception.
31. *Game Expenses* – We obtained general ledger detail and compared the total expenses to the Statement without exception. We selected a sample of two transactions and agreed the expenses to support without exception.
32. *Fund Raising, Marketing and Promotion* – We obtained general ledger detail and compared the total expenses to the Statement without exception. We selected a sample of three transactions and agreed the expenses to the support without exception.
33. *Sports Camp Expenses* – We inquired of the University’s management as to whether there were any expenses incurred for sport camps for the year ended June 30, 2016. The University’s management represented there were no expenses incurred for sports camps during the year ended June 30, 2016.
34. *Athletic Debt Service, Leases and Rental Fees* – We obtained general ledger detail and compared the total expenses to the Statement without exception. We selected the two largest transactions and agreed the expenses to support without exception.
35. *Direct Overhead and Administrative Expenses* – We obtained general ledger detail and compared the total expenses to the Statement without exception. We selected a sample of two transactions and agreed the expenses to support without exception.
36. *Indirect Allocated Institutional Support* – We compared the indirect institutional support recorded by Athletics during the reporting period with expenses payments, cost allocation detail and other corroborative supporting documentation and recalculated totals without exception.
37. *Medical Expenses and Medical Insurance* – We obtained general ledger detail and compared the total expenses to the Statement without exception. We selected a sample of two transactions and agreed the expenses to support without exception.
38. *Other Operating Expenses* – We obtained general ledger detail and compared the total expenses to the Statement without exception. We selected the largest two transactions and agreed the expenses to support without exception.

#### **Additional Minimum Agreed Upon Procedures**

39. We compared and agreed the sports sponsored reported in the NCAA Membership Financial Reporting System to the squad lists of the University, noting no discrepancies.
40. We obtained the institution's Sports Sponsorship and Demographics Forms Report for the fiscal year and validated that the countable sports reported by the University met the minimum requirements set forth in Bylaw 20.9.6.3 for the number of contests and the number of participants in each contest that is counted toward meeting the minimum contest requirement, noting no discrepancies.
41. Once countable sports were confirmed per number 40 above, we ensured that the University has properly reported these sports as countable for revenue distribution purposes within the NCAA Membership Financial Reporting System, noting no discrepancies.



We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the specified elements, accounts and items described above. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

*BKD, LLP*

October 14, 2016

**University of Cincinnati**  
**Statement of Revenues and Expenses**  
**For the Year Ended June 30, 2016**

Exhibit A

	Football	Men's Basketball	Women's Basketball	Other Men	Other Women	NonProgram- Specific	Total
<b>Revenues</b>							
Ticket sales	\$ 5,282,912	\$ 2,476,958	\$ 2,383	\$ 19,318	\$ -	\$ -	\$ 7,781,571
Guarantees	290,000	50,000	-	17,078	2,336	-	359,414
Contributions	1,799,099	145,366	15,203	114,650	62,387	2,375,879	4,512,584
In Kind	-	-	-	-	-	150,000	150,000
Direct institutional support	-	-	-	-	-	23,324,120	23,324,120
Indirect facilities and admin. support	-	-	-	-	-	1,568,003	1,568,003
NCAA distributions	-	-	-	-	9,100	977,150	986,250
AAC Conference distributions	1,978,647	3,595,702	-	-	-	2,303,469	7,877,818
Post season revenue	724,054	-	-	-	-	-	724,054
Program sales/concessions/novelty sales and parking	226,578	126,450	-	-	-	853,215	1,206,243
Royalties, licensing, advertising and sponsorships	-	-	-	-	-	6,569,561	6,569,561
Endowment and investment income	79,520	3,178	2,225	62,465	24,549	304,392	476,329
Other income	42,688	51,084	5,688	31,870	90,739	3,304,141	3,526,210
<b>Total Revenues</b>	<b>\$ 10,423,498</b>	<b>\$ 6,448,738</b>	<b>\$ 25,499</b>	<b>\$ 245,381</b>	<b>\$ 189,111</b>	<b>\$ 41,729,930</b>	<b>\$ 59,062,157</b>
<b>Expenses</b>							
Athletics student aid	\$ 2,730,217	\$ 443,447	\$ 465,164	\$ 910,209	\$ 2,008,239	\$ 317,929	\$ 6,875,205
Guarantees	690,000	503,500	46,540	15,000	3,433	-	1,258,473
Coaching salaries, benefits and bonuses paid by the University and related entities	6,507,706	4,400,073	1,099,497	875,019	1,708,986	-	14,591,281
Support staff/administrative salaries, benefits and bonuses paid by the University and related entities	124,153	6,114	6,768	5,364	10,183	6,548,530	6,701,112
Recruiting	355,656	213,062	104,275	94,842	143,748	-	911,583
Team travel	1,081,012	1,195,134	411,274	835,670	1,019,371	-	4,542,461
Equipment, uniforms and supplies	219,517	17,577	11,823	142,851	122,326	-	514,094
Game expenses	796,753	439,771	52,777	114,557	139,343	331,518	1,874,719
Fundraising, marketing and promotion	20,614	1,498	-	18,155	11,611	2,985,673	3,037,551
Athletic facilities debt service, leases and rental fees	-	-	-	-	-	10,414,098	10,414,098
Direct overhead and administrative expenses	86,967	71,142	1,202	21,156	5,051	703,275	888,793
Spirit groups	-	-	-	-	-	251,259	251,259
Indirect facilities and administrative support	-	-	-	-	-	1,568,003	1,568,003
Medical expenses and medical insurance	35,634	-	-	-	-	597,728	633,362
Memberships and dues	840	3,750	956	12,955	14,863	42,496	75,860
Training table	100,804	13,484	23,696	58,768	56,581	150,000	403,333
Post season expenses	437,971	-	-	-	-	-	437,971
Other operating expenses	660,585	113,434	79,930	131,832	122,833	1,889,655	2,998,269
<b>Total Expenses</b>	<b>\$ 13,848,429</b>	<b>\$ 7,421,986</b>	<b>\$ 2,303,902</b>	<b>\$ 3,236,378</b>	<b>\$ 5,366,568</b>	<b>\$ 25,800,164</b>	<b>\$ 57,977,427</b>

