UNIVERSITY OF CINCINNATI

A COMPONENT UNIT OF THE STATE OF OHIO
HAMILTON COUNTY

FINANCIAL STATEMENTS AS OF AND FOR THE
YEAR ENDED JUNE 30, 2021 AND
INDEPENDENT AUDITOR'S REPORT

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BOARD OF TRUSTEES

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BKD
CPAs & Advisors

312 Walnut Street, Suite 3000 | Cincinnati, OH 45202-4025
513.621.8300 | Fax 513.621.8345 | bkd.com

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, 2021, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the University, as of June 30, 2021, 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 2020 financial statements, and we expressed unmodified audit opinions on those audited financial statements in our report dated October 15, 2020, which contained a reference to the report of other auditors. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated October 15, 2021, on our consideration of the University of Cincinnati's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

BKD, LLP

Cincinnati, Ohio
October 15, 2021

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, 2021. The university originated in 1819 and is a comprehensive research-based public institution of higher learning. Comparative information as of and for the year ended June 30, 2020 has been provided where applicable. Comments relate to the university and University Heights Community Urban Redevelopment Corporation (UHCURC), a blended component unit of the university. Comments do not pertain to the university's discretely presented component unit, the University of Cincinnati Foundation (the Foundation). The Foundation's financial results are presented in a columnar format with further information found in the notes to the financial statements. Management has prepared this discussion, which should be read in conjunction with the financial statements and notes that follow this section.

The university is leading urban, public universities into a new era of innovation and impact through its strategic direction, Next Lives Here, underscoring the power of creativity, ingenuity, invention and inclusion. Next Lives Here focuses on our platforms of academic excellence, urban impact and the innovation agenda. The university is committed to student success, faculty excellence and enrichment, staff excellence and development, cutting-edge research that has a local and global impact, re-imagining cooperative education so that we provide even greater opportunity for students to gain work-integrated learning experience, and enhancing equity and inclusion.

Total enrollment for fall 2020 (fiscal year 2021) included 46,798 students, an increase of 410 students over the prior year. This is the highest enrollment in our history thanks to nearly a decade of steadily rising enrollment. Among the university's student population are 3,015 international students representing 119 countries. The university offers a diverse range of degree programs from baccalaureate to post-doctoral levels through 14 colleges. University campuses include Clifton Campus, UC Blue Ash, and UC Clermont with student populations of 85%, 10%, and 5%, respectively. Faculty members on the three campuses totaled 4,155. The university employs approximately 10,397 people, including graduate assistants, making it one of the largest employers in the Cincinnati region. Our endeavors as a university encompass science, medicine, business, education, engineering, technology, the humanities, and the arts.

Throughout their academic careers, university students earn many external honors and awards, including Fulbright and Goldwater scholarships as well as grants and research project support from internal and external entities as varied as the National Science Foundation, National Endowment for the Humanities, the U.S. Air Force and others. At the university, both undergraduates and graduate students receive both funding and mentoring support to pursue research through specialized programs like ROSE (Research, Observation, Service and Education Experiences), WISE (Women in Science and Engineering), and SURF (Summer Undergraduate Research Fellowship). Such opportunities allow students to directly contribute to innovation, build a meaningful portfolio, engage with faculty and other thought leaders outside the classroom, and hone their inquiry and investigative skills according to the scientific method.

During the 2021 academic year, the university awarded 13,280 academic credentials. Degrees awarded include 1,190 associate degrees, 6,589 bachelor's degrees, 3,108 master's degrees, and 787 doctoral degrees. Professional certificates awarded total 1,606 (923 undergraduate and 683 graduate).

Many university faculty members have been awarded significant honors at the local, state, national, and international levels. These include numerous National Science Foundation Career awards as well as Fulbright awards and Guggenheim grants. University faculty and their work routinely receive support from the Ohio Board of Regents, Department of Health and Human Services, National Institutes of Health, Department of Defense, Department of Education, Department of Energy, U.S. EPA, National Science Foundation, National Endowment for the Humanities, National Endowment for the Arts, National Geographic Society, National Oceanic and Atmospheric Administration, U.S. Geological Survey, Andrew W. Mellon Foundation, Robert Wood Johnson Foundation, National Heart, Lung and Blood Institute and many others.

The Ohio Department of Higher Education has designated the university 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 places the university at No. 33 among America's public research universities, and one of only 130 institutions classified as housing the very highest activity by the Carnegie Classification of Institutions of

Higher Education. Reuters has named UC among the world's top 100 most-innovative universities, one of only 46 U.S. universities to make that prestigious list.

The university is home to a number of Ohio Centers of Excellence where faculty research as well as their scholarly and creative endeavors serves to advance innovation and entrepreneurial activity as well as draw gifted students seeking to augment and apply their skills. The university is home to Ohio Centers of Excellence dedicated to advanced energy and sustaining the urban environment, transforming healthcare in the 21st century, intelligent air and space vehicle energy systems, nanoscale sensor technology, design and innovation, and music and theater arts.

The latest 2022 issue of the U.S. News & World Report's influential Best Colleges guide ranks the university among the top tier of national universities (no. 148), with the university outpacing almost all national rivals on performance indicators important to students and their families. As the global founder of cooperative education, the university remains a world-class leader in experience-based learning. U.S. News & World Report ranks the university's co-op program in the Top 4 in the country, and our students earned a collective $58 million in 2020-21 working for more than 1,600 international employers via their co-op work placements, alternating academic semesters with professional, paid work directly tied to their majors. In the past academic year, the average earnings in the university's mandatory, full-time co-op programs comes to $10,500 per student each semester.

Princeton Review's 2022 edition of "The Best 387 Colleges" identified the university for the 14th 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 154,000 students.

The university's campus setting continues to garner worldwide acclaim, with The New York Times highlighting the university's dramatic campus renovation of the past quarter century "the most ambitious campus design program in the country." In addition, Forbes, Delta Sky and Travel + Leisure magazines have all highlighted the university as one of the world's most beautiful campuses. It's also a sustainable one where all new construction and major renovations are completed to LEED Silver standards or higher whenever possible.

In 2021, the university received HEERF II and HEERF III Federal grant awards totaling $109.6 million. HEERF II was appropriated through the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA). HEERF III was appropriated through the American Rescue Plan Act (ARPA). Part A of the combined awards requires the university to spend no less than $47.2 million for student aid. Part B allows for $62.4 million of the award to be used for institutional purposes. Grant funds totaling $67.3 million were spent during 2021, of which $34.6 million was reported as deferred revenue on the Statement of Net Position. The university can only recognize Part B revenue proportionate to spending occurring on Part A. The disbursement of Part A has been deferred until fiscal year 2022.

In 2021, the university also received an allocation of Coronavirus Aid, Relief and Economic Security (CARES) Act funds through the State of Ohio through the Coronavirus Relief Funds (CRF) and Governor's Emergency Education Relief (GEER) awards. The allocation to the university totaled $22.1 million. The full amount of the award was expended in 2021.

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.

Statement of Net Position

The Statement of Net Position is the university's balance sheet. It reflects the financial position of the university at the end of the fiscal year. Liabilities due within one year and assets available to pay those liabilities are classified as current. Other assets and liabilities are classified as noncurrent. Investment assets are carried at fair value. Capital assets are separated into two lines on the statement: those assets that are depreciated and those that are not depreciated. Items that are depreciated include buildings, equipment, infrastructure, land improvements, and library books. Items that are not depreciated include land, construction in progress, art, and rare book collections.

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

A summary of the university’s net financial position at June 30, 2021 and June 30, 2020 follows:

Summary Statement of Net Position

			Increase/(Decrease)	
(in thousands)	2021	2020	Amount	Percent
Current assets	$ 548,183	$ 333,945	$ 214,238	64.2%
Noncurrent assets				
Investments	420,679	399,640	21,039	5.3%
Endowment investments	746,183	600,071	146,112	24.3%
Accounts and notes receivable	20,551	22,477	(1,926)	-8.6%
Net other postemployment benefits asset	49,205	25,711	23,494	91.4%
Other noncurrent assets	18,196	8,936	9,260	103.6%
UC Health intangible asset	420,645	420,645	—	0.0%
Capital assets, net of depreciation	1,658,380	1,699,827	(41,447)	-2.4%
Total assets	3,882,022	3,511,252	370,770	10.6%
Deferred outflows of resources	123,991	167,769	(43,778)	-26.1%
Current liabilities	339,485	269,469	70,016	26.0%
Noncurrent liabilities	1,755,549	1,977,778	(222,229)	-11.2%
Total liabilities	2,095,034	2,247,247	(152,213)	-6.8%
Deferred inflows of resources	204,811	135,635	69,176	51.0%
Net position	$ 1,706,168	$ 1,296,139	$ 410,029	31.6%

Current Assets

Current assets consist primarily of cash and cash equivalents, short-term investment of operating funds, and accounts receivable. Current assets increased by $214.2 million in 2021. 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, 2021 totaled $420.7 million, an increase of $21.0 million from June 30, 2020. The funds are invested in the university's temporary investment pool with the exception of $68.5 million, which is invested in the endowment. Investments with a maturity date less than one year totaled $200.8 million, and are classified as current investments with the exception of $76.7 million of debt issued for capital projects which is classified as noncurrent.

Endowment Investments

The university's endowment totaled $1.81 billion at June 30, 2021. The endowment includes Fund A (actively managed pooled investments), Fund B (certain real estate), Fund C (community development real estate investments funded with endowment funds), separately invested assets, and beneficial interests in irrevocable trusts. Principal repayments and interest collected on Fund C investments are subsequently invested in Fund A. Below is a summary of the market value for each category of the university's endowment:

			Increase/(Decrease)	
(in thousands)	2021	2020	Amount	Percent
Fund A (University's share)	$ 757,103	$ 588,646	$ 168,457	28.6%
Fund A (Foundation's share) *	506,920	384,065	122,855	32.0%
Total Fund A	1,264,023	972,711	291,312	29.9%
Fund B	816	816	—	0.0%
Fund C (University's share)	40,280	41,343	(1,063)	-2.6%
Fund C (Foundation's share) *	20,523	20,474	49	0.2%
Total Fund C	60,803	61,817	(1,014)	-1.6%
Separately Invested	29,941	26,701	3,240	12.1%
Beneficial Interests in Irrevocable Trusts	458,399	355,969	102,430	28.8%
Total Endowment Investments	$ 1,813,982	$ 1,418,014	$ 395,968	27.9%

* Includes accrued income/expense

Endowment investments reported on the Statement of Net Position totaled $746.2 million and include the following:

- The university's share of Fund A, excluding temporary investment pool funds of $67.4 million, accrued income, accrued expense, and valuation timing adjustments
- Fund B
- The university's share of Fund C, excluding temporary investment pool funds of $1.1 million, an $8.1 million loan to UHCURC, and $4.0 million of accrued income
- Separately invested funds excluding accrued income of $2.5 million

All endowment investments, including cash and cash equivalents, are reported as noncurrent endowment investments due to the restrictions placed upon these assets.

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

Fund A, the university's principal investment pool, increased in 2021 from $972.7 million to $1.26 billion, an increase of $291.3 million. which equates to a 29.9% increase. The increase is net of a 4.3% endowment spending distribution and a 1.0% distribution to the Foundation. Fund A consists of approximately 12.2% cash and fixed income, 39.6% corporate stocks, 20.1% hedge funds, 26.4% private equity, and 1.7% 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 4.3% of the three-year quarterly moving-average market value of assets in the investment pool. The income distribution for endowment spending for fiscal year 2022 will be reduced by 0.1 percentage points to 4.2% times the previous twelve-quarter moving average of market value.

At June 30, 2021, Fund A summary of activity and information is as follows (*in thousands*):

Fund A	Outstanding Shares	Per Unit Price	Total *(in thousands)*
Beginning balance	13,783,887	$ 70.5687	$ 972,711
Ending balance	14,322,033	88.2572	1,264,023
Increase in Fund A	538,146	$ 17.6885	$ 291,312
Fund A Activity			
Return on Investments			$ 309,108
Gifts Received			23,753
Funds available for spending, net transfers, and fees (fundraising, administrative and custody)			(41,549)
Total Fund A Activity			$ 291,312

The university is the beneficiary of numerous perpetual trusts held and administered by external trustees. The market value of these external trustee assets totaled $458.4 million and $356.0 million as of June 30, 2021 and June 30, 2020, respectively. These external trusts are irrevocable, and the university has a vested beneficial interest in the net income payable by the trusts. External trust assets are not reported on the Statement of Net Position unless they are recognized as beneficial interest in trusts recognized under GASB 81, *Irrevocable Split-Interest Agreements*. Income is received annually and reported on the university's Statement of Revenues, Expenses, and Changes in Net Position. The university received income of $11.8 million and $10.4 million in 2021 and 2020, respectively.

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

UC Health Affiliation Agreement

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

Capital Assets

The university's campus has a 200 year history. Since 1889, buildings, landscapes, athletic fields, functional elements and site improvements have been integrated into the campus. Today's architecture, landscape architecture and site elements of the transformed campus are set over a landlocked foundation of landform, landscape, historical buildings and access as well as a framework of contemporary master planning efforts.

During 2021, the university completed and capitalized significant projects including:

- Engineering Research Center Roof & Facade Restoration
- French West HVAC Upgrade
- Rhodes Hall Fire Protection Upgrades and Roof Replacement
- Rieveschl Lab/Classroom/Office Renovations
- UC Blue Ash Muntz Hall Rehabilitation (Phase 3)

Capital projects currently in construction include:

- Calhoun Hall Renovation
- Clifton Court Hall
- College of Law Renovation
- Digital Futures Building
- Memorial Hall Roof and Facade Improvements
- Probasco Auditorium Renovation
- UC Blue Ash Muntz Hall Rehabilitation (Phase 4)
- Vontz Center Exterior Envelope Improvements

Projects currently in design include:

- 121 East McMillan Renovation
- UC Bioscience Center

Capital asset additions are funded using a combination of state capital appropriations, debt, gifts, and university funds. Capital additions (net of depreciation) totaled \$(39.5) million in 2021 and \$(50.0) million in 2020. Depreciation expense totaled \$133.3 million in 2021 and \$131.1 million in 2020. Capital additions are primarily comprised of capital projects that were either completed during the fiscal year or are in the construction or design phase at June 30 of each fiscal year.

Liabilities

Debt

Total debt representing bonds and capital leases was $1.19 billion at June 30, 2021; a decrease of $22.6 million from $1.21 billion at June 30, 2020.

During 2021, the university refunded $102.5 million and retired $9.2 million, a total of $111.7 million of existing debt to reduce interest rates and achieve debt service savings (see Note 7). These strategic transactions reduced interest payments over the life of the debt outstanding by $59.7 million.

The university continues to invest and expand its educational and research facilities beyond the level provided by state capital appropriations and donor gifts, through the issuance of debt. The extensive investment in facilities is necessary to attract and maintain high quality students, faculty, and research funding in an increasingly competitive environment. During 2021, the university issued $39.7 million of new debt to provide funding for capital projects.

Standard & Poor's Ratings Services reaffirmed its previously assigned AA- long-term rating with a stable outlook. Moody's Investors Service also reaffirmed its previously assigned Aa3 rating with a stable outlook. The ratings were assigned after extensive reviews of the university's financial activities, strategic plans, and future prospects.

