

UNIVERSITY OF CINCINNATI

A COMPONENT UNIT OF THE STATE OF OHIO
HAMILTON COUNTY

FINANCIAL STATEMENTS AS OF AND FOR THE
YEAR ENDED JUNE 30, 2022 AND
INDEPENDENT AUDITOR'S REPORT



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Independent Auditor's Report

Board of Trustees
University of Cincinnati
Cincinnati, Ohio

Opinions

We have audited the financial statements of the business-type activities and the 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, 2022, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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 of Cincinnati, as of June 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the University, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the University of Cincinnati adopted Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the University's 2021 financial statements, and we expressed unmodified audit opinions on those audited financial statements in our report dated October 15, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

FORVIS, LLP

Cincinnati, Ohio
October 13, 2022

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, 2022. 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, 2021 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 2021 (fiscal year 2022) included 46,710 students. Among the university's student population are 3,633 international students representing 113 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 86%, 9%, and 5%, respectively. Faculty members on the three campuses totaled 4,131. The university employs approximately 10,553 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 RISE UP (Research Innovation in NeuroScience Education for Underserved Populations), WE (Women in Engineering), Biomedical RaMP (Research and Mentoring Program), LSAMP (Louis Stokes Alliance for Minority Participation), 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 2022 academic year, the university awarded 13,591 academic credentials. Degrees awarded include 1,432 associate degrees, 6,463 bachelor's degrees, 3,121 master's degrees, and 793 doctoral degrees. Professional certificates awarded total 1,782.

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 Department of Higher Education, 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 in the top 30 among America's public research universities, and one of only 146 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 2023 issue of the U.S. News & World Report's influential Best Colleges guide ranks the university among the top tier of national universities (no. 151), 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, No. 1 among public institutions. US News also ranks the university 68th Most Innovative School among National Universities. Our students earned a collective \$75 million in 2021-22 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 2023 edition of "The Best 388 Colleges" identified the university for the 15th 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 160,000 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 its 2023 college rankings, Niche ranked the university as the "Best college location in Ohio."

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. During 2022, the university implemented GASB Statement No. 87, *Leases* resulting in 2021 balances restated.

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, 2022 and June 30, 2021 follows:

Summary Statement of Net Position

(in thousands)	2022	2021	Increase/(Decrease)	
		Restated	Amount	Percent
Current assets	\$ 585,278	\$ 549,624	\$ 35,654	6.5%
Noncurrent assets				
Investments	410,636	420,679	(10,043)	-2.4%
Endowment investments	723,340	746,183	(22,843)	-3.1%
Accounts and notes receivable	19,090	24,198	(5,108)	-21.1%
Net other postemployment benefits asset	72,859	49,205	23,654	48.1%
Other noncurrent assets	24,548	18,196	6,352	34.9%
UC Health intangible asset	420,645	420,645	—	0.0%
Capital assets, net of depreciation	1,704,149	1,638,353	65,796	4.0%
Lease assets, net of amortization	121,882	68,590	53,292	77.7%
Total assets	4,082,427	3,935,673	146,754	3.7%
Deferred outflows of resources	155,089	123,991	31,098	25.1%
Current liabilities	366,303	354,635	11,668	3.3%
Noncurrent liabilities	1,523,576	1,751,537	(227,961)	-13.0%
Total liabilities	1,889,879	2,106,172	(216,293)	-10.3%
Deferred inflows of resources	428,461	232,784	195,677	84.1%
Net position	\$ 1,919,176	\$ 1,720,708	\$ 198,468	11.5%

Current Assets

Current assets consist primarily of cash and cash equivalents, short-term investment of operating funds, and accounts receivable. Current assets increased by \$35.7 million in 2022. 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, 2022 totaled \$410.6 million, an decrease of \$10.0 million from June 30, 2021. The funds are invested in the university's temporary investment pool with the exception of \$83.8 million, which is invested in the endowment. Investments with a maturity date less than one year totaled \$242.8 million, and are classified as current investments with the exception of \$39.0 million of debt issued for capital projects which is classified as noncurrent.

Endowment Investments

The university's endowment totaled \$1.78 billion at June 30, 2022. The endowment includes Fund A (actively managed pooled investments), Fund B (certain real estate), Fund C (community development real estate investments funded with endowment funds), separately invested assets, and beneficial interests in irrevocable trusts. Principal repayments and interest collected on Fund C investments are subsequently invested in Fund A. Below is a summary of the market value for each category of the university's endowment:

(in thousands)	2022	2021	Increase/(Decrease)	
			Amount	Percent
Fund A (University's share)	\$ 746,132	\$ 757,103	\$ (10,971)	-1.4%
Fund A (Foundation's share) *	512,532	506,920	5,612	1.1%
Total Fund A	1,258,664	1,264,023	(5,359)	-0.4%
Fund B	816	816	—	0.0%
Fund C (University's share)	42,263	40,280	1,983	4.9%
Fund C (Foundation's share) *	21,739	20,523	1,216	5.9%
Total Fund C	64,002	60,803	3,199	5.3%
Separately Invested	32,125	29,941	2,184	7.3%
Beneficial Interests in Irrevocable Trusts	420,202	458,399	(38,197)	-8.3%
Total Endowment Investments	\$ 1,775,809	\$ 1,813,982	\$ (38,173)	-2.1%

* Includes accrued income/expense

Endowment investments reported on the Statement of Net Position totaled \$723.3 million and include the following:

- The university's share of Fund A, excluding temporary investment pool funds of \$82.7 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, a \$10.6 million loan to UHCURC, and \$3.8 million of accrued income
- Separately invested funds excluding accrued income of \$2.8 million

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

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

Fund A, the university's principal investment pool, decreased in 2022 from \$1.264 billion to \$1.259 billion, a decrease of \$5.4 million, which equates to a 0.4% decrease. The decrease is net of a 4.2% endowment spending distribution and a 1.0% distribution to the Foundation. Fund A consists of approximately 14.0% cash and fixed income, 32.3% corporate stocks, 13.9% hedge funds, 37.5% private equity, and 2.3% 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 4.2% of the three-year quarterly moving-average market value of assets in the investment pool. The income distribution for endowment spending for fiscal year 2023 will be reduced by 0.1 percentage points to 4.1% times the previous twelve-quarter moving average of market value.