**University of Cincinnati**  
**Notes to Statement of Revenues and Expenses**  
**June 30, 2016**

1. Summary of Presentation Policies

The amounts in the accompanying statement of revenues and expenses were obtained from the University of Cincinnati's (University) general ledger, which is maintained on an accrual basis. All revenues and expenses directly related to various sports were disclosed as such, except items which were not applicable. The primary purpose of the agreed-upon procedures report is to ensure the president of the University is made aware of all financial activity (both internal and external) for athletics purposes and to assist the University in exercising control over the financial activity made by or on behalf of the intercollegiate athletics program.

2. Property, Plant and Equipment

All University assets are recorded at cost at date of acquisition, or market value at date of donation. The University's capitalization threshold is \$100,000 for major capital projects and intangible assets except for internally generated software which has a threshold of \$500,000. For all other items the capitalization threshold is \$5,000. Interest on related borrowing, net of interest earnings on invested proceeds, is capitalized during the period of construction. The University and its blended component unit's property and equipment are depreciated using the straight-line method over the estimated useful lives (from three to fifty years) of the respective assets. When plant assets are sold or disposed of, the carrying value of such assets and the associated depreciation are removed from the University's records.

3. Repayment Schedule for Outstanding Debt

The repayment schedule as of June 30, 2016, for outstanding debt related to the Department of Athletics of the University is as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 3,271,843	\$ 6,655,475	\$ 9,927,318
2018	3,424,093	6,500,615	9,924,708
2019	3,566,344	6,342,967	9,909,311
2020	3,722,687	6,169,908	9,892,595
2021	3,916,727	5,985,621	9,902,348
2022-2026	23,132,179	26,817,520	49,949,699
2027-2031	28,930,000	20,646,093	49,576,093
2032-2036	37,070,000	12,514,447	49,584,447
2037-2041	27,005,000	2,744,500	29,749,500
Total	<u>\$ 134,038,873</u>	<u>\$ 94,377,146</u>	<u>\$ 228,416,019</u>

Principal and interest payments made during the year are included in the statement of revenues and expenses as athletic facilities debt service, leases and rental fees.

**University of Cincinnati**  
**Notes to Statement of Revenues and Expenses**  
**June 30, 2016**

4. Affiliated Organization

The University of Cincinnati Foundation is a related entity of the University's Department of Athletics. The related entity conducts fundraising activities that support the Department of Athletics.

During fiscal year 2016, the affiliated organization transferred \$4,464,383 directly to the University in support of the Department of Athletics operations.



# Dave Yost • Auditor of State

UNIVERSITY OF CINCINNATI

HAMILTON COUNTY

## CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
DECEMBER 1, 2016