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, 2021 and June 30, 2020 is summarized below:

			Increase/(Decrease)	
(in thousands)	2021	2020	Amount	Percent
Net investment in capital assets	$ 558,112	$ 570,098	$ (11,986)	-2.1%
Restricted for:				
Nonexpendable	845,599	762,587	83,012	10.9%
Expendable	449,132	393,546	55,586	14.1%
Unrestricted	(146,675)	(430,092)	283,417	65.9%
Total Net Position	$ 1,706,168	$ 1,296,139	$ 410,029	31.6%

Net investment in capital assets represents both the university's non-depreciable and depreciable assets. Non-depreciable assets include land, construction in progress, and collections of art and rare books. Capital assets being depreciated include land improvements, buildings, infrastructure, building equipment, movable equipment, computer software and library books. Net investment in capital assets is also net of outstanding principal balances of debt attributable to the acquisition, construction, and improvement of those assets. During fiscal year 2021, net investment in capital assets decreased by $12.0 million.

Restricted nonexpendable net position includes, as a primary component, the university's permanently invested endowment and gift funds. These funds increased by $83.0 million and are net of annual endowment spending distributions and Foundation fees. Restricted nonexpendable net position also includes the university's investment in UC Health.

Restricted expendable net position is subject to externally imposed provisions governing its use. This category of net position mainly includes unspent expendable endowment funds (available through the endowment spending policy), gifts, support from affiliates, and restricted quasi-endowment funds. Restricted expendable funds increased by $55.6 million due, in part, to increases in debt proceeds, current use gift funds, and expendable endowment funds.

Pension reporting standards require the university to recognize net assets, liabilities, expenses, and deferred outflows and inflows of resources for both the pension plans and OPEB based on the university's proportionate share of collective amounts for all participating employers in these defined benefit cost sharing, multiple-employer plans. The cumulative net impact of the pension and OPEB standards at June 30, 2021 was a reduction of $579.9 million ($49.2

million addition to restricted expendable and $629.1 million reduction to unrestricted) to the university's total net position. Additional detail relating to the pension and OPEB standards is in the table below:

			Increase/(Decrease)	
(in thousands)	**2021**	**2020**	**Amount**	**Percent**
Impact of Pension and OPEB Standards				
Net OPEB Asset	$ 49,205	$ 25,711	$ 23,494	91.4%
Deferred Outflows of Resources				
OPEB	15,614	33,909	(18,295)	-54.0%
Pension	88,466	110,196	(21,730)	-19.7%
Net Pension and OPEB Liability				
OPEB	—	173,629	(173,629)	-100.0%
Pension	546,204	581,569	(35,365)	-6.1%
Deferred Inflows of Resources				
OPEB	99,414	54,897	44,517	81.1%
Pension	87,572	71,802	15,770	22.0%
Net Impact of Pension and OPEB Standards	$ (579,905)	$ (712,081)	$ 132,176	-18.6%

* See note 11 for retirement plans and OPEB

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses, and Changes in Net Position presents the results of the university's activities for the year. Listed below are summarized statements of the university's revenues, expenses, and changes in net position for the years ended June 30, 2021 and June 30, 2020:

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

			Increase/(Decrease)	
(in thousands)	**2021**	**2020**	**Amount**	**Percent**
Operating Revenues	$ 917,326	$ 914,677	$ 2,649	0.3%
Operating Expenses	1,114,449	1,325,353	(210,904)	-15.9%
Operating Loss	(197,123)	(410,676)	213,553	-52.0%
Nonoperating Revenues (Expenses)				
State educational appropriations	231,500	217,224	14,276	6.6%
Federal nonexchange grants	100,783	63,580	37,203	58.5%
State nonexchange grants	5,209	5,384	(175)	-3.3%
Gifts	30,986	33,928	(2,942)	-8.7%
Support from affiliates	23,184	25,966	(2,782)	-10.7%
Net investment income	226,478	40,839	185,639	454.6%
Net interest on capital asset-related debt	(47,303)	(46,082)	(1,221)	2.6%
Other nonoperating revenues (expenses)	4,025	4,324	(299)	-6.9%
State capital appropriations	22,095	17,105	4,990	29.2%
Capital gifts and grants	9,763	9,492	271	2.9%
Additions to permanent endowments	432	392	40	10.2%
Increase (Decrease) in Net position	410,029	(38,524)	448,553	-1,164.3%
Net position, beginning of year	1,296,139	1,334,663	(38,524)	-2.9%
Net position, end of year	$ 1,706,168	$ 1,296,139	$ 410,029	31.6%

Revenues and expenses are categorized as either operating or nonoperating. Significant recurring sources of the university's revenues, including state appropriations, federal nonexchange grants, state nonexchange grants, gifts, and support from affiliates are considered nonoperating. Consequently, the operating loss of $197.1 million does not account for these important revenue sources. Adding these five revenue sources, which total $391.7 million for 2021, offsets much of the operating loss.

REVENUES

The university's revenues for the years ended June 30, 2021 and June 30, 2020, are summarized below:

SUMMARY OF REVENUES

			Increase/(Decrease)	
(in thousands)	2021	2020	Amount	Percent
Operating Revenues				
Net student tuition and fees	$ 497,219	$ 495,973	$ 1,246	0.3%
Federal, state, & local grants and contracts	158,465	139,307	19,158	13.8%
Nongovernmental grants and contracts	26,356	24,286	2,070	8.5%
Sales and services of educational departments	143,595	135,096	8,499	6.3%
Auxiliary enterprises, net	80,726	107,998	(27,272)	-25.3%
Other	10,965	12,017	(1,052)	-8.8%
Total operating revenues	917,326	914,677	2,649	0.3%
Nonoperating Revenues				
State educational appropriations	231,500	217,224	14,276	6.6%
Federal and state nonexchange grants	105,992	68,964	37,028	53.7%
Gifts	30,986	33,928	(2,942)	-8.7%
Support from affiliates	23,184	25,966	(2,782)	-10.7%
Net investment income	226,478	40,839	185,639	454.6%
Other nonoperating revenues	4,025	4,324	(299)	-6.9%
Capital appropriations, gifts, and grants	31,858	26,597	5,261	19.8%
Additions to permanent endowments	432	392	40	10.2%
Total nonoperating and other revenues	654,455	418,234	236,221	56.5%
Total revenues	$ 1,571,781	$ 1,332,911	$ 238,870	17.9%

Operating Revenues

Net student tuition and fees are the primary source of operating revenue for the university. During 2021, the net revenue from student tuition and fees increased from $496.0 million to $497.2 million, an increase of $1.2 million. The university increased undergraduate instructional fees for incoming freshman by 4.1% through its tuition guarantee program. The program guarantees no additional tuition increases for four or five year programs, dependent on the undergraduate degree-seeking student's degree program.

The university has a high level of commitment to its research mission. In 2021, revenue from federal, state, and local grants and contracts totaled $158.5 million, an increase of $19.2 million. The increase was mainly a result of an increase in federal grant funds. Nongovernmental grants and contracts revenue increased from $24.3 million to $26.4 million in 2021, an increase of $2.1 million. The increase was a result of an expansion of private grant funds. Annual research revenue as a percent of total operating revenue accounted for 20% of revenue in 2021.

Revenue from sales and service of educational departments totaled $143.6 million, an increase of $8.5 million. The increase is attributable to a continued expansion of services provided by the College of Medicine and Hoxworth Blood Center.

Auxiliary enterprises, net revenue, decreased from $108.0 million to $80.7 million, a decrease of $27.3 million. The decrease is attributable to the COVID-19 pandemic that began in spring 2020, which resulted in a reduction of the number of students on campus in 2021.

Nonoperating Revenues

State educational appropriations increased from $217.2 million in 2020 to $231.5 million in 2021, an increase of $14.3 million. State funding support remains a vital source of funding for academic programs and administrative costs.

Federal and state nonexchange grants increased from $69.0 million in 2020 to $106.0 million in 2021, an increase of $37.0 million. Federal higher education pandemic relief funds accounted for this increase. Funds were awarded directly through Federal HEERF grants and indirectly through State of Ohio CRF grants.

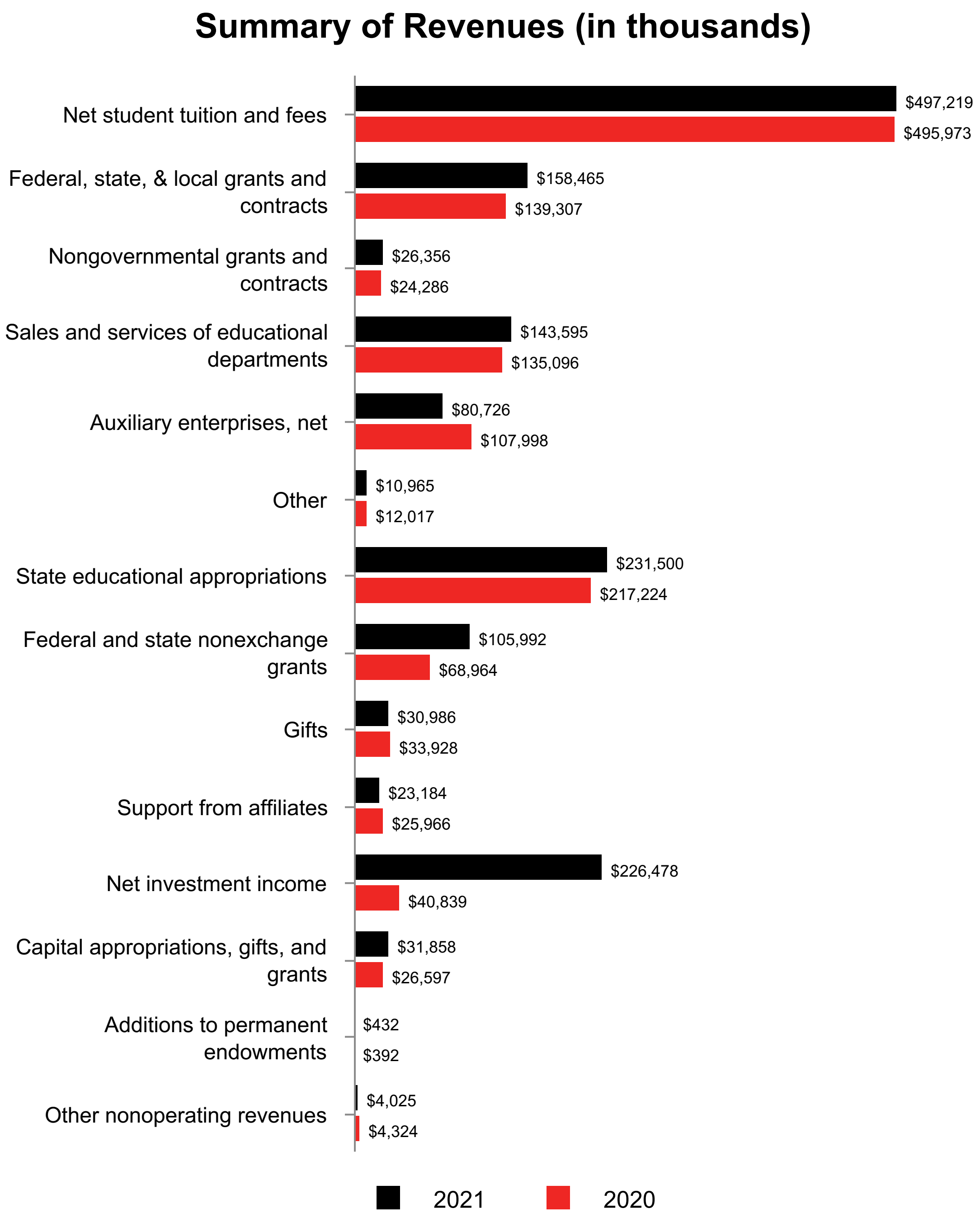
The results of fundraising efforts are an important component of the university's financial resources. Expendable gifts to the university received during 2021 totaled $31.0 million, compared to $33.9 million in 2020, a decrease of $2.9 million. The Foundation is working with the university to develop the next fundraising campaign to support the work of the university's Next Lives Here strategic direction.

Support from affiliates revenue decreased from $26.0 million to $23.2 million in 2020 and 2021 respectively, a decrease of $2.8 million. Funds reported as support from affiliates are contributions from UC Health to the College of Medicine in support of the academic mission. The decrease in support during 2021 is mainly attributable to UC Health funding reductions resulting from pandemic uncertainty. Support funds are budgeted, committed and made available to the College of Medicine mainly based on strategic education and research needs identified by the Dean of the College of Medicine .

The university's net investment income totaled $226.4 million and $40.8 million in 2021 and 2020 respectively, an increase of $185.6 million. Investment income includes both endowment income and temporary investment pool income. The increase in investment income for 2021 is mainly attributable to growth in domestic and global equities' markets.

Capital appropriations, gifts, and grants included in other revenue, increased from $26.6 million in 2020 to $31.9 million in 2021, an increase of $5.3 million. State capital is appropriated on a biannual basis, of which 2021 is the first year of the biennium. In 2021, State capital appropriations were $22.1 million, an increase of $5.0 million. Capital gifts and grants received for construction projects increased from $9.5 million in 2020 to $9.8 million in 2021, an increase of $0.3 million.