At June 30, 2022, Fund A summary of activity and information is as follows (*in thousands*):

Fund A	Outstanding Shares	Per Unit Price	Total (<i>in thousands</i>)
Beginning balance	14,322,033	\$ 88.2572	\$ 1,264,023
Ending balance	14,840,183	84.8146	1,258,664
Decrease in Fund A	518,150	\$ (3.4426)	\$ (5,359)
Fund A Activity			
Return on Investments			\$ 8,132
Gifts Received			24,119
Funds available for spending, net transfers, and fees (fundraising, administrative and custody)			(37,610)
Total Fund A Activity			\$ (5,359)

The university is the beneficiary of numerous perpetual trusts held and administered by external trustees. The market value of these external trustee assets totaled \$420.2 million and \$458.4 million as of June 30, 2022 and June 30, 2021, 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 \$12.4 million and \$11.8 million in 2022 and 2021, 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 2022, the university completed and capitalized significant projects including:

- Digital Futures Building
- Memorial Hall Roof and Facade Improvements
- Probasco Auditorium Renovation
- Rhodes Hall Fire Protection Upgrades and Roof Replacement
- Rieveschl Lab/Classroom/Office Renovations
- UC Blue Ash Muntz Hall Rehabilitation (Phase 4)
- Vontz Center Exterior Envelope Improvements

Capital projects currently in construction include:

- Calhoun Hall Renovation
- Clifton Court Hall
- College of Law Renovation
- UC Biosciences Center

Projects currently in design include:

- 121 East McMillan Renovation
- CS Marketpointe Siddall Interior Renovation
- East Campus Utility Plant Infrastructure Upgrades
- Old Chemistry Rehabilitation and Partial Replacement
- Shriner's Hospital Renovation and Tenant Improvements

Capital asset additions are funded using a combination of state capital appropriations, debt, gifts, and university funds. Capital additions (net of depreciation) totaled \$67.7 million in 2022 and \$(39.5) million in 2021. Depreciation expense totaled \$132.1 million in 2022 and \$133.3 million in 2021. 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 fixed and variable rate bonds, as well as leases, was \$1.26 billion at June 30, 2022; an increase of \$36.2 million from \$1.22 billion at June 30, 2021. During 2022, the university retired \$10.2 million of callable obligations (see Note 7). These strategic transactions reduced interest payments over the life of the debt outstanding by \$2.4 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 2022, the university advanced \$30.4 million of variable rate direct placement debt to provide funding for capital projects.

Standard & Poor's Ratings Services previously assigned AA- long-term rating with a stable outlook and Moody's Investors Service previously assigned Aa3 rating with a stable outlook remain unchanged. The ratings were assigned in April 2021 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, 2022 and June 30, 2021 is summarized below:

(in thousands)	2022	2021	Increase/(Decrease)	
		Restated	Amount	Percent
Net investment in capital assets	\$ 610,217	\$ 572,590	\$ 37,627	6.6%
Restricted for:				
Nonexpendable	831,990	845,599	(13,609)	-1.6%
Expendable	529,330	449,132	80,198	17.9%
Unrestricted	(52,361)	(146,613)	94,252	64.3%
Total Net Position	\$ 1,919,176	\$ 1,720,708	\$ 198,468	11.5%

Net investment in capital assets represents both the university's non-depreciable, depreciable, and right-to-use lease 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. Right-to-use lease assets being amortized include buildings and movable equipment. Net investment in capital assets is also net of outstanding principal balances of debt attributable to the acquisition, construction, and improvement of those assets or the principal due under lease obligations. During fiscal year 2022, net investment in capital assets increased by \$37.6 million.

Restricted nonexpendable net position includes, as a primary component, the university's permanently invested endowment and gift funds. These funds decreased by \$13.6 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 \$80.2 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, 2022 was a reduction of \$465.9 million (\$72.9 million addition to restricted expendable and \$538.8 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)	2022	2021	Amount	Percent	
Impact of Pension and OPEB Standards					
Net OPEB Asset	\$ 72,859	\$ 49,205	\$ 23,654	48.1%	
Deferred Outflows of Resources					
OPEB	4,423	15,614	(11,191)	-71.7%	
Pension	134,135	88,466	45,669	51.6%	
Net Pension and OPEB Liability					
Pension	297,169	546,204	(249,035)	-45.6%	
Deferred Inflows of Resources					
OPEB	75,123	99,414	(24,291)	-24.4%	
Pension	305,046	87,572	217,474	248.3%	
Net Impact of Pension and OPEB Standards	\$ (465,921)	\$ (579,905)	\$ 113,984	-19.7%	

* See note 10 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, 2022 and June 30, 2021:

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

(in thousands)	2022	2021	Increase/(Decrease)	
		Restated	Amount	Percent
Operating Revenues	\$ 1,026,811	\$ 917,956	\$ 108,855	11.9%
Operating Expenses	1,296,130	1,116,340	179,790	16.1%
Operating Loss	(269,319)	(198,384)	(70,935)	35.8%
Nonoperating Revenues (Expenses)				
State educational appropriations	235,925	231,500	4,425	1.9%
Federal nonexchange grants	107,885	100,783	7,102	7.0%
State nonexchange grants	6,128	5,209	919	17.6%
Gifts	68,515	30,986	37,529	121.1%
Support from affiliates	19,138	23,184	(4,046)	-17.5%
Net investment income	30,945	226,478	(195,533)	-86.3%
Net interest on capital asset-related debt	(42,315)	(47,597)	5,282	-11.1%
Other nonoperating revenues (expenses)	(831)	4,080	(4,911)	-120.4%
State capital appropriations	29,062	22,095	6,967	31.5%
Capital gifts and grants	12,505	9,763	2,742	28.1%
Additions to permanent endowments	830	432	398	92.1%
Increase in Net position	198,468	408,529	(210,061)	-51.4%
Net position, beginning of year, as previously reported	1,720,708	1,296,139	424,569	32.8%
Net effect of change in accounting principle	—	16,040	(16,040)	-100.0%
Net position, beginning of the year, as restated	1,720,708	1,312,179	440,609	33.6%
Net position, end of year	\$ 1,919,176	\$ 1,720,708	\$ 198,468	11.5%

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 \$269.3 million does not account for these important revenue sources. Adding these five revenue sources, which total \$437.6 million for 2022, offsets much of the operating loss.