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



EXPENSES

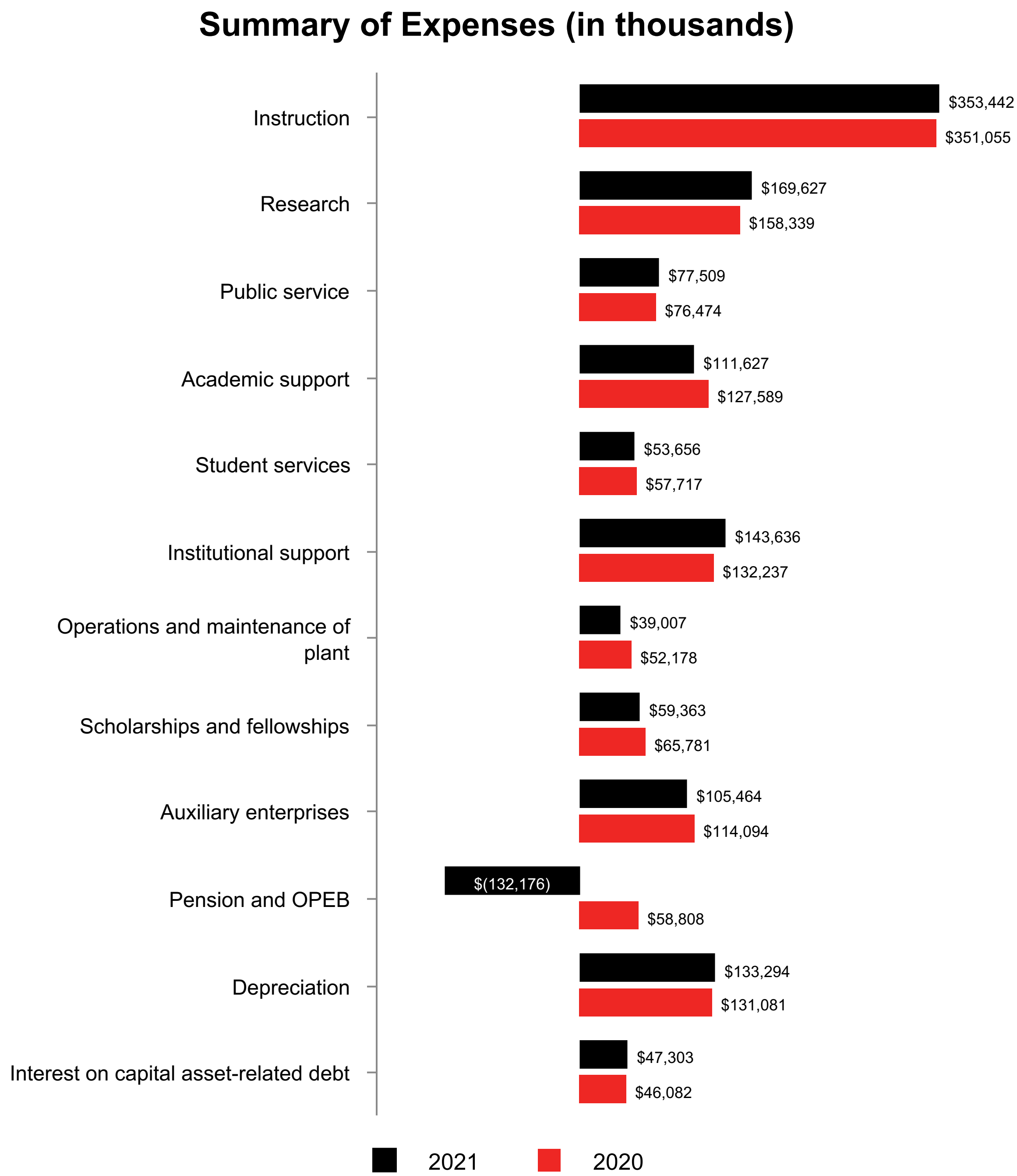
The university's expenses for the years ended June 30, 2021 and June 30, 2020, are summarized below:

SUMMARY OF EXPENSES

			Increase/(Decrease)	
(in thousands)	**2021**	**2020**	**Amount**	**Percent**
Operating expenses				
Instruction	$ 353,442	$ 351,055	$ 2,387	0.7%
Research	169,627	158,339	11,288	7.1%
Public service	77,509	76,474	1,035	1.4%
Academic support	111,627	127,589	(15,962)	-12.5%
Student services	53,656	57,717	(4,061)	-7.0%
Institutional support	143,636	132,237	11,399	8.6%
Operations and maintenance of plant	39,007	52,178	(13,171)	-25.2%
Scholarships and fellowships	59,363	65,781	(6,418)	-9.8%
Auxiliary enterprises	105,464	114,094	(8,630)	-7.6%
Pension and other postemployment benefit (revenue) expense	(132,176)	58,808	(190,984)	-324.8%
Depreciation	133,294	131,081	2,213	1.7%
Total operating expenses	$ 1,114,449	$ 1,325,353	$ (210,904)	-15.9%
Nonoperating expenses				
Net interest on capital asset-related debt	47,303	46,082	1,221	2.6%
Total nonoperating expenses	$ 47,303	$ 46,082	$ 1,221	2.6%
Total expenses	$ 1,161,752	$ 1,371,435	$ (209,683)	-15.3%

Total university expenses (operating and nonoperating) decreased by $209.7 million in 2021. Pension (GASB 68) and OPEB (GASB 75) adjustments accounted for $191.0 million of the decrease in expenses. Excluding pension and OPEB related expenses, university expenses decreased by $18.7 million. Decreases to academic support, student services, operations and maintenance of plant, and auxiliary enterprises are due to a majority of coursework transitioning to online learning, which greatly reduced the number of students, faculty and staff on campus. Increases in institutional support are mainly attributable to increases in fringe benefit expenses and distribution within the fringe benefit pool. Increases in research expenses are offset by increases in grants and contracts revenue.

The chart below portrays both operating and nonoperating expenses:



ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

Fall 2021 enrollment totaled 46,710 students, a decrease of 88 students from the university's all-time high of 46,798 students. The university is home to students from all 50 states plus the District of Columbia (Washington, D.C.) and from 113 countries outside the U.S. Fall 2021 has brought the largest Uptown student enrollment in history. Uptown campus boasts more than 40,000 students. The average GPA for incoming students at the Uptown campus is 3.7. The university continues to increase its diversity with racial and ethnic minorities making up 24.1% of the 2021 student body, an increase over last year's 23.2%.

Today, the university consists of nine research and campus locations in the Greater Cincinnati region with an impact and reach that extends from the local to the global. This includes strategic partnerships in subject areas like engineering, economics, humanities and business administration with the University of Bordeaux, France; Ludwig Maximilian University, Germany; Chongqing University, China; Hong Kong Polytechnic University; Future University, Egypt, and many more, including institutional partnerships with 43 colleges and universities in Europe alone.

The university has nearly 200 years of history as a research pioneer, with a culture strongly emphasizing collaboration in order to achieve innovative results that can be applied to solving complex problems and furthering scientific advancement. The university fosters early stage research and launches start-up companies via an expanding innovation incubator, the 1819 Innovation Hub, providing a key location amidst Cincinnati's rising Innovation Corridor. The UC innovation hub is the nexus for business and industry to partner with university faculty and students. Partnering with UC's 1819 Innovation Hub are a wide range of visionaries: From seed-stage investors like CincyTech (one of the most active in the nation) to established corporations like Procter & Gamble to consultancies like the Live Well Collaborative that partners with international firms to improve products and services for those aged 50 and over.

Our endeavors as a university encompass science, medicine, business, education, engineering, technology, the humanities and the arts. Specific and cross-disciplinary areas of focus include analytics, digital media, precision cancer medicine, water and urban futures.

"Uptown," where the main campus is located is the second largest employment center in the Cincinnati region behind the central business district. Adjacent to downtown, Uptown is a diverse and vibrant urban area made up of an eclectic array of small businesses plus five major medical and research institutions, including the university and the nationally-acclaimed Cincinnati Zoo & Botanical Gardens.

Uptown's five anchor institutions (Cincinnati Children's Hospital Medical Center, the Zoo, UC Health, Tri-Health, and UC), formed a non-profit development group in 2004 called the Uptown Consortium, Inc., which has secured more than $400 million in redevelopment, new construction and neighborhood improvements in Uptown Cincinnati since its inception.

The recently completed $80 million Martin Luther King (MLK) / I-71 highway interchange, coupled with UCI's acquisition of nearly 44 acres of land along the MLK corridor less than a mile east of the university's campus and a mile north of downtown, creates an alignment of the necessary elements for the development of a new innovation district.

The university remains vigilant in addressing the operational and financial challenges created by the pandemic. Thoughtful and timely financial decisions such as cost-containment measures have been implemented. As the situation continues to change, the university responds rapidly through flexibility, diligence and collaboration.

Statement of Net Position *(in thousands)*

as of June 30, 2021 (with comparative information as of June 30, 2020)	University of Cincinnati 2021	University of Cincinnati 2020	The University of Cincinnati Foundation 2021	The University of Cincinnati Foundation 2020
Assets				
Current assets				
Cash and cash equivalents	$ 227,408	$ 108,740	$ 29,992	$ 18,088
Current portion of investments	200,837	144,495		
Current portion of accounts receivable, net	103,231	62,117	2,575	2,562
Current portion of pledges receivable, net			25,790	29,331
Current portion of notes receivable, net	2,194	3,854		
Current portion of other assets	14,513	14,739	18,972	16,494
Total current assets	**548,183**	**333,945**	**77,329**	**66,475**
Noncurrent assets				
Investments	420,679	399,640		
Endowment investments	746,183	600,071	608,718	481,575
Accounts receivable, net	4,834	5,729		
Pledges receivable, net			71,528	67,723
Notes receivable, net	15,717	16,748		
Net other postemployment benefits asset	49,205	25,711		
Other noncurrent assets	18,196	8,936		
UC Health intangible asset	420,645	420,645		
Capital assets not being depreciated	115,955	86,660		
Capital assets being depreciated, net	1,542,425	1,613,167	347	553
Total noncurrent assets	**3,333,839**	**3,177,307**	**680,593**	**549,851**
Total Assets	**3,882,022**	**3,511,252**	**757,922**	**616,326**
Deferred Outflows of Resources				
Loss on refunding	19,911	23,664		
Other postemployment benefits	15,614	33,909		
Pension	88,466	110,196		
Total Deferred Outflows of Resources	**123,991**	**167,769**		
Liabilities				
Current liabilities				
Accounts payable	80,614	61,076	6,296	6,836
Accrued liabilities	20,672	21,759		
Current portion of accrued compensation	86,188	82,849		
Current portion of bonds, notes, and leases payable	39,871	51,539		
Deposits and advances	112,140	52,246		
Total current liabilities	**339,485**	**269,469**	**6,296**	**6,836**
Noncurrent liabilities				
Accrued compensation	22,377	20,965		
Government loan advances	14,963	17,234		
Bonds, notes, and leases payable	1,145,964	1,156,908		
Net other postemployment benefits liability		173,629		
Net pension liability	546,204	581,569		
Other noncurrent liabilities	26,041	27,473	34,988	28,723
Total noncurrent liabilities	**1,755,549**	**1,977,778**	**34,988**	**28,723**
Total Liabilities	**2,095,034**	**2,247,247**	**41,284**	**35,559**
Deferred Inflows of Resources				
Split-interest agreements	12,355	8,936		
Gain on refunding	2,257			
Hedging derivative	3,213			
Other postemployment benefits	99,414	54,897		
Pension	87,572	71,802		
Total Deferred Inflows of Resources	**204,811**	**135,635**		
Net Position				
Net investment in capital assets	558,112	570,098	347	553
Restricted for:				
Nonexpendable	845,599	762,587	519,371	407,055
Expendable	449,132	393,546	179,424	154,505
Unrestricted	(146,675)	(430,092)	17,496	18,654
Total Net Position	**$ 1,706,168**	**$ 1,296,139**	**$ 716,638**	**$ 580,767**

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

Statement of Revenues, Expenses, and Changes in Net Position *(in thousands)*

for the year ended June 30, 2021 (with comparative information for the year ended June 30, 2020)

	University of Cincinnati		The University of Cincinnati Foundation	
	2021	**2020**	**2021**	**2020**
Operating Revenues				
Student tuition and fees	$ 618,204	$ 604,373		
Less scholarship allowances	120,985	108,400		
Net student tuition and fees	497,219	495,973		
Federal grants and contracts	151,194	133,712		
State and local grants and contracts	7,271	5,595		
Nongovernmental grants and contracts	26,356	24,286		
Sales and services of educational departments	143,595	135,096		
Auxiliary enterprises (net of scholarship allowances of $10,965 in 2021 and $12,356 in 2020)	80,726	107,998		
Other operating revenues	10,965	12,017	$ 25,169	$ 27,863
Total Operating Revenues	**917,326**	**914,677**	**25,169**	**27,863**
Operating Expenses				
Educational and general:				
Instruction	353,442	351,055		
Research	169,627	158,339		
Public service	77,509	76,474		
Academic support	111,627	127,589		
Student services	53,656	57,717		
Institutional support	143,636	132,237	27,867	33,047
Operations and maintenance of plant	39,007	52,178		
Scholarships and fellowships	59,363	65,781		
Auxiliary enterprises	105,464	114,094		
Pension expense	1,829	45,676		
Other postemployment benefit (revenue) expense	(134,005)	13,132		
Depreciation	133,294	131,081	273	1,090
Total Operating Expenses	**1,114,449**	**1,325,353**	**28,140**	**34,137**
Operating Loss	**(197,123)**	**(410,676)**	**(2,971)**	**(6,274)**
Nonoperating Revenues (Expenses)				
State educational appropriations	231,500	217,224		
Federal nonexchange grants	100,783	63,580		
State nonexchange grants	5,209	5,384		
Gifts	30,986	33,928	67,851	70,632
Support from affiliates	23,184	25,966		
Net investment income (loss)	226,478	40,839	136,401	(4,468)
Net interest on capital asset-related debt	(47,303)	(46,082)		
Payments to University of Cincinnati			(65,187)	(54,700)
Other nonoperating revenues (expenses)	4,025	4,324	(223)	(5,084)
Net Nonoperating Revenues	**574,862**	**345,163**	**138,842**	**6,380**
Income (Loss) Before Other Revenues	**377,739**	**(65,513)**	**135,871**	**106**
Other Revenues				
State capital appropriations	22,095	17,105		
Capital gifts and grants	9,763	9,492		
Additions to permanent endowments	432	392		
Total Other Revenues	**32,290**	**26,989**		
Increase (Decrease) in Net Position	**410,029**	**(38,524)**	**135,871**	**106**
Net Position, beginning of year	1,296,139	1,334,663	580,767	580,661
Net Position, End of Year	**$ 1,706,168**	**$ 1,296,139**	**$ 716,638**	**$ 580,767**

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

Statement of Cash Flows *(in thousands)*

for the year ended June 30, 2021 (with comparative information for the year ended June 30, 2020)

	University of Cincinnati 2021	2020
Cash Flows from Operating Activities		
Student tuition and fees	$ 510,018	$ 484,286
Federal, state, and local grants and contracts	195,265	191,593
Sales and services of educational departments and auxiliary enterprises	225,061	252,469
Expenditures and other deductions:		
Compensation	(762,386)	(761,579)
Payments for materials, services and other	(368,798)	(385,084)
Loans issued	(2,101)	(2,004)
Loan principal collected	4,936	5,256
Interest on loans receivable	117	119
Custodial funds received	14,112	17,640
Custodial funds disbursed	(14,535)	(17,217)
Other revenue	10,031	7,014
Net Cash Used for Operating Activities	**(188,280)**	**(207,507)**
Cash Flows from Noncapital Financing Activities		
State educational appropriations	231,458	217,279
Federal nonexchange grants	122,828	63,580
State nonexchange grants	5,209	5,384
Gift receipts for current use	31,601	31,829
Support from affiliates	23,184	25,966
Drawdowns of federal direct loan proceeds	242,217	256,051
Disbursements of federal direct loans to students	(242,189)	(255,842)
Additions to permanent endowments	716	934
Net Cash Provided by Noncapital Financing Activities	**415,024**	**345,181**
Cash Flows from Capital and Related Financing Activities		
State capital appropriations	17,636	19,058
Private gifts	9,364	9,492
Other	458	1,607
Proceeds from issuance of capital debt	101,040	424,808
Purchases of capital assets	(79,762)	(84,551)
Proceeds from sale of capital assets	384	4,681
Principal paid on capital debt and leases	(112,455)	(472,113)
Interest payments on capital debt and leases	(47,411)	(48,649)
Net Cash Used for Capital and Related Financing Activities	**(110,746)**	**(145,667)**
Cash Flows from Investing Activities		
Interest and dividends on investments, net	44,806	44,513
Proceeds from sales and maturities of investments	1,201,050	1,134,752
Purchases of investments	(1,231,418)	(1,130,999)
Other endowment expenditures	(11,768)	(2,789)
Net Cash Provided by Investing Activities	**2,670**	**45,477**
Net Increase in Cash and Cash Equivalents	118,668	37,484
Cash and Cash Equivalents , Beginning of Year	108,740	71,256
Cash and Cash Equivalents, End of Year	**$ 227,408**	**$ 108,740**

Statement of Cash Flows *(in thousands)*

for the year ended June 30, 2021 (with comparative information for the year ended June 30, 2020)

	University of Cincinnati 2021	2020
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:		
Operating loss	$ (197,123)	$ (410,676)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation expense	133,294	131,081
Changes in assets and liabilities:		
Accounts receivable, net	(29,975)	514
Notes receivable, net	2,835	3,252
Other assets	(2,381)	(2,723)
Net OPEB asset	(23,494)	(1,613)
Deferred outflows	40,026	57,822
Accounts payable	11,355	16,403
Accrued compensation and other	1,295	(1,954)
Advances	30,898	1,493
Compensated absences	4,101	2,799
Deposits	(402)	1,769
Net OPEB liability	(173,629)	14,678
Net pension liability	(35,365)	(72,747)
Deferred inflows	60,286	60,668
Other liabilities	(10,001)	(8,273)
Net Cash Used for Operating Activities	**$ (188,280)**	**$ (207,507)**
Noncash Transactions		
Accrued liabilities for capital assets	$ 15,238	$ 6,719
Net increase (decrease) in fair value of investments	$ 213,344	$ (55,682)
Gifts and other additions to capital assets	$ 5,429	$ 226

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

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

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, 2021, there are no provisions for income taxes.