REVENUES

The university's revenues for the years ended June 30, 2022 and June 30, 2021, are summarized below:

SUMMARY OF REVENUES

		2021		Increase/(Decrease)	
(in thousands)	2022	Restated	Amount	Percent	
Operating Revenues					
Net student tuition and fees	\$ 522,421	\$ 497,219	\$ 25,202	5.1%	
Federal, state, & local grants and contracts	181,767	158,465	23,302	14.7%	
Nongovernmental grants and contracts	29,830	26,356	3,474	13.2%	
Sales and services of educational departments	149,324	144,225	5,099	3.5%	
Auxiliary enterprises, net	131,801	80,726	51,075	63.3%	
Other	11,668	10,965	703	6.4%	
Total operating revenues	1,026,811	917,956	108,855	11.9%	
Nonoperating Revenues					
State educational appropriations	235,925	231,500	4,425	1.9%	
Federal and state nonexchange grants	114,013	105,992	8,021	7.6%	
Gifts	68,515	30,986	37,529	121.1%	
Support from affiliates	19,138	23,184	(4,046)	-17.5%	
Net investment income	30,945	226,478	(195,533)	-86.3%	
Other nonoperating revenues	—	4,080	(4,080)	-100.0%	
Capital appropriations, gifts, and grants	41,567	31,858	9,709	30.5%	
Additions to permanent endowments	830	432	398	92.1%	
Total nonoperating and other revenues	510,933	654,510	(143,577)	-21.9%	
Total revenues	\$ 1,537,744	\$ 1,572,466	\$ (34,722)	-2.2%	

Operating Revenues

Net student tuition and fees are the primary source of operating revenue for the university. During 2022, the net revenue from student tuition and fees increased from \$497.2 million to \$522.4 million, an increase of \$25.2 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 2022, revenue from federal, state, and local grants and contracts totaled \$181.8 million, an increase of \$23.3 million. The increase was mainly a result of an increase in federal grant funds. Nongovernmental grants and contracts revenue increased from \$26.4 million to \$29.8 million in 2022, an increase of \$3.5 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 21% of revenue in 2022.

Revenue from sales and service of educational departments totaled \$149.3 million, an increase of \$5.1 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, increased from \$80.7 million to \$131.8 million, an increase of \$51.1 million. The increase is attributable to students returning in-person to campus in fall of 2021 as operations returned to similar levels before the COVID-19 pandemic that began in spring 2020.

Nonoperating Revenues

State educational appropriations increased from \$231.5 million in 2021 to \$235.9 million in 2022, an increase of \$4.4 million. State funding support remains a vital source of funding for academic programs and administrative costs.

Federal and state nonexchange grants increased from \$106.0 million in 2020 to \$114.0 million in 2021, an increase of \$8.0 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 2022 totaled \$68.5 million, compared to \$31.0 million in 2021, an increase of \$37.5 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.

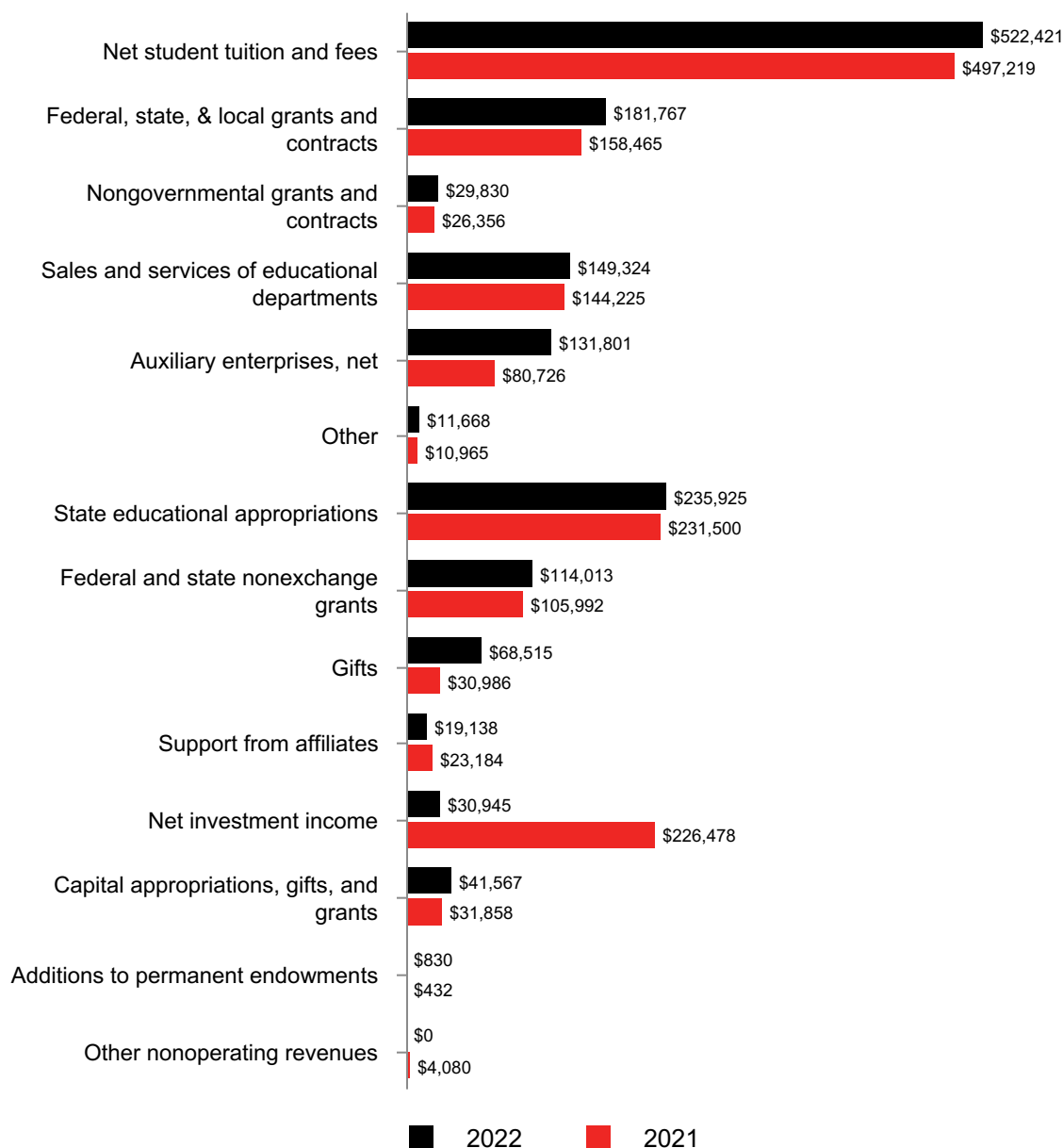
Support from affiliates revenue decreased from \$23.2 million to \$19.1 million in 2021 and 2022 respectively, a decrease of \$4.1 million. Funds reported as support from affiliates are contributions from UC Health to the College of Medicine in support of the academic mission. The decrease in support during 2022 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 \$30.9 million and \$226.5 million in 2022 and 2021 respectively, a decrease of \$195.5 million. Investment income includes both endowment income and temporary investment pool income. The decrease in investment income for 2022 is mainly attributable to a decline in domestic and global equities' markets.

Capital appropriations, gifts, and grants included in other revenue, increased from \$31.9 million in 2021 to \$41.6 million in 2022, an increase of \$9.7 million. State capital is appropriated on a biannual basis, of which 2022 is the last year of the biennium. In 2022, State capital appropriations were \$29.1 million, an increase of \$7.0 million. Capital gifts and grants received for construction projects increased from \$9.8 million in 2021 to \$12.5 million in 2022, an increase of \$2.7 million.

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

Summary of Revenues (in thousands)



EXPENSES

The university's expenses for the years ended June 30, 2022 and June 30, 2021, are summarized below:

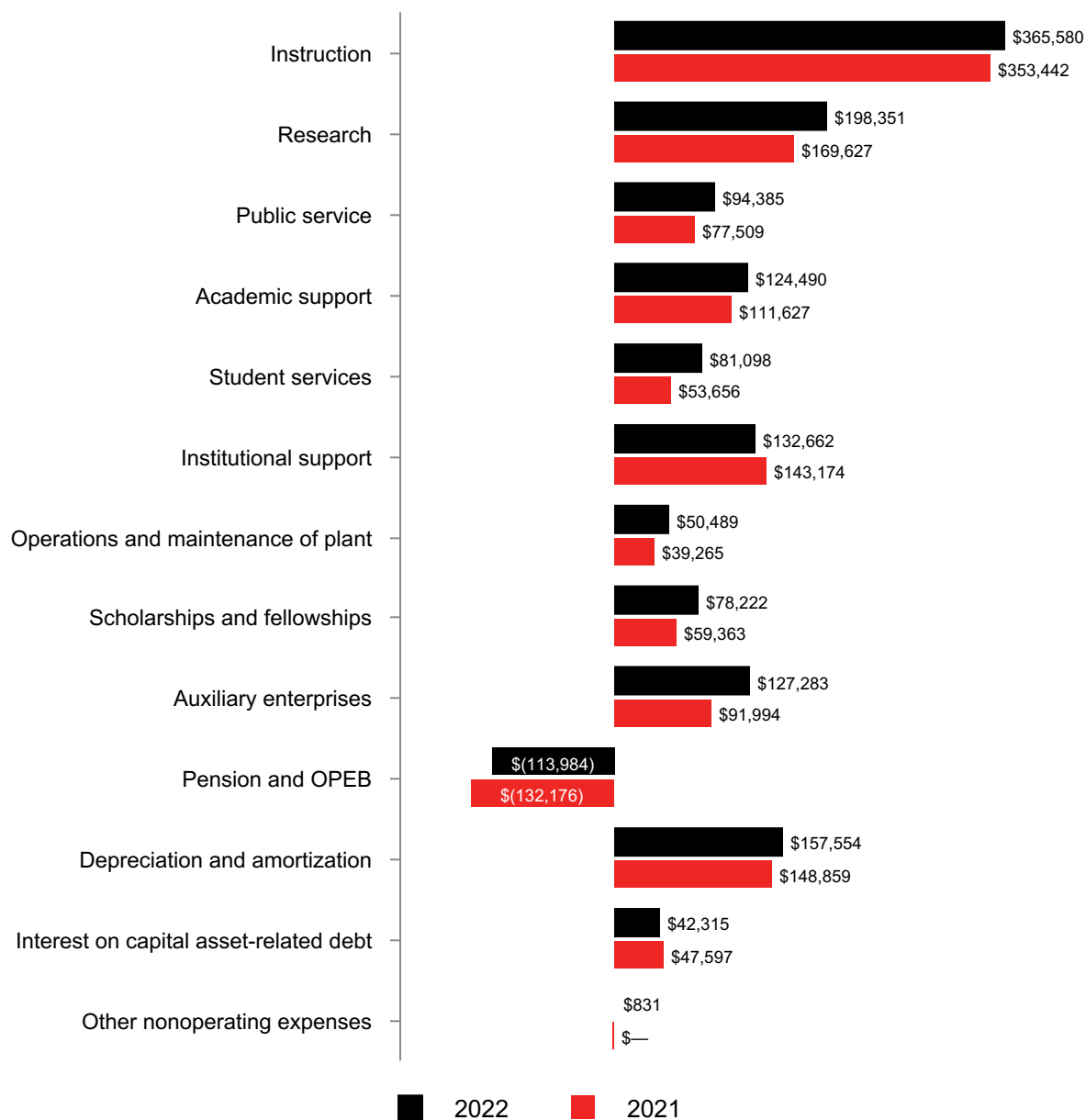
SUMMARY OF EXPENSES

(in thousands)	2021		Increase/(Decrease)	
	2022	Restated	Amount	Percent
Operating expenses				
Instruction	\$ 365,580	\$ 353,442	\$ 12,138	3.4%
Research	198,351	169,627	28,724	16.9%
Public service	94,385	77,509	16,876	21.8%
Academic support	124,490	111,627	12,863	11.5%
Student services	81,098	53,656	27,442	51.1%
Institutional support	132,662	143,174	(10,512)	-7.3%
Operations and maintenance of plant	50,489	39,265	11,224	28.6%
Scholarships and fellowships	78,222	59,363	18,859	31.8%
Auxiliary enterprises	127,283	91,994	35,289	38.4%
Pension and other postemployment benefit (revenue) expense	(113,984)	(132,176)	18,192	-13.8%
Depreciation and amortization	157,554	148,859	8,695	5.8%
Total operating expenses	\$ 1,296,130	\$ 1,116,340	\$ 179,790	16.1%
Nonoperating expenses				
Net interest on capital asset-related debt	42,315	47,597	(5,282)	-11.1%
Other nonoperating expenses	831	—	831	100.0%
Total nonoperating expenses	\$ 43,146	\$ 47,597	\$ (4,451)	-9.4%
Total expenses	\$ 1,339,276	\$ 1,163,937	\$ 175,339	15.1%

Total university expenses (operating and nonoperating) increased by \$175.3 million in 2022. Pension (GASB 68) and OPEB (GASB 75) adjustments accounted for \$18.2 million of the increase in expenses. Excluding pension and OPEB related expenses, university expenses increased by \$157.1 million. Increases to academic support, student services, operations and maintenance of plant, and auxiliary enterprises are due to students, faculty, and staff returning back to campus as operations and services returned to normal levels after the pandemic. The increase to auxiliary enterprises is also due to the withdraw fee paid to the American Athletic Conference in order to leave the conference and join the Big 12 Conference. Decreases in institutional support are mainly attributable to allocating marketing expenses to other functional areas. Increases in research expenses are offset by increases in grants and contracts revenue.