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

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

Basis of Presentation

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

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

- The University of Cincinnati Foundation (the Foundation), described more fully in Note 17, is a legally separate not-for-profit organization engaged in fundraising activities almost exclusively for the benefit of the university. The Foundation is a discretely presented component unit of the university in accordance with the provisions of GASB on the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position.

Basis of Accounting

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

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

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

- Restricted for nonexpendable and expendable purposes:

  - Nonexpendable – The net position subject to externally-imposed restrictions, which must be retained in perpetuity by the university, is classified as nonexpendable net position. Such assets include the university's permanent endowment and the university's investment in UC Health.

  - Expendable – The net position whose use by the university is subject to externally-imposed restrictions that can be fulfilled by actions of the university pursuant to those restrictions or that expire by the passage of time are classified as expendable net position. Such assets include the spendable portion of endowment and gifts and other assets including debt service, debt proceeds, and capital appropriations.

- Unrestricted: The remaining net position that is neither the net investment in capital assets or restricted for nonexpendable and expendable purposes. The university's unrestricted net position may be designated for specific purposes by action of management or the Board of Trustees. Substantially, all of the university's unrestricted net position is allocated for academic and research initiatives or programs, for capital programs, or for other purposes.

Changes in Financial Accounting and Reporting

During 2021, the university implemented Statement No. 84, *Fiduciary Activities*. The statement establishes criteria for identifying and reporting fiduciary activities of all state and local governments including public universities. In general, if the university controls the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists, then the activity should be presented in a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to this requirement is provided for a business type activity that expects to hold assets in a custodial fund for three months or less. This statement did not have a material impact on the university's financial statements.

Recent Accounting Pronouncements

In June 2017, GASB issued Statement No. 87, *Leases*, effective for the university's fiscal year ending June 30, 2022. The statement establishes a single approach for lease accounting based on the principle that all leases are a means for financing the use of an underlying asset. The new guidance applies to all leases with terms greater than 12 months, including any options to extend. Under this statement, a lessee is required to recognize an intangible right-to-use asset and corresponding lease liability. Lessors are required to record a lease receivable and a corresponding deferred inflow of resources. The university is evaluating the impact Statement No. 87 will have on its financial statements.

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*, effective for the university's fiscal year ending June 30, 2023. The statement provides a single method of reporting conduit debt obligations and any related commitments. This standard clarifies what a conduit debt obligation is by specifying certain characteristics of these debt instruments, and it eliminates the option for government issuers to recognize conduit debt obligations unless qualitative factors indicate that the issuer is more likely than not to support one or more conduit debt service payments. The university is evaluating the impact Statement No. 91 will have on its financial statements.

In January 2020, GASB issued Statement No. 92, *Omnibus 2020*, effective for the university's fiscal year ending June 30, 2022. The statement addresses a variety of topics and includes specific provisions about GASB 87 and Implementation Guide 2019-3 effective dates, reporting intra-entity transfers of assets, reporting assets accumulated for postemployment benefits, applicability of certain requirements of Statement No. 84 to postemployment benefit arrangements, exception to acquisition value in a government acquisition, reinsurance recoveries, reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature and terminology used to refer to derivative instruments. The university is evaluating the impact Statement No. 92 will have on its financial statements.

In March 2020, GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*, effective for the university's fiscal year ending June 30, 2022. The statement addresses the accounting and financial reporting implications that result from the replacement of an Interbank Offered Rate (IBOR) for hedging derivative instruments and leases. The university is evaluating the impact Statement No. 93 will have on its financial statements.

In March 2020, GASB issued Statement No 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, effective for the university's fiscal year ending June 30, 2023. The statement establishes definitions of public-private and public-public partnership arrangements (P3s) and availability payment arrangements (APAs), and it provides guidance for the accounting and financial reporting for transactions that meet those definitions. A P3 is defined as an arrangement in which a government transferor contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset, for a period of time in an exchange or exchange-like transaction. An APA is defined as an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining or operating an underlying infrastructure or other nonfinancial asset for a period of time in an exchange or exchange-like transaction. The university is evaluating the impact Statement No. 94 will have on its financial statements.

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for the university's fiscal year ending June 30, 2023. The statement defines a subscription-based technology arrangement (SBITA) as a contract that conveys the control of the right to use a SBITA vendor's IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. This guidance requires the university to recognize a right-to-use subscription asset and a corresponding subscription liability under these type of contracts. The standard provides an exception for short-term SBITAs that have a maximum possible term of 12 months. The university is evaluating the impact Statement 96 will have on its financial statements.

In June 2020, GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32.* The statement establishes guidance for determining financial accountability for a potential component unit in certain instances where the legally separate organization does not have a governing board. This guidance does not apply to a potential component unit that is a defined contribution pension plan, a defined contribution other postemployment plan (OPEB) and an other employee benefit plan such as certain Section 457 plans. Additionally, the standard limits the financial burden criterion in paragraph 7 of Statement 84 to defined pension plans and defined OPEB plans. These provisions were effective for the university's fiscal year ending June 30, 2020. There was no financial impact to the university's financial statements. Other provisions outlined in the statement that pertain to Section 457 plan are effective for the university's fiscal ending June 30, 2022. The university is evaluating the impact Statement 97 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 measured at fair value using the net asset value per share (or its equivalent) practical expedient. Statements provided by the managers of the investment partnerships may lag the financial year-end close. If the June 30 statements are not available, the March 31 statements are adjusted for cash receipts, cash disbursements and securities distributions through June 30.

Additionally, the carrying amount of these investments is adjusted for June 30 information from the investment partnerships when necessary to provide a reasonable estimate of fair value as of June 30, 2021. Because these investments are not readily marketable, the estimated value is subject to uncertainty. Therefore, the estimated value may differ from the value that would have been used had a ready market for the investments existed. Such differences could be material.

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

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

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

Capital assets are comprised of land, land improvements, infrastructure, buildings and equipment. Land, works of art and historical treasures are capitalized but not depreciated. All university capital assets are recorded at cost at date of acquisition, or acquisition value at date of donation. The university's capitalization threshold is $100,000 for major construction projects and related costs are capitalized as they are incurred. 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, except for library books and fine art.

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 related to defeasance, certain changes in net pension and OPEB liabilities not included in pension and OPEB expense and employer pension contributions subsequent to the measurement date of the net pension liability.

Deferred inflows of resources are a gain in net position by the university that is applicable to a future reporting period. Deferred inflows of resources are reported in the Statement of Net Position but are not recognized in the financial statements as revenue until the periods to which they relate. Deferred inflows of resources of the university consist of deferred gains on debt refundings related to defeasance, hedging derivatives, certain changes in net pension and OPEB liabilities not included in pension and OPEB expense and beneficial interests in irrevocable split-interest agreements.

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

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

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

Cost-Sharing Defined Benefit Other Postemployment Benefit Plans— The Plans mentioned in the preceding paragraph provide other postemployment benefits (OPEB) in addition to pension benefits. For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB Plans and additions to/deductions from the OPEB Plans' fiduciary net position have been determined on the same basis as they are reported by the OPEB Plans. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

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

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

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

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

Comparative Information— Financial information presented by the university for 2020 is for comparative purposes. This information should be read in conjunction with the university's financial statements for the year ended June 30, 2020, 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. There reclassifications had no effect on the change in net position

2. Cash, Cash Equivalents, and Investments

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

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

Temporary Investment Pool

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

At June 30, 2021, the fair value of the temporary investment pool is as follows *(in thousands)*:

Temporary Investment Pool	Current	Noncurrent	Total
Cash & cash equivalents			
Petty cash	$ 40	$ —	$ 40
Bank deposits - Federally insured	698	—	698
Bank deposits - Uninsured	1,427	—	1,427
Money market funds	230,112	—	230,112
Cash in-transit	(4,869)	—	(4,869)
Total cash & cash equivalents	227,408	—	227,408
Investments			
U.S. Agency securities	31,009	38,415	69,424
U.S. Treasury securities	69,817	85,490	155,307
Corporate notes and bonds	76,289	189,297	265,586
Endowment Fund A & C	—	68,542	68,542
Municipal notes and bonds	23,722	38,935	62,657
Total investments	200,837	420,679	621,516
Total Temporary Investment Pool	$ 428,245	$ 420,679	$ 848,924

Endowment Investments

Diversification is a fundamental risk management strategy for the endowment portfolio. Accordingly, the portfolio includes investments in domestic and non-U.S. stocks, bonds and loans; real estate; and limited partnerships for investment in real estate, private equity, and hedge funds. The approved asset mix may range from 75% to 90% in equity and alternative investments and 10% to 25% in fixed income investments, at any one time, at the discretion of the university's investment office.

The university has an established set of endowment investment guidelines for alternative investments related to targeted asset allocation and allowable ranges. The maximum allowable percentages the portfolio can hold for alternative investments is: real estate and private equity including natural resources and venture capital 45% and hedge funds 20% with the total not exceeding 55% in illiquid strategies. The Investment Committee determines target allocations and allowable ranges.

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

At June 30, 2021, the fair value of the endowment is as follows *(in thousands)*:

Endowment Investments	Fund A	Fund B	Fund C	Separately Invested	Beneficial Interests in Perpetual Trusts	Total
Investment Type						
Cash & cash equivalents	$ 12,159	$ —	$ 139	$ 194	$ —	$ 12,492
U.S. Agency securities	25,388	—	—	—	—	25,388
U.S. Treasury securities	39,035	—	—	—	—	39,035
Corporate notes and bonds	71,346	—	—	150	—	71,496
Municipal notes and bonds	5,918	—	—	—	—	5,918
NDCL* - principal	—	—	50,541	12,740	—	63,281
NDCL* - accrued income	—	—	3,713	2,462	—	6,175
Corporate stocks	500,668	—	—	5,040	—	505,708
Alternative investments						
Private equity	333,758	—	—	8,246	—	342,004
Hedge funds	254,581	—	—	—	—	254,581
Real estate	21,170	816	6,410	1,109	—	29,505
Beneficial interests in perpetual trusts	—	—	—	—	458,399	458,399
Total endowment investments	1,264,023	816	60,803	29,941	458,399	1,813,982
Shares held by UC Foundation	(506,920)	—	(20,523)	—	—	(527,443)
Loan to UHCURC (component unit)	—	—	(8,146)	—	—	(8,146)
NDCL* - accrued income	—	—	(3,713)	(2,462)	—	(6,175)
Accrued income - other	(1,185)	—	(260)	—	—	(1,445)
Accrued expense	1,153	—	—	—	—	1,153
TIP investment in Fund A & C	(67,450)	—	(1,092)	—	—	(68,542)
Valuation timing adjustment	1,198	—	—	—	—	1,198
Beneficial interests in perpetual trusts	—	—	—	—	(458,399)	(458,399)
Endowment investments as reported	$ 690,819	$ 816	$ 27,069	$ 27,479	$ —	$ 746,183

* Neighborhood Development Corporation Loans (NDCL)

Endowment shares held by UC Foundation, investments held in irrevocable external perpetual trusts, a note payable from University Heights Community Urban Redevelopment Corporation (UHCURC), accrued income and expense, and temporary investment pool's investment in Fund A and Fund C are excluded from endowment investments reported on the Statement of Net Position. The Foundation's share of Fund A and Fund C is included in the Foundation's assets listed in a discretely presented column on the Statement of Net Position. External trust assets are not reported on the Statement of Net Position unless they are recognized as beneficial interest in trusts under GASB 81, *Irrevocable Split-Interest Agreements*. As explained in Note 16, UHCURC is a blended component unit of the university and as such, the note receivable is eliminated from endowment investments recorded on the Statement of Net Position. The temporary investment pool's investment in Fund A and Fund C is included in noncurrent investments recorded on the Statement of Net Position. Fund A valuation timing adjustment is included in endowment investments recorded on the Statement of Net Position.

Fund A

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

The university has adopted a spending rate policy which smooths the distribution of income earned in Fund A. Distributions are made from Fund A to university departments that benefit from those funds. The 2021 endowment spending policy provided for an annual distribution of 4.3% of the twelve-quarter moving-average market value of endowment units.

At June 30, 2021, Fund A shares totaled 14,322,033 with a market value of $1,264,023,000. The Foundation owned 5,749,052 of those shares with a market value of $506,920,000 (excludes accrued income). The Foundation's share of Fund A is approximately 40.1%. Substantially all Foundation endowments have been invested in Fund A.

Fund A also includes alternative investments consisting of private equity, hedge funds, and real estate. The private equity portion of the portfolio totals $333,758,000. In cases where the June 30, 2021 investment values are not available, certain of these private equity investments are valued based on their value as of March 31, 2021 adjusted for cash receipts, cash disbursements, and securities distributions through June 30, 2021 (please refer to Note 1, Summary of Significant Accounting Policies, regarding valuation of alternative investments). The hedge fund portion of the portfolio totals $254,581,000. Real estate holdings in Fund A total $21,170,000. The university's outstanding commitment to purchase various alternative investments at June 30, 2021, is $316,064,000 and is comprised of undrawn commitments to private equity funds.

Fund C

Fund C is comprised of strategic loans made to certain non-profit neighborhood development corporations and certain real estate holdings. Fund C is not actively managed by the investment office, has no spending policy, and pays no Foundation fundraising fees.

Fund C loans made to certain nonprofit neighborhood development corporations for the purpose of developing residential and commercial facilities on the borders of the campus total $54,254,000. The total includes principal of $50,541,000, net of $17,615,000 of loan loss reserves and accrued interest of $3,713,000, net of $35,103,000 of interest reserves. A loan to UHCURC (a blended component unit) for $8,146,000, net of reserves is eliminated for the purpose of financial statement presentation. These loans are secured primarily by mortgages on parcels of land purchased by these nonprofit entities. Some of these mortgages are subordinated to external financing arranged by these entities. These university loans bear interest at 6%. The university expects repayment once the residential and commercial facilities have streams of rental income. Loan loss reserves are estimated based on aggregate cash flow projections for the projects and independent appraisals of the underlying real estate. Changes in loan loss reserves are reflected in nonoperating revenues (expenses), as a component of net investment income.

Fund C real estate holdings are valued at $6,410,000.

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

At June 30, 2021, Fund C shares totaled 10,987,649 with market value of $60,803,000. The Foundation owned 3,968,064 of those shares with a market value of $20,523,000 (excludes accrued income). The Foundation's share of Fund C is approximately 36.1%.

Fund B and Separately Invested Assets

Fund B is comprised primarily of real estate holdings received through donor bequest and is valued at $816,000. Separately invested funds include neighborhood development corporation loans, corporate stocks held per donor stipulation, strategic private equity investments, and donated real estate; their value totaled $29,941,000 (including accrued income) at June 30, 2021.

Real Estate

Fund A, Fund B, Fund C, and separately invested assets include land or other real estate held as investments. At June 30, 2021, the fair market value totaled $29,505,000 including $21,170,000 in Fund A, $816,000 in Fund B, $6,410,000 in Fund C and $1,109,000 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 2021.

Beneficial Interest in Irrevocable External Perpetual Trusts

The university is the beneficiary of numerous perpetual trusts held and administered by external trustees. The market value of these external trustee assets totaled $458,399,000 at June 30, 2021. These external trusts are irrevocable, and the university has a vested beneficial interest in the net income payable by the trusts. External trust assets are not reported on the Statement of Net Position unless they are recognized as beneficial interest in trusts recognized under GASB 81, *Irrevocable Split-Interest Agreements*. Income is received annually and reported on the university's Statement of Revenues, Expenses, and Changes in Net Position. In 2021, the university received income of $11,828,000. The university expects income from the trusts will be received in perpetuity.

Off-Balance-Sheet Risk

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

Interest Rate Risk

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

At June 30, 2021, the university's investment maturities are as follows *(in years, in thousands)*:

Investments	Less than 1	1 to 5	6 to 10	More than 10	Total
Temporary Investment Pool					
U.S. Agency securities	$ 31,009	$ 38,234	$ 181	$ —	$ 69,424
U.S. Treasury securities	69,817	85,490	—	—	155,307
Corporate notes and bonds	76,289	163,372	12,147	13,778	265,586
Municipal notes and bonds	23,722	38,935	—	—	62,657
Total Temporary Investment Pool	$ 200,837	$ 326,031	$ 12,328	$ 13,778	$ 552,974
Endowment Investments					
U.S. Agency securities	$ —	$ 147	$ 4,623	$ 10,428	$ 15,198
U.S. Treasury securities	3,441	8,714	3,217	7,994	23,366
Corporate notes and bonds	882	16,175	21,309	4,492	42,858
Municipal notes and bonds	110	1,756	149	1,527	3,542
NDCL* - principal	22	9,990	14,547	12,324	36,883
Total Endowment Investments	$ 4,455	$ 36,782	$ 43,845	$ 36,765	$ 121,847

* Neighborhood Development Corporation Loans (NDCL)

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

Debt proceeds issued for capital projects with maturities of less than one year total $76,741,000 and are recorded as noncurrent investments on the Statement of Net Position. Unspent debt proceeds are included in the temporary investment pool investments above.

The portion of endowment investments, after exclusions, not subject to interest rate risk is $692,878,000 (includes temporary investment pool share of Fund A and Fund C) and is comprised mainly of endowment portfolio investments in equity securities and alternative investments. Amounts reflected as maturities for neighborhood development corporation loans represent management's best estimate of anticipated collections for these demand notes.

Credit Risk

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

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

At June 30, 2021, the university's investment credit risk is as follows *(in thousands)*:

	AAA	AA	A	BBB	BB & B	Not Rated	Total
Temporary Investment Pool							
U.S. Agency securities	$ —	$ 69,424	$ —	$ —	$ —	$ —	$ 69,424
U.S. Treasury securities	—	155,307	—	—	—	—	155,307
Corporate notes and bonds	28,394	22,251	125,585	89,356	—	—	265,586
Municipal notes and bonds	2,977	30,883	28,797		—	—	62,657
Total Temporary Investment Pool	$ 31,371	$277,865	$154,382	$ 89,356	$ —	$ —	$552,974
Endowment Investments							
U.S. Agency securities	$ —	$ 14,398	$ 25	$ 391	$ 384	$ —	$ 15,198
U.S. Treasury securities	—	23,366	—	—	—	—	23,366
Corporate notes and bonds	969	564	9,977	28,010	3,189	149	42,858
Municipal notes and bonds	51	578	1,692	942	279	—	3,542
NDCL* - principal	—	—	—	—	—	36,883	36,883
Total Endowment Investments	$ 1,020	$ 38,906	$ 11,694	$ 29,343	$ 3,852	$ 37,032	$121,847

* Neighborhood Development Corporation Loans (NDCL)

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

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

The portion of endowment investments, after exclusions, not subject to credit risk is $692,878,000 (includes temporary investment pool share of Fund A and Fund C) and is comprised mainly of endowment portfolio investments in equity securities and alternative investments.

Custodial Credit Risk

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

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the university's investment in a single issuer. The university has separate investment policies for the endowment and its temporary investment pool that limit the concentration of credit risk. As of June 30, 2021, 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, 2021 *(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	$ 94,812	$ —	$ 94,812	$ —
U.S. Treasury securities	194,342	194,342	—	—
Corporate notes and bonds	337,082	—	337,082	—
Municipal notes and bonds	68,575	—	68,575	—
NDCL - principal	55,135	—	—	55,135
Equity securities				
U.S equities	259,235	259,235	—	—
Non-U.S. equities	80,636	80,636	—	—
Commingled funds	138,045	80,738	—	57,307
Public real assets	27,792	—	—	27,792
Real estate	29,505	—	—	29,505
Total investments by fair value level	$ 1,285,159	$ 614,951	$ 500,469	$ 169,739
Investments measured at net asset value (NAV)				
Hedge funds	$ 254,581			
Private equity funds	342,004			
Total investments measured at NAV	596,585			
	1,881,744			
Cash, cash equivalents and other	13,398			
Shares held by UC Foundation	(527,443)			
Total investments measured at fair value	$ 1,367,699			
Hedging derivative instruments				
Interest rate swap	$ 1,049		$ 1,049	
Interest rate cap	2,164		2,164	
Total hedging derivative instruments	$ 3,213		$ 3,213	
Investment derivative instruments				
Interest rate swap (liability)	$ (3,332)		$ (3,332)	

Money market funds included within the Temporary Investment Pool and classified as cash and cash equivalents are measured at fair market value. 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 *(in thousands)*:

	Fair Value	Valuation Method
NDCL - principal	$ 55,135	Based on aggregrate cash flow projections and independent appraisals of underlying real estate
Commingled funds; Public real assets	85,099	Positions are valued by a general or managing partner (or functional equivalent)
Real estate	29,505	Independent appraisals every three years for tangible real assets
	$ 169,739	

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

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge funds (A)	$ 254,581	$ —	Quarterly/Annually, after lock-up period	45-90 days
Private equity funds (B)	342,004	316,064	Non-redeemable	none
	$ 596,585	$ 316,064		

(A) This category includes investment vehicles that take both long and short positions, primarily in common stocks and credit instruments. Management of the funds has the ability to shift investments among differing investment strategies. Liquidity offered by these vehicles ranges from one quarter to 2.5 years after initial lock-ups of one to two years.

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

Derivative Instruments

The fair value of the interest rate swap agreements were estimated using the income approach, which converts future cash flows to a single present value using discounting. The value of the 2009 interest rate swap agreement is then adjusted to incorporate non-performance risk for the university since the swap is a liability. The valuations are 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.

The value of the interest rate cap agreement was estimated using the income approach which converts future cash flows to a single present value using discounting. The fair value of the interest rate cap was developed by an independent third party with no vested interest in the cap transaction. The valuations are 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, 2021 is as follows *(in thousands)*:

Accounts receivable, net	$ 98,959
Notes receivable, net	17,911
Accrued interest receivable, net	9,106
Total	125,976
Less current receivables	105,425
Noncurrent receivables	$ 20,551

Allowances for uncollectible receivables included in the amounts above are approximately $9,347,000 for accounts receivable, $6,425,000 for notes receivable, and $23,566,000 for accrued interest receivable related to loans made to certain nonprofit entities as of June 30, 2021.

5. UC Health Affiliation Agreement

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

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

UCMC purchases common services from the university, such as utilities and various other administrative services for which the university charges UCMC. Charges for 2021 were approximately $14,239,000.

UC Health 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. UC Health 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 UC Health and related affiliates for 2021 were $23,184,000 and are included in support from affiliates on the Statement of Revenues, Expenses, and Changes in Net Position.

Additionally, faculty and non-faculty UCPC physicians and certain other UCPC clinical staff members are dually compensated by both the university and UC Health. The university charges UCPC for these employees' salaries and benefits. Total salaries and benefits for 2021 were approximately $66,528,000 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, 2021 is summarized as follows *(in thousands)*:

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	$ 25,196	$ 7,405	$ —	$ —	$ 32,601
Construction in progress	45,455	65,077	—	(43,244)	67,288
Collections	16,009	57	—	—	16,066
Total nondepreciable assets	86,660	72,539	—	(43,244)	115,955
Capital assets being depreciated:					
Land improvement	116,968	—	—	1,750	118,718
Buildings	2,845,265	2,479	(5,607)	38,062	2,880,199
Infrastructure	149,392	103	—	462	149,957
Building equipment	17,698	—	—	87	17,785
Moveable equipment	259,416	12,089	(9,505)	2,883	264,883
Computer software	73,539	—	(16)	—	73,523
Library books	221,893	6,617	(88)	—	228,422
Total	3,684,171	21,288	(15,216)	43,244	3,733,487
Less: Accumulated depreciation	2,071,004	133,294	(13,236)	—	2,191,062
Total depreciable assets	1,613,167	(112,006)	(1,980)	43,244	1,542,425
Capital assets, net	$ 1,699,827	$ (39,467)	$ (1,980)	$ —	$ 1,658,380

7. Debt

The university finances certain construction, renovation, and acquisition of facilities through the issuance of debt obligations, which include general receipts bonds, capital lease obligations, and other borrowings.

Debt activity for the year ended June 30, 2021 is as follows *(in thousands)*:

	Interest Rates	Final Maturity	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
General Receipts Bonds - Fixed Rate							
2010C (a,b)	4.03-6.48%	2039	$ 21,045	$ —	$ 21,045	$ —	$ —
2010F	3.00-5.00%	2034	1,545	—	1,545	—	—
2011A	3.50-5.00%	2021	2,095	—	2,095	—	—
2011C	3.00-5.25%	2031	7,870	—	6,320	1,550	—
2011E	3.38-5.00%	2028	8,650	—	—	8,650	1,005
2012A	2.00-5.00%	2031	14,270	—	6,965	7,305	7,305
2012C	4.00-5.00%	2033	49,245	—	46,765	2,480	2,325
2013A	3.12-5.00%	2034	2,405	—	—	2,405	—
2013D (a)	4.64-5.15%	2033	9,230	—	—	9,230	—
2014B	3.00-5.00%	2036	79,220	—	5,090	74,130	5,350
2014C	3.25-5.00%	2041	30,415	—	445	29,970	440
2014D	5.00%	2036	45,060	—	4,870	40,190	5,305
2016A	5.00%	2034	46,215	—	—	46,215	—
2016B (a)	3.95%	2042	25,165	—	—	25,165	—
2016C	5.00%	2046	37,980	—	—	37,980	—
2017A	4.54%	2047	93,545	—	—	93,545	—
2017B	4.32%	2031	21,935	—	—	21,935	—
2018A	3.00-5.00%	2048	76,020	—	180	75,840	195
2018B (a)	3.88-4.18%	2035	20,645	—	—	20,645	—
2019A	2.513%	2039	86,145	—	2,025	84,120	2,115
2019B (a)	2.82%	2039	232,795	—	13,790	219,005	7,290
2020A (a)	3.011%	2050	74,115	—	—	74,115	—
2020B (a)	1.99%	2050	28,135	—	—	28,135	—
2021A (a)	3.19%	2051	—	39,655	—	39,655	—
2021B (a)	0.30-2.46%	2033	—	42,685	—	42,685	—
Total Fixed Rate			1,013,745	82,340	111,135	984,950	31,330
General Receipts Bonds - Variable Rate							
2017C (a,c)	0.99%	2027	50,150	—	—	50,150	—
2021C (a,c)	1.29%	2031	—	18,700	—	18,700	—
			50,150	18,700	—	68,850	—
Capital Lease Obligations							
King Highland-Stetson/Turner	3.00-5.00%	2038	37,585	—	—	37,585	1,585
Other Debt							
Stratford Heights 2020 (c,d)	1.60%	2025	42,395	—	1,320	41,075	—
Premium			64,572	—	11,197	53,375	6,956
Less: Current portion of debt			(51,539)	—	—	(39,871)	
Net long-term debt			$ 1,156,908	$ 101,040	$ 123,652	$ 1,145,964	$ 39,871

Notes:
(a) Taxable bonds
(b) Build America Bonds
(c) Direct placement debt
(d) University Heights Community Urban Redevelopment Corporation (see Note 16)

Debt Issuances

During 2021, the university issued fixed rate general receipts obligations totaling $82,340,000. Debt issued included taxable bonds in the amount of $39,655,000 (Series 2021A) and $42,685,000 (Series 2021B). Bond proceeds were utilized to provide capital project funding of $39,655,000 and to refund existing debt of $42,685,000 (Series 2012C). The cash flow differential from this debt refunding is $4,361,000 after a university equity contribution of $3,087,000 and will be realized over a 12-year period as a reduction of interest expense.

Deferred inflows associated with the university's 2021 refunding activities totaled $2,793,000 and has been recorded within the deferred inflows of resources on the Statement of Net Position.

Debt Retirement

During 2021, the university retired $9,225,000 of callable obligations. Debt retired included $2,920,000 of fixed rate bonds (Series 2010C), $970,000 of fixed rate bonds (Series 2010F), and $5,335,000 of fixed rate bonds (Series 2011C). All of these series are fully retired except for $1,550,000 remaining for Series 2011C.

Variable Rate Direct Placement and Other Debt

On June 3, 2021, Series 2021C taxable variable rate bonds, with an aggregate principal amount up to $49,075,000, were issued via direct placement with a bank. These bonds were issued as "drawndown" bonds whereby purchaser of the bonds will fund the purchase price of the bonds in installments. As of June 30, 2021, a total of $18,700,000 of the purchase price was advanced under the contract and was used to refund a portion of various maturities related to Series 2010C and Series 2010F fixed rate bonds. Proceeds of $30,375,000 will be used to finance all or a portion of the design and renovation of the Calhoun Hall Renovation capital project.

These bonds bear interest at an index-based rate (LIBOR) plus a spread. The LIBOR period can range from one month to twelve months as selected by the university at each reset date. The effective interest rate for the bonds on June 30, 2021 is 1.29%. Interest is payable semi-annually on December 1 and June 1; the bonds mature on June 1, 2031. These bonds will be held by the registered holder(s) through bond maturity. Accordingly, the university has classified the outstanding principal on these bonds as a long-term liability.