The chart below portrays both operating and nonoperating expenses:

Summary of Expenses (in thousands)



ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

Fall 2022 enrollment totaled 47,914 students, an increase of 1,204 students from the fall 2021. The fall 2022 class is the university's largest ever, most academically prepared, and most historically diverse. The university is home to students from all 50 states plus the District of Columbia (Washington, D.C.) and from 121 countries outside the U.S. Fall 2022 has also brought the largest new first-year class in history totaling 8,218, an increase of 1,119 students. The university continues to increase its diversity with racial and ethnic minorities with an increase of 23% in black students and 21% in Latinx students in the incoming class.

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.

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.

The university has 200 years of history as a research pioneer, with a culture strongly emphasizing collaboration to achieve innovative results that can be applied to solving complex problems and furthering scientific advancement. The university's new 180,000 square-foot Digital Futures building, located in the Uptown Innovation Corridor opened in spring 2022 and is serving as the university's headquarters for the Urban Futures enterprise-level programs: Digital Futures, UC Urban Futures Institute, and UC Urban Ethics Center. Digital Futures will provide a transdisciplinary space to bring together university experts for collaboration in "Use-Inspired Basic Research" and "Applied Research." This future-focused research will harness the power of intellect and technologies to advance the geographic region and impact global society. The university also fosters early stage research and launches start-up companies via an expanding innovation incubator, the 1819 Innovation Hub, providing a key location amidst the Uptown Innovation Corridor. The UC innovation hub is the nexus for business and industry to partner with university faculty and students.

"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 university will officially enter the Big 12 athletic conference as a member on July 1, 2023. The Big 12 ranks among the nation's premiere athletic conferences. The conference move will provide benefits to the university including enhanced athletic media-rights, a higher level of recruitment, and an enhanced national brand.

University of Cincinnati

A COMPONENT UNIT OF THE STATE OF OHIO

Statement of Net Position <i>(in thousands)</i>	University of Cincinnati		The University of Cincinnati Foundation	
	2022	2021 (Restated)	2022	2021
as of June 30, 2022 (with comparative information as of June 30, 2021)				
Assets				
Current assets				
Cash and cash equivalents	\$ 247,927	\$ 227,408	\$ 28,126	\$ 29,992
Current portion of investments	242,830	200,837		
Current portion of accounts receivable, net	80,932	104,672	2,045	2,463
Current portion of pledges receivable, net			25,383	25,790
Current portion of notes receivable, net	1,954	2,194		
Current portion of other assets	11,635	14,513	14,220	18,972
Total current assets	585,278	549,624	69,774	77,217
Noncurrent assets				
Investments	410,636	420,679		
Endowment investments	723,340	746,183	607,626	608,718
Accounts receivable, net	5,271	8,481		
Pledges receivable, net			65,802	71,528
Notes receivable, net	13,819	15,717		
Net other postemployment benefits asset	72,859	49,205		
Other noncurrent assets	24,548	18,196		
UC Health intangible asset	420,645	420,645		
Capital assets not being depreciated	210,957	115,955		
Capital assets being depreciated, net	1,493,192	1,522,398	294	347
Lease assets, net	121,882	68,590		
Total noncurrent assets	3,497,149	3,386,049	673,722	680,593
Total Assets	4,082,427	3,935,673	743,496	757,810
Deferred Outflows of Resources				
Loss on refunding	16,531	19,911		
Other postemployment benefits	4,423	15,614		
Pension	134,135	88,466		
Total Deferred Outflows of Resources	155,089	123,991		
Liabilities				
Current liabilities				
Accounts payable	97,647	80,614	6,549	6,184
Accrued liabilities	35,910	20,729		
Current portion of accrued compensation	85,899	86,188		
Current portion of bonds and leases payable	65,682	55,201		
Deposits and advances	81,165	111,903		
Total current liabilities	366,303	354,635	6,549	6,184
Noncurrent liabilities				
Accrued compensation	22,636	22,377		
Government loan advances	12,132	14,963		
Bonds and leases payable	1,190,419	1,164,661		
Net pension liability	297,169	546,204		
Other noncurrent liabilities	1,220	3,332	32,645	34,988
Total noncurrent liabilities	1,523,576	1,751,537	32,645	34,988
Total Liabilities	1,889,879	2,106,172	39,194	41,172
Deferred Inflows of Resources				
Split-interest agreements	10,338	12,355		
Gain on refunding	1,972	2,257		
Hedging derivative	9,370	3,213		
Leases	26,612	27,973		
Other postemployment benefits	75,123	99,414		
Pension	305,046	87,572		
Total Deferred Inflows of Resources	428,461	232,784		
Net Position				
Net investment in capital assets	610,217	572,590	294	347
Restricted for:				
Nonexpendable	831,990	845,599	520,762	519,371
Expendable	529,330	449,132	164,329	179,424
Unrestricted	(52,361)	(146,613)	18,917	17,496
Total Net Position	\$ 1,919,176	\$ 1,720,708	\$ 704,302	\$ 716,638

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

University of Cincinnati

A COMPONENT UNIT OF THE STATE OF OHIO

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

for the year ended June 30, 2022 (with comparative information for the
year ended June 30, 2021)

	University of Cincinnati		The University of Cincinnati Foundation	
	2022	2021 (Restated)	2022	2021
Operating Revenues				
Student tuition and fees	\$ 646,790	\$ 618,204		
Less scholarship allowances	124,369	120,985		
Net student tuition and fees	522,421	497,219		
Federal grants and contracts	175,800	151,194		
State and local grants and contracts	5,967	7,271		
Nongovernmental grants and contracts	29,830	26,356		
Sales and services of educational departments	149,324	144,225		
Auxiliary enterprises (net of scholarship allowances of \$15,603 in 2022 and \$10,965 in 2021)	131,801	80,726		
Other operating revenues	11,668	10,965	\$ 23,647	\$ 25,169
Total Operating Revenues	1,026,811	917,956	23,647	25,169
Operating Expenses				
Educational and general:				
Instruction	365,580	353,442		
Research	198,351	169,627		
Public service	94,385	77,509		
Academic support	124,490	111,627		
Student services	81,098	53,656		
Institutional support	132,662	143,174	32,942	27,867
Operations and maintenance of plant	50,489	39,265		
Scholarships and fellowships	78,222	59,363		
Auxiliary enterprises	127,283	91,994		
Pension expense (revenue)	(77,230)	1,829		
Other postemployment benefit revenue	(36,754)	(134,005)		
Depreciation and amortization	157,554	148,859	53	273
Total Operating Expenses	1,296,130	1,116,340	32,995	28,140
Operating Loss	(269,319)	(198,384)	(9,348)	(2,971)
Nonoperating Revenues (Expenses)				
State educational appropriations	235,925	231,500		
Federal nonexchange grants	107,885	100,783		
State nonexchange grants	6,128	5,209		
Gifts	68,515	30,986	89,182	67,851
Support from affiliates	19,138	23,184		
Net investment income (loss)	30,945	226,478	(5,133)	136,401
Net interest on capital asset-related debt	(42,315)	(47,597)		
Payments to University of Cincinnati			(93,717)	(65,187)
Other nonoperating revenues (expenses)	(831)	4,080	6,680	(223)
Net Nonoperating Revenues (Expenses)	425,390	574,623	(2,988)	138,842
Income (Loss) Before Other Revenues	156,071	376,239	(12,336)	135,871
Other Revenues				
State capital appropriations	29,062	22,095		
Capital gifts and grants	12,505	9,763		
Additions to permanent endowments	830	432		
Total Other Revenues	42,397	32,290		
Increase (Decrease) in Net Position	198,468	408,529	(12,336)	135,871
Net Position, beginning of year, as previously reported	1,720,708	1,296,139	716,638	580,767
Net effect of change in accounting principle (see Note 1)		16,040		
Net Position, beginning of year, as restated	1,720,708	1,312,179		
Net Position, End of Year	\$ 1,919,176	\$ 1,720,708	\$ 704,302	\$ 716,638