Subsequent to UHCURC's fiscal year ending August 31, 2020, taxable variable rate bonds were issued for Stratford Heights on December 16, 2020 via a direct placement contract with a bank, in an aggregate principal amount of $41,075,000. Therefore, the transaction is not reflected in the university's financial statements (see Note 16). Proceeds were used to refinance the 2010 Stratford Heights fixed rate bonds in the amount of $41,075,000.

Stratford Heights 2020 direct placement bonds bear interest at an index-based rate (1-Month LIBOR) plus a spread. The effective interest rate for the bonds on June 30, 2021 is 1.60%. Interest is payable semi-annually on December 1 and June 1; the bonds mature on December 1, 2025. These bonds will be held by the registered holder(s) through bond maturity. Accordingly, the university has classified the outstanding principal balance on these bonds as a long-term liability. The debt activity table has been updated to reflect the interest rate and final maturity date of the new debt.

Capital Lease Obligations

The university has capital lease obligations of $37,585,000 in connection with the financing of two buildings (One Stetson Square and Turner Center), which are owned by King Highland Community Urban Redevelopment Corporation and occupied, all or in part, by the university. Economic development revenue bonds were issued by the County of Hamilton, Ohio (the "King Highland Bonds") to finance the buildings. The leases for One Stetson Square and Turner Center require unconditional obligations for the university to make lease payments, which pay the principal and interest on the King Highland Bonds.

Collateralization

General receipts obligations are collateralized by a pledge of the university's general receipts. Capital lease obligations (One Stetson Square and Turner Center) are secured by base rent payments under the leases and are not general receipts obligations. The net book value of assets for the capital lease obligations is $20,027,000 as of June 30, 2021.

Derivative Transactions

Interest Rate Swaps

The university has two pay-fixed interest rate swaps in effect at June 30, 2021. The swaps were entered into to protect the university against the potential of rising interest rates. The first swap, entered into in 2009, has been determined to be an ineffective hedge and is reported as an investment derivative. The second swap, entered into in fiscal year 2021, has been determined to be an effective hedge and is reported as a hedging derivative.

The following table summarizes the university's swap agreements as of June 30, 2021 *(in thousands)*:

Effective Date	Counterparty	Counterparty Rating	Associated Debt Series	Outstanding Notional Amount	Fixed Rate Paid	Variable Rate Index Received	Fair Value	Swap Termination Date
5/1/2009	Royal Bank of Canada (RBC)	AA-/Aa3	2017C	$24,075	3.16%	USD-67% LIBOR-BBA-1M	($3,332)	6/1/2030
7/8/2020	PNC Bank	A2/A	2017C	$34,020	0.39%	USD-100% LIBOR-BBA-1M	$1,049	6/1/2027

Based on the swap agreements, the university calculates a fixed rate interest owed to the counterparty. Correspondingly, the swap counterparty calculates interest based on a specified index. Only the net difference in interest payments is exchanged between the parties. The university continues to pay interest on the Series 2017C Direct Placement obligations as due. There are no collateral posting requirements on these swaps.

The fair value of the RBC swap on June 30, 2021 is ($3,332,000), which is reported as a noncurrent liability on the Statement of Net Position and indicates the amount the university would be required to pay to 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. During 2021, the fair value of the swap increased $1,195,000, which is reported as investment income within the Statement of Revenues, Expenses, and Changes in Net Position.

The fair value of the PNC Bank swap on June 30, 2021 is $1,049,000, which is reported as a noncurrent asset and offset by a deferred inflow of resources on the Statement of Net Position. The fair value was also estimated using the income approach described above.

Interest Rate Cap

On March 23, 2021, the university paid $3,004,400 to purchase an interest rate cap from PNC Bank. Based on the terms of the interest rate cap the university will receive a payment from PNC Bank if 100% of 1-Month LIBOR exceeds:

1) 1.00% (cap rate) during the period of March 23, 2021 through May 31, 2026
2) 2.00% (cap rate) during the period June 1, 2026 to May 31, 2031

The PNC Bank interest rate cap has been determined to be an effective hedge and is reported as a hedging derivative.

The following table summarizes the university's interest rate cap agreement as of June 30, 2021:

Effective Date	Counterparty	Counterparty Rating	Associated Debt Issue	Outstanding Notional Amount	Floating Rate Option	Fair Value	Cap Termination Date
3/23/2021	PNC Bank	A2/A	Stratford Heights	$41,075	USD-100% LIBOR-BBA-1M	$2,164	6/01/2031

The fair value of the interest rate cap on June 30, 2021 is $2,164,000, which is reported as a noncurrent asset and offset by a deferred inflow of resources on the Statement of Net Position. The fair value was estimated using the income approach which converts future cash flows to a single present value using discounting. The fair value of the interest rate cap agreement was developed by an independent third party with no vested interest in the cap transaction.

Risks

Credit: There are no counterparty collateral posting requirements on the derivative contracts. However, the university is exposed to $3,213,000 in credit risk associated with the PNC swap and interest rate cap agreements with a positive fair value through fiscal year 2021. 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.

General Interest Rate: The fair value of the swaps and interest rate cap are sensitive to interest rate changes.

Debt Service Commitments

General receipts and Stratford Heights annual debt service obligations are as follows *(in thousands)*:

	Fixed Rate Bonds		Direct Placement/Variable Debt		
Fiscal Year	Principal	Interest	Principal	Interest	Total
2022	$ 31,330	$ 36,983	$ —	$ 1,399	$ 69,712
2023	33,160	35,698	—	1,400	70,258
2024	41,295	34,650	1,555	1,400	78,900
2025	43,955	33,234	42,665	1,385	121,239
2026	46,840	31,889	1,630	712	81,071
2027-2031	235,410	133,461	64,075	3,417	436,363
2032-2036	161,385	96,892	—	—	258,277
2037-2041	125,195	67,668	—	—	192,863
2042-2046	118,495	41,659	—	—	160,154
2047-2051	147,885	16,920	—	—	164,805
Total	$ 984,950	$ 529,054	$ 109,925	$ 9,713	$ 1,633,642

Capital Lease annual principal and interest obligations are as follows *(in thousands)*:

Fiscal Year		Principal		Interest		Total
2022	$	1,585	$	1,581	$	3,166
2023		1,630		1,534		3,164
2024		1,680		1,485		3,165
2025		1,745		1,418		3,163
2026		1,815		1,348		3,163
2027-2031		10,240		5,582		15,822
2032-2036		12,920		2,909		15,829
2037-2038		5,970		361		6,331
Total	$	37,585	$	16,218	$	53,803

Defeased Debt

The university defeased all or a portion of various general receipts obligations as identified in the table below *(in thousands)*:

Bond Series	Maturity Dates	Interest Rate(s)		Amount Defeased		Amount Outstanding at June 30, 2021
Series 2010C	2028-2039	6.38% - 6.48%	$	18,125	$	18,125
Series 2010F*	2019-2034	3.50% - 5.00%		45		—
Series 2010F	2021-2034	3.50% - 5.00%		62,865		575
Series 2010G	2021-2032	5.62% - 6.28%		13,185		—
Series 2011C	2022-2031	4.25% - 5.25%		12,840		—
Series 2011E	2022-2028	3.38% - 5.00%		20,070		20,070
Series 2012A	2023-2031	3.00% - 5.00%		39,750		39,750
Series 2012C	2023-2033	4.00% - 5.00%		56,035		56,035
Series 2013A	2030-2034	5.00%		13,715		13,715
Series 2013C	2033-2039	5.00%		54,125		54,125
Series 2013D	2029-2033	5.15%		28,135		28,135
Total			$	318,890	$	230,530

* Defeasance of Kingsgate Conference Center

Neither the outstanding indebtedness nor the related irrevocable trust accounts for the above bonds are included in the university's financial statements. Funds have been deposited with a trustee in accordance with the defeasance of the debt.

Other

Interest expense on capital asset related debt in 2021 was $47,303,000.

8. Other Long-Term Liabilities

Other long-term liabilities as of June 30, 2021 are as follows *(in thousands)*:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Noncurrent Portion
Other long-term liabilities:						
Compensated absences	$ 67,214	$ 9,071	$ 4,970	$ 71,315	$ 48,938	$ 22,377
Government loan advances	17,234	296	2,567	14,963	—	14,963
Rent advances	23,184	—	237	22,947	238	22,709
Interest rate swap liability	4,527	—	1,195	3,332	—	3,332
Total other long-term liabilities	$ 112,159	$ 9,367	$ 8,969	$ 112,557	$ 49,176	$ 63,381

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 $24,418,000 for the year ended June 30, 2021.

In 2019, the university entered into a 99-year term agreement to lease the Kingsgate Hotel and Conference Center to GCOH Owner LLC. The university received a one-time lump sum rent advance of $23,500,000. Rent revenue is recognized on a straight-line basis over the term of the agreement. Rent revenue for 2021 was approximately $237,000. As of June 30, 2021, the remaining amount considered noncurrent is approximately $22,709,000, which is included in other noncurrent liabilities on the Statement of Net Position. The future minimum rental income from this operating lease for each of the next five years is approximately $237,000. Thereafter, $21,761,000 will be recognized over the remaining years.

The university also has entered into a number of significant lease arrangements to expand housing capacity for students to meet increasing demand and enrollment. These agreements range from one to five year terms with various renewal options. The expense for these leases in 2021 was $22,343,000.

Future minimum payments for the above operating leases as of June 30, 2021 are as follows *(in thousands)*:

Year Ended June 30,	
2022	$ 27,395
2023	15,830
	$ 43,225

10. Federal and 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.

In May 2020, the Higher Education Emergency Relief Fund I (HEERF I) was enacted under the Coronavirus Aid, Relief, and Economic Security (CARES) Act from the US Department of Education to provide budgetary relief to institutions. The university received an emergency financial aid grant of $23.5 million and spent $22.5 million during 2020. During 2021, the university spent the remaining $991,000 of the HEERF I award.

In August 2020, the university was awarded $21.6 million in Coronavirus Relief Funds (CRF) from the State of Ohio. Funds were awarded to the State of Ohio as Federal Financial Assistance from the US Department of Treasury. The grant is comprised of two parts, Institutional and Mental Health. CRF institutional funds can only be used to cover expenses that (1) are necessary expenditures incurred due to the public health emergency with respect to COVID-19; (2) were not accounted for in the budget approved as of March 27, 2020; and (3) were incurred during the period that began on March 1, 2020 and ends December 31, 2021. This portion amounted to $21.2 million. The mental health portion is used to provide mental health services to the university community. This portion totaled $345,000. Grant funds totaling $21.3 million were spent during 2021.

The Higher Education Emergency Relief Fund II (HEERF II) was authorized by the Coronavirus Response and Relief Supplemental Appropriation (CRRSA) Act signed into law on December 27, 2020. Under HEERF II, there was not a direct correlation between the student aid portion and the institution portion. The student portion was based on the aid received under HEERF I. The university was awarded $11.8 million for aid to students and $27.8 million for institutional aid. HEERF III was authorized by the American Rescue Plan Act (ARPA) in March 2021. Under HEERF III at least half of the institution's allocation must be used to make emergency financial aid grants to students (Student Aid Portion), the remainder may be used for institutional purposes (Institutional Portion). Two new required uses of HEERF III Institutional Portion are (1) implement evidence-based practices to monitor and suppress coronavirus in accordance with public health guidelines; and (2) conduct direct outreach to financial aid applicants about the opportunity to receive a financial aid adjustment due to the recent unemployment of a family member or independent student, or other circumstances. The university was awarded $35.4 million in aid for students and $34.6 for the institution. Both HEERF II and HEERF III are awarded from the US Department of Education. In total the university spent $67.3 million of HEERF II and HEERF III money during 2021.

11. Retirement Plans and Other Postemployment Benefits

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

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

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

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

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

Benefits Provided

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

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

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

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

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

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

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

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

Pension Contributions

The ORC provides OPERS and STRS Ohio statutory authority over employee and employer contributions. The required contractually determined contribution rates, respectively of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The contractually required contribution rates for the employee and the university are as follows for the year ended June 30, 2021:

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

For the year ended June 30, 2021, contributions to the pension plans from the university were $27,133,000 for OPERS and $21,194,000 for STRS Ohio.

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

At June 30, 2021, the university reported a liability of $174,810,000 and $371,394,000 for OPERS and STRS Ohio, respectively, for its proportionate share of the net pension liability. This was a decrease of $63,463,000 for OPERS and an increase of $28,098,000 for STRS Ohio compared to the liabilities reported as of June 30, 2020. The net pension liability was measured as of December 31, 2020 for OPERS and June 30, 2020 for STRS Ohio and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of those dates. The university’s proportion of the net pension liability was based on the university's actual contributions, employee and employer, for OPERS Traditional Pension Plan, employer only for OPERS Combined Plan and employer only for STRS Ohio, during the respective measurement periods in relation to total contributions for the same groups by all employers for the same periods. At June 30, 2021, the university’s proportion was 1.22% for OPERS Traditional Pension Plan, 1.92% for OPERS Combined Plan and 1.53% for STRS Ohio.

For the year ended June 30, 2021, the university recognized pension expense of $6,138,000 for OPERS and $48,786,000 for STRS Ohio, for a total of $54,924,000. The difference between this total and the $1,829,000 reported separately as pension expense on the Statement of Revenue, Expenses, and Changes in Net Position is $52,789,000, which is recorded as employee benefits within functional expenses.

At June 30, 2021, 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	$ —	$ 836	$ 836
Changes in assumptions	315	19,446	19,761
Net difference between projected and actual earnings on pension plan investments	—	18,644	18,644
Changes in proportion	1,684	6,218	7,902
University's contributions subsequent to the measurement date	15,091	26,232	41,323
	$ 17,090	$ 71,376	$ 88,466

	Deferred Inflows of Resources		
	OPERS	STRS Ohio	Total
Differences between expected and actual experience	$ 8,520	$ 2,357	$ 10,877
Net difference between projected and actual earnings on pension plan investments	71,931	—	71,931
Changes in proportion	1,436	3,328	4,764
	$ 81,887	$ 5,685	$ 87,572

At June 30, 2021, the university reported $15,091,000 and $26,232,000 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2021 related to pensions will be recognized in pension expense as follows *(in thousands)*:

Year ended June 30,	OPERS	STRS Ohio	Total
2022	$ (29,345)	$ 13,095	$ (16,250)
2023	(11,182)	7,347	(3,835)
2024	(29,262)	11,531	(17,731)
2025	(9,825)	7,486	(2,339)
2026	(110)	—	(110)
Thereafter	(164)	—	(164)
	$ (79,888)	$ 39,459	$ (40,429)

Actuarial Assumptions

For OPERS, the total pension liability was determined by an actuarial valuation as of December 31, 2020 using the following actuarial assumptions, applied to all prior periods in the measurement:

OPERS	Traditional Pension Plan	Combined Plan
Valuation date	December 31, 2020	December 31, 2020
Date of last experience study	Period ended December 31, 2015	Period ended December 31, 2015
Inflation	3.25%	3.25%
Projected salary increases	3.25% - 10.75% including inflation at 3.25%	3.25% - 8.25% including inflation at 3.25%
Investment rate of return	7.20%	7.20%
Cost-of-living adjustments	Pre-1/7/2013 retirees: 3.00% simple; post-1/7/2013 retirees: 0.50% simple through 2021, then 2.15% simple	Pre-1/7/2013 retirees: 3.00% simple; post-1/7/2013 retirees: 0.50% simple through 2021, then 2.15% simple

For STRS Ohio, the total pension liability was determined by an actuarial valuation as of June 30, 2020 using the following actuarial assumptions, applied to all prior periods included in the measurement:

STRS Ohio	
Valuation date	June 30, 2020
Date of last experience study	Period ended June 30, 2016
Inflation	2.50%
Projected salary increases	12.50% at age 20 to 2.50% at age 65
Investment rate of return	7.45%, net of investment expenses, including inflation
Payroll increases	3.00%
Cost-of-living adjustments	0% effective July 1, 2017

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

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

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

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

OPERS

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equities	21%	5.64%
International equities	23%	7.36%
Fixed income	25%	1.32%
Real estate	10%	5.39%
Private equity	12%	10.42%
Other investments	9%	4.75%
	100%	

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:

STRS Ohio

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

Discount Rate

The discount rate used to measure the total pension liability was 7.2% for OPERS and 7.45% for STRS Ohio. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that participating employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.2%)	Current Discount Rate (7.2%)	1% Increase (8.2%)
OPERS	$340,167	$174,810	$37,461

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
STRS Ohio	$528,800	$371,394	$238,005

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 reports.