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

University of Cincinnati

A COMPONENT UNIT OF THE STATE OF OHIO

Statement of Cash Flows *(in thousands)*

	University of Cincinnati	
for the year ended June 30, 2022 (with comparative information for the year ended June 30, 2021)	2022	2021 (Restated)
Cash Flows from Operating Activities		
Student tuition and fees	\$ 520,816	\$ 510,018
Federal, state, and local grants and contracts	278,417	195,265
Sales and services of educational departments and auxiliary enterprises	281,784	224,347
Expenditures and other deductions:		
Compensation	(818,097)	(762,386)
Payments for materials, services and other	(458,038)	(355,125)
Loans issued	(2,215)	(2,101)
Loan principal collected	4,210	4,936
Interest on loans receivable	109	117
Custodial funds received	21,168	14,112
Custodial funds disbursed	(21,168)	(14,535)
Other revenue	2,700	10,031
Net Cash Used for Operating Activities	(190,314)	(175,321)
Cash Flows from Noncapital Financing Activities		
State educational appropriations	236,090	231,458
Federal nonexchange grants	85,252	122,828
State nonexchange grants	6,128	5,209
Gift receipts for current use	65,903	31,601
Support from affiliates	21,538	23,184
Drawdowns of federal direct loan proceeds	232,978	242,217
Disbursements of federal direct loans to students	(232,929)	(242,189)
Additions to permanent endowments	567	716
Net Cash Provided by Noncapital Financing Activities	415,527	415,024
Cash Flows from Capital and Related Financing Activities		
State capital appropriations	30,895	17,636
Private gifts	10,773	9,364
Other	1,739	458
Proceeds from issuance of capital debt	30,375	101,040
Purchases of capital assets	(191,509)	(79,762)
Proceeds from sale of capital assets	411	384
Principal paid on capital debt	(40,525)	(112,455)
Interest paid on capital debt	(41,495)	(47,411)
Principal payments received on leases receivable	1,512	1,288
Interest payments received on leases receivable	51	50
Principal paid on leases payable	(25,816)	(14,061)
Interest paid on leases payable	(263)	(236)
Net Cash Used for Capital and Related Financing Activities	(223,852)	(123,705)
Cash Flows from Investing Activities		
Interest and dividends on investments, net	61,229	44,806
Proceeds from sales and maturities of investments	1,149,385	1,201,050
Purchases of investments	(1,169,519)	(1,231,418)
Other endowment expenditures	(21,937)	(11,768)
Net Cash Provided by Investing Activities	19,158	2,670
Net Increase in Cash and Cash Equivalents	20,519	118,668
Cash and Cash Equivalents, Beginning of Year	227,408	108,740
Cash and Cash Equivalents, End of Year	\$ 247,927	\$ 227,408

Statement of Cash Flows *(in thousands)*
University of Cincinnati

for the year ended June 30, 2022 (with comparative information for the year ended June 30, 2021)	2022	2021 (Restated)
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:		
Operating loss	\$ (269,319)	\$ (198,384)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation and amortization expense	157,554	148,859
Changes in assets and liabilities:		
Accounts receivable, net	27,279	(36,348)
Notes receivable, net	1,995	2,835
Other assets	290	(2,381)
Net OPEB asset	(23,654)	(23,494)
Deferred outflows	(34,479)	40,026
Accounts payable	8,147	11,355
Accrued compensation and other	922	1,295
Advances	(29,130)	31,135
Compensated absences	530	4,101
Deposits	(2,819)	(402)
Net OPEB liability	—	(173,629)
Net pension liability	(249,035)	(35,365)
Deferred inflows	187,919	65,077
Other liabilities	33,486	(10,001)
Net Cash Used for Operating Activities	\$ (190,314)	\$ (175,321)

Noncash Transactions

Accrued liabilities for capital assets	\$ 22,060	\$ 15,238
Net increase (decrease) in fair value of investments	\$ (124,254)	\$ 213,344
Gifts and other additions to capital assets	\$ 970	\$ 5,429
Lease obligations incurred for lease assets	\$ 78,760	\$ 6,353

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

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2022

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, 2022, 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 15, 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 16, 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 or amortization, reduced by outstanding debt attributable to the acquisition, construction, improvement or leasing 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 2022, the university adopted GASB Statement No. 87, *Leases*. 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. Adoption of this statement resulted in an increase of \$16,040,000 in net position as of July 1, 2020. As of July 1, 2020, the lease assets and liabilities were \$79,320,000 due to the implementation of GASB 87. In addition, lease receivables were \$5,451,000 as of July 1, 2020 with an offsetting deferred inflows of resources for \$28,635,000.

Recent Accounting Pronouncements

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 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 April 2022, GASB issued Statement No. 99, *Omnibus 2022*. The statement addresses a variety of topics to improve certain practice issues. Items effective for the university's fiscal year June 30, 2022 include the extension of the use of London Interbank Offered Rate (LIBOR) as a benchmark, accounting for distributions as part of the Supplemental Nutrition Assistance Program (SNAP), disclosures for nonmonetary transactions, pledges of future revenues, clarifications of certain provisions of Statement 34, and terminology updates for consistency with authoritative standards. There was no significant impact to the university's financial statements due to the implementation of these provisions of Statement 99. Other items effective after June 30, 2022 include clarifications of certain provisions of Statements 87, 94 and 96, accounting and reporting for exchange or exchange-like financial guarantees, and classification and reporting updates for derivative instruments that do not meet the definition of either an investment or a hedge. The university is evaluating the impact these provisions will have on its financial statements.