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 9.53% 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 four 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, 2021, there were 2,642 members in the plan. Under the provisions of ARP, the required rate for plan participants electing out of OPERS and STRS Ohio was 10% and 14%, respectively. The employer contribution rate for participants electing out of OPERS and STRS Ohio was 14% for 2021. During 2021, the employer contributions were $21,935,000. 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 2021 were 2.44% to OPERS and 4.47% to STRS Ohio. The employer contributions to the OPERS and STRS Ohio unfunded liability accounts during 2021, were $2,395,000 and $5,038,000, respectively.

Payables to the Pension Plans

At June 30, 2021, the university reported a payable of $4,455,000 and $4,143,000 for OPERS and STRS Ohio, respectively, for the outstanding amount of contributions to the pension plans required for the year ended June 30, 2021.

Other Postemployment Benefits

OPERS provides postemployment health care benefits to retirees of the Traditional and Combined pension plans. Prior to January 1, 2015, 10 or more years of service were required to qualify for health care coverage. Beginning January 1, 2015, generally, members must be at least age 60 with 20 years of qualifying service credit to qualify for health care coverage or 30 years of qualifying service at any age. Beginning 2016, retirees enrolled in Medicare A and B are eligible to participate in the OPERS Medicare Connector (Connector). The Connector, a vendor selected by OPERS, assists eligible retirees in the selection and purchase of Medicare supplemental coverage through the Medicare market. Retirees who purchase supplemental coverage through the Connector may receive a monthly allowance in their health reimbursement arrangement (HRA) account that can be used to reimburse health care expenses.

Members of the Member-Directed Plan do not qualify for ancillary benefits, including postemployment health care coverage. OPERS funds a Retiree Medical Account (RMA) that Member-Directed Plan participants can use for reimbursement of qualified medical expenses from their vested RMA balance. The Ohio Revised Code (ORC) permits, but does not require OPERS to provide Other Postemployment Benefits (OPEB) to its eligible benefit recipients. Authority to establish and amend health care coverage is provided in Chapter 145 of the ORC.

All health care assets are consolidated into the OPERS 115 Health Care Trust that funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a HRA to qualifying benefit recipients of both the Traditional Pension and Combined Plans. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available.

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. Since January 1, 2018, OPERS has not allocated any portion of employer contributions to fund the health care program for members in the Traditional Pension Plan and Combined Plan, and is expected to remain at that level. Therefore, no university employer contributions to OPERS were allocated to fund OPEB for 2021. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. A portion of employer contributions for Member-Directed Plan participants is allocated to an RMA.

On January 15, 2020, the OPERS Board of Trustees approved several changes to the health care plan offered to retirees in an effort to decrease costs and increase the solvency of the health care plan. These changes, are effective January 1, 2022 and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for non-Medicare retirees with monthly allowances, similar to the program for Medicare retirees.

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. Medicare Part B premium reimbursements was discontinued effective January 1, 2020. Pursuant to Chapter 3307 of the ORC, STRS Ohio has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of monthly premiums. Since July 1, 2014, STRS Ohio has not allocated any employer contributions of covered payroll to the Health Care Fund from which payments for health care benefits are paid.

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

At June 30, 2021, the university reported an asset of $22,229,000 for OPERS for its proportionate share of the net OPEB asset. This was an increase of $195,858,000 compared to the liability reported as of June 30, 2020. The net OPEB asset was measured as of December 31, 2020 and the total OPEB asset used to calculate the net OPEB asset was determined by actuarial valuations as of that date. The university's proportion of the net OPEB asset was based on the university's actual contributions during the measurement period to the plan relative to the contributions to the plan of all participating employers for the same period. At June 30, 2021, for the measurement period, the university's proportion was 1.25% for OPERS.

At June 30, 2021, the university reported an asset of $26,976,000 for STRS Ohio for its proportionate share of the net OPEB asset. This was an increase of $1,265,000 compared to the asset reported as of June 30, 2020. The net OPEB asset was measured as of June 30, 2020 for STRS Ohio and the total OPEB asset used to calculate the net OPEB asset was determined by actuarial valuations as of that date. The university's proportion of the net OPEB asset was based on the university's actual contributions during the measurement period to the plan relative to the contributions to the plan of all participating employers for the same period. At June 30, 2021, for the measurement period, the university's proportion was 1.53% for STRS Ohio.

For the year ended June 30, 2021, the university recognized OPEB reduction of expense of $132,931,000 for OPERS and reduction of expense of $1,074,000 for STRS Ohio, for a total reduction of expense of $134,005,000.

At June 30, 2021, the university reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources *(in thousands)*:

	Deferred Outflows of Resources		
	OPERS	STRS Ohio	Total
Differences between expected and actual experience	$ —	$ 1,686	$ 1,686
Changes in assumptions	11,010	450	11,460
Net difference between projected and actual earnings on OPEB plan investments	—	975	975
Changes in proportion	1,180	313	1,493
	$ 12,190	$ 3,424	$ 15,614

	Deferred Inflows of Resources		
	OPERS	STRS Ohio	Total
Differences between expected and actual experience	$ 20,109	$ 5,352	$ 25,461
Changes in assumptions	36,019	25,110	61,129
Net difference between projected and actual earnings on OPEB plan investments	12,015	—	12,015
Changes in proportion	785	24	809
	$ 68,928	$ 30,486	$ 99,414

Amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2021 related to OPEB will be recognized in OPEB expense as follows *(in thousands)*:

Year ended June 30,	OPERS	STRS Ohio	Total
2022	$ (29,055)	$ (6,753)	$ (35,808)
2023	(21,115)	(6,130)	(27,245)
2024	(5,173)	(5,910)	(11,083)
2025	(1,395)	(5,778)	(7,173)
2026	—	(1,183)	(1,183)
Thereafter	—	(1,308)	(1,308)
	$ (56,738)	$ (27,062)	$ (83,800)

Actuarial Assumptions

For OPERS, the total OPEB asset was determined by an actuarial valuation as of December 31, 2019 rolled forward to December 31, 2020 using the following actuarial assumptions, applied to all prior periods in the measurement.

OPERS	
Actuarial Valuation Date	December 31, 2019
Rolled-Forward Measurement Date	December 31, 2020
Experience Study	5-Year Period Ended December 31, 2015
Actuarial Cost Method	Individual entry age normal
Single Discount Rate	6.00%
Investment Rate of Return	6.00%
Municipal Bond Rate	2.00%
Wage Inflation	3.25%
Projected Salary Increases	3.25% - 10.75% (includes wage inflation at 3.25%)
Health Care Cost Trend Rate	8.50% initial, 3.50% ultimate in 2035

For STRS Ohio, the total OPEB asset was determined by an actuarial valuation as of June 30, 2020 using the following actuarial assumptions, applied to all prior periods in the measurement.

STRS Ohio	
Actuarial Valuation Date	June 30, 2020
Inflation	2.50%
Salary increases	12.50% at age 20 to 2.50% at age 65
Payroll increases	3.00%
Investment Rate of Return	7.45%, net of investment expenses, including inflation
Health Care Cost Trend Rate	-6.69 to 11.87% initial,4.00%ultimate
Cost-of-living adjustments	0% effective July 1, 2017

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

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

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

	OPERS	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equities	25%	5.64%
International equities	25%	7.36%
Fixed income	34%	1.07%
REITs	7%	6.48%
Other investments	9%	4.02%
	100%	

STRS Ohio utilizes investment consultants to determine the long-term expected rate of return by developing best estimates of expected real rates for each major asset class. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

Discount Rate

The discount rates used to measure the total OPEB asset were 6.00% for OPERS and 7.45% for STRS Ohio.

For OPERS, a single discount rate of 6.00% was used to measure the OPEB asset on the measurement date of December 31, 2020. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 2.00%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the OPEB plan's fiduciary net position and future contributions were sufficient to finance the health care costs through the year 2120. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2120, and the municipal bond rate was applied to all health care costs after that date.

For STRS Ohio, the projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2020. Therefore, the long-term expected rate of return on health care plan investments of 7.45% was applied to all periods of projected health care costs to determine the total OPEB asset as of June 30, 2020.

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

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

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
OPERS	($5,527)	($22,229)	($35,960)

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
STRS Ohio	($23,471)	($26,976)	($29,950)

The university's proportionate share of the net OPEB liability (asset) has been calculated using health care trend rates of 8.5% for OPERS and a range of -6.7% to 11.9% for STRS Ohio. The following presents the university's proportionate share of the net OPEB liability (asset) calculated using health care cost trend rates 1% higher and 1% lower than the current health care cost trend rates.

	1% Decrease	Current Health Care Cost Trend Rate	1% Increase
OPERS	($22,771)	($22,229)	($21,623)

	1% Decrease	Current Health Care Cost Trend Rate	1% Increase
STRS Ohio	($29,765)	($26,976)	($23,578)

OPEB Plans' Fiduciary Net Position

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

12. Risk Management and Self-Insurance Funds

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

The university provides for medical professional and general liability insurance through a combination of an actuarially funded self-insurance program sponsored by the university and has purchased commercial insurance coverage in excess of the self-insurance amount. The medical professional liability insurance program also includes qualified not-for-profit physician practice corporations, largely subsumed into University of Cincinnati Physicians, Inc. Medical professional self-insurance limits were $4 million per occurrence for 2021. 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 $28,911,000 are adequate to cover estimated liabilities resulting from known claims and incidents and incurred-but-not-reported incidents as of June 30, 2021 for the university and University of Cincinnati Physicians, Inc. Trust assets related to the university total $5,273,000 and are included in current portion of other assets; liabilities of $722,000 are included in accrued liabilities in the Statement of Net Position as of June 30, 2021.

General liability coverage is also provided as part of a group insurance program of Ohio state universities known as the Inter-University Council Risk Management & Insurance Consortium (IUC-RMIC). This program provided for $10 million retention per occurrence with the first $100,000 funded by the university, $900,000 funded by pooled funds held through the IUC-RMIC and $9 million reinsured through a commercial reinsurance agreement. Excess commercial coverage for general liability was provided with total limits of $30 million shared with the other participating universities. In addition, educators' legal liability coverage was provided through the IUC-RMIC program with $50 million in total limits also shared among the participating institutions. The IUC-RMIC self-insurance pools are funded by an agreed formula among the participating universities. This program qualifies as a public entity risk pool as defined by GASB standards and is classified as a risk-sharing pool. Under this arrangement, there is a transfer of risk from the university to the pool. Therefore, there is no recognition in the university's financial statements of assets or liabilities related to the IUC-RMIC program.

Property and casualty insurance is also provided through the IUC-RMIC program, consisting of commercial property insurance with a $350,000 retention, and a self-insurance pool to fund retained losses subject to a $100,000 university deductible. Total insurance expense paid through the IUC-RMIC program was $2,219,000.

The university is also self-insured for a portion of medical, dental, and pharmacy benefits provided to employees. Changes to the self-insured health care claims liability as of June 30, 2021 and 2020 are as follows *(in thousands)*:

	2021	2020
Liability at beginning of fiscal year	$ 9,205	$ 10,526
Current year claims including changes in estimates	88,570	83,906
Claim payments	(90,386)	(85,227)
Liability at the end of fiscal year	$ 7,389	$ 9,205

13. Capital Project Commitments

At June 30, 2021, the university is committed to future capital expenditures as follows *(in thousands)*:

Contractual commitments	$ 188,889
Estimated completion costs of projects	129,770
Total	$ 318,659

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

State appropriations	$ 41,515
Internal and other sources	277,144
Total	$ 318,659

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.

As a result of the COVID-19 pandemic, economic uncertainties remain, which may negatively affect the financial position, results of operations and cash flows of the university. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

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 or is related to a net OPEB asset. Restricted nonexpendable and expendable net position is held for the following purposes *(in thousands)*:

Restricted nonexpendable:	
Instruction	$ 126,429
Research	42,041
Academic support	51,897
College/programs	103,258
Scholarships	92,600
Interest in UC Health	420,645
Other	16,875
	853,745
Less: UHCURC Elimination	8,146
Total	$ 845,599

Restricted expendable:	
Instruction	$ 36,181
Research	97,604
Academic support	28,974
College/programs	165,520
Scholarships	48,169
Student loans	11,406
Capital projects	12,073
Net OPEB asset	49,205
Total	$ 449,132

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, 2020 have been blended with the university's financial statements for the fiscal year ended June 30, 2021.

A condensed statement of net position for UHCURC as of August 31, 2020 and the related statement of revenues, expenses, and changes in net position and statement of cash flows for the year then ended are as follows *(in thousands)*:

Statement of Net Position

	8/31/2020
Current assets	$ 24
Capital assets not being depreciated	4,788
Capital assets being depreciated, net	34,731
Total assets	39,543
Deferred outflows of resources	493
Current liabilities	1,860
Accrued interest payable – University of Cincinnati	16,662
Notes payable – University of Cincinnati	16,998
Other long-term debt	39,156
Total liabilities	74,676
Net investment in capital assets	(1,731)
Unrestricted	(32,909)
Total net position	$ (34,640)

Statement of Revenues, Expenses, and Changes in Net Position

	8/31/2020
Operating revenues	$ 3,349
Operating expenses	70
Depreciation	1,390
Operating income	1,889
Other nonoperating expenses	3,049
Decrease in net position	(1,160)
Net position, beginning of the year	(33,480)
Net position, end of the year	$ (34,640)

Statement of Cash Flows

	8/31/2020
Net cash from operating activities	$ 1,343
Net cash used for capital and financing activities	(1,344)
Net decrease in cash and cash equivalents	(1)
Cash and cash equivalents, beginning of the year	25
Cash and cash equivalents, end of the year	$ 24

17. University of Cincinnati Foundation

The University of Cincinnati Foundation is a legally separate, tax-exempt component unit of the university. The foundation complies with Financial Accounting Standards Board (FASB) pronouncements for reporting purposes. The principal function of the foundation is to solicit, receive, hold, invest and administer funds and to make distributions to or for the benefit of the university. Since these resources held by the foundation can be used only by or for the benefit of the university, the foundation is considered a component unit of the university and is discretely presented in the university's financial statements.