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections-an amendment of GASB Statement No. 62*, effective for the university's fiscal year ending June 30, 2024. The statement defines and prescribes the accounting and financial reporting for changes in accounting principles, changes in accounting estimates, changes to or within the financial reporting entity, and corrections of errors in previously issued financial statements. The statement also addresses how accounting changes and error corrections should be displayed in financial statements, disclosed in notes, and presented in required supplementary information and supplementary information. The university is evaluating the impact Statement 100 will have on its financial statements.

In June 2022, GASB issued Statement No. 101, *Compensated Absences*, effective for the university's fiscal year ending June 30, 2025. The statement requires recognition of a liability for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Generally, the employee's pay rate as of the date of the financials is used to measure the liability. Additionally, the statement requires recognition of a liability for leave that has been used but not yet paid in cash or settled through noncash means. The measurement of liability for leave that has been used but not paid or settled is based on the amount of the cash payment or noncash settlement to be made. The university is evaluating the impact Statement 101 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, 2022.

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.

Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

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, leases, 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 2021 is for comparative purposes. This information should be read in conjunction with the university's financial statements for the year ended June 30, 2021, which were previously audited. An unmodified audit opinion was expressed on those financial statements.

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

2. Cash, Cash Equivalents, and Investments

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

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

Temporary Investment Pool

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

At June 30, 2022, 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	506	—	506
Bank deposits - Uninsured	1,910	—	1,910
Money market funds	250,469	—	250,469
Cash in-transit	(4,998)	—	(4,998)
Total cash & cash equivalents	247,927	—	247,927
Investments			
U.S. Agency securities	11,676	28,074	39,750
U.S. Treasury securities	117,971	93,232	211,203
Corporate notes and bonds	92,783	173,864	266,647
Endowment Fund A & C	—	83,751	83,751
Municipal notes and bonds	20,400	31,715	52,115
Total investments	242,830	410,636	653,466
Total Temporary Investment Pool	\$ 490,757	\$ 410,636	\$ 901,393

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 50% and hedge funds 18% 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, 2022, 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	\$ 40,212	\$ —	\$ 341	\$ 135	\$ —	\$ 40,688
U.S. Agency securities	29,155	—	—	—	—	29,155
U.S. Treasury securities	36,716	—	—	—	—	36,716
Corporate notes and bonds	65,872	—	—	130	—	66,002
Municipal notes and bonds	3,901	—	—	—	—	3,901
NDCL* - principal	—	—	53,713	13,000	—	66,713
NDCL* - accrued income	—	—	3,798	2,845	—	6,643
Corporate stocks	406,883	—	—	4,726	—	411,609
Alternative investments						
Private equity	472,449	—	—	10,180	—	482,629
Hedge funds	174,970	—	—	—	—	174,970
Real estate	28,506	816	6,150	1,109	—	36,581
Beneficial interests in perpetual trusts	—	—	—	—	420,202	420,202
Total endowment investments	1,258,664	816	64,002	32,125	420,202	1,775,809
Shares held by UC Foundation	(512,532)	—	(21,739)	—	—	(534,271)
Loan to UHCURC (component unit)	—	—	(10,590)	—	—	(10,590)
NDCL* - accrued income	—	—	(3,798)	(2,845)	—	(6,643)
Accrued income - other	(1,357)	—	(8)	—	—	(1,365)
Accrued expense	1,126	—	—	—	—	1,126
TIP investment in Fund A & C	(82,659)	—	(1,092)	—	—	(83,751)
Valuation timing adjustment	3,227	—	—	—	—	3,227
Beneficial interests in perpetual trusts	—	—	—	—	(420,202)	(420,202)
Endowment investments as reported	\$ 666,469	\$ 816	\$ 26,775	\$ 29,280	\$ —	\$ 723,340

* 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 15, 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 2022 endowment spending policy provided for an annual distribution of 4.2% of the twelve-quarter moving-average market value of endowment units.

At June 30, 2022, Fund A shares totaled 14,840,183 with a market value of \$1,258,664,000. The Foundation owned 6,049,490 of those shares with a market value of \$512,532,000 (excludes accrued income). The Foundation's share of Fund A is approximately 40.8%. 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 \$472,449,000. In cases where the June 30, 2022 investment values are not available, certain of these private equity investments are valued based on their value as of March 31, 2022 adjusted for cash receipts, cash disbursements, and securities distributions through June 30, 2022 (please refer to Note 1, Summary of Significant Accounting Policies, regarding valuation of alternative investments). The hedge fund portion of the portfolio totals \$174,970,000. Real estate holdings in Fund A total \$28,506,000. The university's outstanding commitment to purchase various alternative investments at June 30, 2022, is \$323,154,000 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 \$57,511,000. The total includes principal of \$53,713,000, net of \$14,408,000 of loan loss reserves and accrued interest of \$3,798,000, net of \$36,797,000 of interest reserves. A loan to UHCURC (a blended component unit) for \$10,590,000, 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 \$6,150,000.

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, 2022, Fund C shares totaled 10,987,649 with market value of \$64,002,000. The Foundation owned 3,968,064 of those shares with a market value of \$21,739,000 (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 \$32,125,000 (including accrued income) at June 30, 2022.

Real Estate

Fund A, Fund B, Fund C, and separately invested assets include land or other real estate held as investments. At June 30, 2022, the fair market value totaled \$36,581,000 including \$28,506,000 in Fund A, \$816,000 in Fund B, \$6,150,000 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 \$420,202,000 at June 30, 2022. 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 2022, the university received income of \$12,356,000. 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, 2022, 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	\$ 11,676	\$ 28,034	\$ 40	\$ —	\$ 39,750
U.S. Treasury securities	117,971	93,232	—	—	211,203
Corporate notes and bonds	92,783	166,224	4,577	3,063	266,647
Municipal notes and bonds	20,400	27,115	2,400	2,200	52,115
Total Temporary Investment Pool	<u>\$ 242,830</u>	<u>\$ 314,605</u>	<u>\$ 7,017</u>	<u>\$ 5,263</u>	<u>\$ 569,715</u>
Endowment Investments					
U.S. Agency securities	\$ —	\$ 799	\$ 1,502	\$ 14,969	\$ 17,270
U.S. Treasury securities	1,088	10,470	2,541	7,650	21,749
Corporate notes and bonds	315	14,664	22,230	1,941	39,150
Municipal notes and bonds	—	1,032	139	1,140	2,311
NDCL* - principal	22	10,062	14,585	12,056	36,725
Total Endowment Investments	<u>\$ 1,425</u>	<u>\$ 37,027</u>	<u>\$ 40,997</u>	<u>\$ 37,756</u>	<u>\$ 117,205</u>