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

THE UNIVERSITY OF CINCINNATI FOUNDATION NOTES TO FINANCIAL STATEMENTS

PLEDGES RECEIVABLE

Contributors to the Foundation have made unconditional pledges totaling approximately $110,193,000 as of June 30, 2021. For payments that extend beyond one year, these pledges receivable have been discounted at rates ranging from 0.5% to 6% to a net present value of approximately $102,982,000 as of June 30, 2021.

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

	2021
Less than one year	$ 29,949,523
One to five years	52,769,900
More than five years	27,473,745
	110,193,168
Less discount to present value	(7,210,945)
Less allowance for uncollectible pledges	(5,664,500)
	$ 97,317,723

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, 2021 of approximately $16,604,000 are included in the total amount of unconditional pledges due and fall within the due in more than five years category. The allowance for uncollectible pledges includes approximately $135,000 associated with the irrevocable bequests, as of June 30, 2021.

As of June 30, 2021, eighteen donors currently have outstanding conditional pledges to the Foundation. As of June 30, 2021, 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 $7,761,000 as of June 30, 2021.

ENDOWMENT FUNDS

Endowment assets are invested in a manner consistent with statutory fiduciary responsibilities and policies adopted by the Foundation’s Board of Trustees. The primary objective is to produce long-term real growth in assets, net of administrative and investment fees, by generating a total endowment rate of return which is greater than the spending rate plus the Consumer Price Index. Strategies to achieve the primary objective at a prudent level of risk include: (a) diversification of assets among various classes; (b) diversification of investment styles within asset class; and (c) ongoing review of investment manager performance with respect to rate of return, adherence to investment style and compliance with investment guidelines.

The Foundation’s endowment pool and separately invested endowment funds include donor restricted endowment funds, funds designated by the Board of Trustees for reinvestment in the endowment funds, and investment income on the endowment funds that have been appropriated for expenditure. As required by US GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the absence or existence of donor-imposed restrictions.

The Board of Trustees has interpreted the State of Ohio’s UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and

(c) accumulations to the 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 or depreciation earned on investments held in the donor-restricted endowment funds are credited to net assets with donor restrictions until the later of the satisfaction of donor restrictions, if applicable, or appropriation for expenditure by the Foundation's Board of Trustees. 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 1,370 endowment funds, at June 30, 2021.

The Foundation has adopted a spending rate policy that limits the distribution of endowment income. The spending rate in fiscal year 2021 was 4.3% 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 2021, income earned in the investment pool was less than the amount allocated for expenditure by approximately $8,522,000. This shortfall was funded by cumulative capital gains in the investment pool for the year ended June 30, 2021.

The endowment net asset composition by type of fund as of June 30, 2021 was as follows:

	2021		
	Without Donor Restriction	**With Donor Restriction**	**Total**
Donor restricted endowment funds:			
Original amount	$ —	$ 399,812,664	$ 399,812,664
Accumulated gains	—	71,411,400	71,411,400
Term endowments	—	100,716,031	100,716,031
Board designated endowment funds	2,951,625	—	2,951,625
Total	$ 2,951,625	$ 571,940,095	$ 574,891,720

The change in endowment fund net assets for the year ended June 30, 2021, is as follows:

	Without Donor Restriction	**With Donor Restriction**	**Total**
Endowment net assets, beginning of year	$ 2,430,078	$ 443,084,238	$ 445,514,316
Investment income:			
Interest and dividend income	187,129	14,385,942	14,573,071
Net realized/unrealized gain	585,601	112,406,334	112,991,935
Total investment income	772,730	126,792,276	127,565,006
Contributions and other transfers	—	20,704,713	20,704,713
Appropriation of endowment assets for expenditure	(251,183)	(20,035,629)	(20,286,812)
Other changes:			
Other income	—	621,249	621,249
Income reinvestment	—	773,248	773,248
Endowment net assets, end of year	$ 2,951,625	$ 571,940,095	$ 574,891,720

INVESTMENTS

The Foundation combines its pooled investment securities with the investment pool of the university in order to maximize investment diversification and realize economies of scale with respect to costs of managing the investments. The Foundation continues to serve as trustee for these assets. The Foundation maintains individual records of each fund included in the transfer of assets to the investment pool of the university. Each fund subscribes to, or disposes of, units in the pool at the unit market value at the end of each month. Income is allocated to each fund in the pool based on units of participation. The investment pool consists of Fund A and Fund C. In July 2016, Fund C was created by segregating each share of Fund A into one share of Fund A, which owns the diversified portfolio of investment funds in separate accounts, and one share of Fund C, which owns neighborhood development corporations loans (NDCL) and strategic real estate. As NDCLs and strategic real estate produce distributions to Fund C unitholders, the proceeds will be used to periodically purchase newly-created Fund A units for the Fund C unitholders. No additional assets will be purchased within Fund C. It is expected that Fund C will cease to exist by June 30, 2040, as the last distributions are made from NDCLs. As of June 30, 2021, the university is holding approximately $2,632,000 that is to be invested in the university pooled investments. These amounts are recorded as other investments in the Statements of Financial Position.

The Foundation also manages other investments, which amounted to approximately $76,832,000 as of June 30, 2021. 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, 2021:

	2021 Fair Value	2021 Cost
Cash equivalents	$ 5,426,712	$ 5,423,479
U.S. Government and agency obligations	6,010,406	5,819,546
Corporate bonds	9,727,032	9,584,460
Mutual funds	26,985,097	19,099,658
Equities	20,514,232	13,633,851
Real estate and other	10,800,000	10,800,000
University pooled investments	529,254,236	473,973,897
Total	$ 608,717,715	$ 538,334,891

The number of units in Fund A owned by the Foundation totaled 5,749,052, which represents 40.1% share of the university investment pool as of June 30, 2021. Fund A holds primarily common stock, mutual funds, and corporate and government fixed income obligations, which are stated at fair value as determined by market prices. In addition, the Foundation owned 3,968,064 shares or 36.1% of Fund C as of June 30, 2021. Fund C 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, 2021, 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, 2021. The Foundation believes that the carrying value of these investments is a reasonable estimate of fair value at June 30, 2021. 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:

	2021
Fund A	
U.S. and international equity securities	38 %
Hedge funds and private equity capital	44 %
Fixed income securities	12 %
Fund C	
Real estate and community development	6 %
Total	100 %

BENEFICIAL INTEREST IN TRUSTS – OTHER TRUSTEES

The Foundation has been notified of twelve trusts held by other trustees where the remainder interest will irrevocably benefit the university. In addition, the Foundation has been notified of one charitable lead unitrust held by other trustees where annual payments are received by the Foundation. The Foundation values these assets by projecting the value of the trust assets to future periods and then discounting the anticipated cash flows at a rate reflective of the credit risk involved. Beneficial interest in trusts held by other trustees amounted to approximately $16,910,000 as of June 30, 2021. Per GASB 81, *Irrevocable Split-Interest Agreements*, the university includes $11,707,000 of these trust values on its Statement of Net Position.

Required Supplementary Information

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

OPERS	2021	2020	2019	2018	2017	2016	2015
University's proportion of the net pension liability	1.22 %	1.23 %	1.19 %	1.18 %	1.17 %	1.13 %	1.13 %
University's proportionate share of the net pension liability	$ 174.8	$ 238.3	$ 324.6	$ 183.0	$ 265.4	$ 195.2	$ 135.9
University's covered-employee payroll	$ 188.8	$ 189.4	$ 178.5	$ 172.3	$ 163.6	$ 153.8	$ 150.5
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	92.61 %	125.80 %	181.85 %	106.22 %	162.22 %	126.88 %	90.32 %
Plan fiduciary net position as a percentage of the total pension liability	87.19 %	82.44 %	74.90 %	84.85 %	77.38 %	81.19 %	86.53 %

STRS Ohio	2021	2020	2019	2018	2017	2016	2015
University's proportion of the net pension liability	1.53 %	1.55 %	1.50 %	1.50 %	1.51 %	1.48 %	1.46 %
University's proportionate share of the net pension liability	$ 371.4	$ 343.3	$ 329.7	$ 355.6	$ 503.8	$ 408.0	$ 354.4
University's covered-employee payroll	$ 151.0	$ 149.3	$ 139.8	$ 136.7	$ 132.8	$ 131.1	$ 128.9
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	246.04 %	230.01 %	235.84 %	260.23 %	379.23 %	311.11 %	275.03 %
Plan fiduciary net position as a percentage of the total pension liability	75.48 %	77.40 %	77.31 %	75.29 %	66.78 %	72.09 %	74.71 %

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

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

OPERS	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 27.1	$ 27.0	$ 25.9	$ 24.6	$ 23.9	$ 22.3	$ 21.7
Contributions in relation to the contractually required contribution	(27.1)	(27.0)	(25.9)	(24.6)	(23.9)	(22.3)	(21.7)
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —	$ —	$ —
University's covered-employee payroll	$ 192.3	$ 191.7	$ 183.8	$ 174.3	$ 169.2	$ 157.8	$ 154.0
Contributions as a percentage of covered-employee payroll	14.11%	14.11%	14.12%	14.11%	14.11%	14.11%	14.12%

STRS Ohio	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	$ 21.2	$ 21.1	$ 20.9	$ 19.6	$ 19.1	$ 18.6	$ 18.4
Contributions in relation to the contractually required contribution	(21.2)	(21.1)	(20.9)	(19.6)	(19.1)	(18.6)	(18.4)
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —	$ —	$ —
University's covered-employee payroll	$ 151.4	$ 151.0	$ 149.3	$ 139.8	$ 136.7	$ 132.8	$ 131.1
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%

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

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

OPERS	2021	2020	2019	2018
University's proportion of the net OPEB liability (asset)	1.25 %	1.26 %	1.22 %	1.21 %
University's proportionate share of the net OPEB liability (asset)	$ (22.2)	$ 173.6	$ 159.0	$ 131.2
University's covered-employee payroll	$ 188.8	$ 189.4	$ 178.5	$ 172.3
University's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	-11.76 %	91.65 %	89.08 %	76.15 %
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	115.57 %	47.80 %	46.33 %	54.14 %

STRS Ohio	2021	2020	2019	2018
University's proportion of the net OPEB liability (asset)	1.53 %	1.55 %	1.50 %	1.50 %
University's proportionate share of the net OPEB liability (asset)	$ (27.0)	$ (25.7)	$ (24.1)	$ 58.4
University's covered-employee payroll	$ 151.0	$ 149.3	$ 139.8	$ 136.7
University's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	-17.82 %	-17.22 %	-17.24 %	42.73 %
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	182.13 %	174.74 %	176.00 %	47.11 %

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

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

OPERS	2021	2020	2019	2018
Contractually required contribution	$ —	$ —	$ —	$ 0.9
Contributions in relation to the contractually required contribution	—	—	—	(0.9)
Contribution deficiency (excess)	$ —	$ —	$ —	$ —
University's covered-employee payroll	$ 192.3	$ 191.7	$ 183.8	$ 174.3
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.50%

STRS Ohio	2021	2020	2019	2018
Contractually required contribution	$ —	$ —	$ —	$ —
Contributions in relation to the contractually required contribution	—	—	—	—
Contribution deficiency (excess)	$ —	$ —	$ —	$ —
University's covered-employee payroll	$ 151.4	$ 151.0	$ 149.3	$ 139.8
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%

*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.

Notes to Required Supplementary Information

Defined Benefit Pension Plans

Changes of Benefit Terms

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

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

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

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

Amounts reported in 2018 for STRS Ohio reflect COLA reduced to 0% effective July 1, 2017.

Changes of Assumptions

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

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

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

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

Amounts reported in 2019 for OPERS reflect a decrease in the expected rate of investment return from 7.5% to 7.2% based on a experience study for the five year period ending December 31, 2015.

Notes to Required Supplementary Information

Other Postemployment Benefits

Changes of Benefit Terms

Amounts reported in 2021 for OPERS reflect the following plan changes, effective January 1, 2022:

- Group plans offered to non-Medicare retirees and re-employed retirees discontinued and replaced with an allowance that can be used for reimbursement of individual marketplace plan premiums and other qualified medical expenses.
- Changes to eligibility requirements to receive an allowance for those retirees in Traditional Pension Plan or Combined Plan:
    - Medicare Retirees - Medicare eligible with a minimum of 20 years of qualifying service credit.
    - Non-Medicare Retirees - 30 years of qualifying service at at any age for Group A; 32 years of qualifying service credit at any age or 31 years of qualifying service credit and minimum age 52 for Group B; 32 years of qualifying service credit and minimum age 55 for Group C; or, a retiree from Groups A, B or C who qualifies for an unreduced pension, but a portion of their service credit is not health care qualifying service, can still qualify for health care at age 60 if he/she has at least 20 years of qualifying health care service credit.
- Methodology for calculating monthly allowances changed.
- Discontinuance of allowances provided for dependent children.

Changes of Assumptions

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

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

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

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

Amounts reported in 2019 for OPERS reflect the following change of assumptions based on a experience study for the five year period ending December 31, 2015:

- Expected rate of investment return decreased from 6.5% to 6.0%.
- Discount rate increased from 3.85% to 3.96%

Amounts reported in 2019 for STRS Ohio reflect the following change of assumptions based on a experience study for the five year period ending June 30, 2016:

- Discount rate increased from the blended rate of 4.13% to the long-term expected rate of return of 7.45%.
- Valuation year per capita health care costs updated.

Amounts reported in 2020 for OPERS reflect the following change of assumptions based on a experience study for the five year period ending December 31, 2015:

- Discount rate decreased from 3.96% to 3.16%.
- Health care cost trend rate changed from 10.0% initial rate and 3.25% ultimate rate in 2029 to 10.5% initial rate and 3.5% ultimate rate in 2030.

Amounts reported in 2020 for STRS Ohio reflect the following change of assumptions based on a experience study for five year period ending June 30, 2016:

- Health care cost trend rates for 2019 valuation ranging from 4.9% to 9.6% initially and a 4.0% ultimate rate compared to prior year health care cost trend rates for 2018 valuation ranging from -5.2% to 9.6% initially and 4% ultimate rate.

Amounts reported in 2021 for OPERS reflect the following change of assumptions based on a experience study for the five year period ending December 31, 2015:

- Discount rate increased from 3.16% to 6.00%.
- Health care cost trend rate changed from 10.5% initial rate and 3.5% ultimate rate in 2030 to 8.5% initial rate and 3.5% ultimate rate in 2035

Amounts reported in 2021 for STRS Ohio reflect the following change of assumptions based on a experience study for five year period ending June 30, 2016:

- Health care cost trend rates for 2020 valuation ranging from -6.7% to 11.9% initially and a 4.0% ultimate rate compared to prior year health care cost trend rates for 2019 valuation ranging from 4.9% to 9.6% initially and 4% ultimate rate.

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

Independent Auditor's Report

Board of Trustees
University of Cincinnati
Cincinnati, Ohio

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the basic financial statements of the University of Cincinnati (University) and its discretely presented component unit, collectively a component unit of the State of Ohio, which comprise the statement of net position as of June 30, 2021, and the related statements of revenues, expenses and changes in net position and cash flows, where applicable, for the year then ended, and the related notes to the basic financial statements, and have issued our report thereon dated October 15, 2021, 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

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from 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 financial statements. 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Cincinnati, Ohio
October 15, 2021