* 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 \$39,033,000 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 \$689,886,000 (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, 2022, the university's investment credit risk is as follows (*in thousands*):

	AAA	AA	A	BBB	BB & B	Less than B or Not Rated	Total
Temporary Investment Pool							
U.S. Agency securities	\$ 2,072	\$ 37,678	\$ —	\$ —	\$ —	\$ —	\$ 39,750
U.S. Treasury securities	1,502	209,701	—	—	—	—	211,203
Corporate notes and bonds	15,876	26,846	65,702	158,223	—	—	266,647
Municipal notes and bonds	2,719	19,072	28,874	1,450	—	—	52,115
Total Temporary Investment Pool	\$ 22,169	\$ 293,297	\$ 94,576	\$ 159,673	\$ —	\$ —	\$ 569,715
Endowment Investments							
U.S. Agency securities	\$ —	\$ 17,192	\$ 35	\$ 43	\$ —	\$ —	\$ 17,270
U.S. Treasury securities	—	21,749	—	—	—	—	21,749
Corporate notes and bonds	938	381	5,420	29,577	2,471	363	39,150
Municipal notes and bonds	—	308	1,322	498	183	—	2,311
NDCL* - principal	—	—	—	—	—	36,725	36,725
Total Endowment Investments	\$ 938	\$ 39,630	\$ 6,777	\$ 30,118	\$ 2,654	\$ 37,088	\$ 117,205

* 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 \$689,886,000 (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, 2022, 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, 2022 (*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	\$ 68,905	\$ —	\$ 68,905	\$ —
U.S. Treasury securities	247,919	247,919	—	—
Corporate notes and bonds	332,649	—	332,649	—
Municipal notes and bonds	56,016	—	56,016	—
NDCL - principal	56,123	—	—	56,123
Equity securities				
U.S. equities	223,733	223,733	—	—
Non-U.S. equities	72,643	72,643	—	—
Commingled funds	92,980	51,078	—	41,902
Public real assets	22,253	—	—	22,253
Real estate	36,581	—	—	36,581
Total investments by fair value level	\$ 1,209,802	\$ 595,373	\$ 457,570	\$ 156,859
Investments measured at net asset value (NAV)				
Hedge funds	\$ 174,970			
Private equity funds	482,629			
Total investments measured at NAV	657,599			
	1,867,401			
Cash, cash equivalents and other	43,676			
Shares held by UC Foundation	(534,271)			
Total investments measured at fair value	\$ 1,376,806			
Hedging derivative instruments				
Interest rate swap	\$ 3,684		\$ 3,684	
Interest rate cap	5,686		5,686	
Total hedging derivative instruments	\$ 9,370		\$ 9,370	
Investment derivative instruments				
Interest rate swap (liability)	\$ (1,220)		\$ (1,220)	

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	\$ 56,123	Based on aggregate cash flow projections and independent appraisals of underlying real estate
Commingled funds; Public real assets	64,155	Positions are valued by a general or managing partner (or functional equivalent)
Real estate	36,581	Independent appraisals every three years for tangible real assets
	<u>\$ 156,859</u>	

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)	\$ 174,970	\$ —	Quarterly/Annually, after lock-up period	45-90 days
Private equity funds (B)	482,629	323,154	Non-redeemable	none
	<u>\$ 657,599</u>	<u>\$ 323,154</u>		

(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, Leases, and Notes Receivable

Accounts and notes receivable as of June 30, 2022 is as follows (*in thousands*):

Accounts receivable, net	\$	72,413
Lease receivable, net		3,972
Notes receivable, net		15,773
Accrued interest receivable, net		9,818
Total		101,976
Less current receivables		82,886
Noncurrent receivables	\$	19,090

Allowances for uncollectible receivables included in the amounts above are approximately \$8,720,000 for accounts receivable, \$6,303,000 for notes receivable, and \$24,383,000 for accrued interest receivable related to loans made to certain nonprofit entities as of June 30, 2022.

The university leases a portion of its property to various third parties, the terms of which expire in various years through 2028. Revenue recognized under lease contracts during the year ended June 30, 2022 was \$1,573,000, which includes both lease revenue and interest.

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 2022 were approximately \$15,614,000.

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 2022 were \$19,138,000 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 2022 were approximately \$70,745,000 and are included in sales and services of educational departments on the Statement of Revenues, Expenses, and Changes in Net Position.

6. Capital and Lease Assets

Capital asset activity for the year ended June 30, 2022 is summarized as follows *(in thousands)*:

	Beginning Balance (Restated)	Additions	Retirements	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	\$ 32,601	\$ 9,550	\$ —	\$ —	\$ 42,151
Construction in progress	67,288	134,770	—	(49,384)	152,674
Collections	16,066	66	—	—	16,132
Total nondepreciable assets	115,955	144,386	—	(49,384)	210,957
Capital assets being depreciated:					
Land improvement	118,718	—	(783)	1,569	119,504
Buildings	2,841,350	27,228	(2,341)	44,873	2,911,110
Infrastructure	145,986	—	—	1,371	147,357
Building equipment	17,785	—	—	—	17,785
Moveable equipment	264,883	19,539	(5,638)	1,571	280,355
Computer software	73,523	—	(226)	—	73,297
Library books	228,422	8,641	(1,089)	—	235,974
Total	3,690,667	55,408	(10,077)	49,384	3,785,382
Less: Accumulated depreciation	2,168,269	132,086	(8,165)	—	2,292,190
Total depreciable assets	1,522,398	(76,678)	(1,912)	49,384	1,493,192
Capital assets, net	\$ 1,638,353	\$ 67,708	\$ (1,912)	\$ —	\$ 1,704,149

Lease asset activity for the year ended June 30, 2022 is summarized as follows *(in thousands)*:

	Beginning Balance (Restated)	Additions	Retirements	Transfers	Ending Balance
Lease assets being amortized:					
Buildings	\$ 85,673	\$ 78,516	\$ —	\$ —	\$ 164,189
Moveable equipment	—	244	—	—	244
Total lease assets	85,673	78,760	—	—	164,433
Less: Accumulated amortization	17,083	25,468	—	—	42,551
Lease assets, net	<u>\$ 68,590</u>	<u>\$ 53,292</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 121,882</u>

7. Debt

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

Debt activity for the year ended June 30, 2022 is as follows (*in thousands*):

	Interest Rates	Final Maturity	Beginning Balance (Restated)	Additions	Reductions	Ending Balance	Current Portion
General Receipts Bonds - Fixed Rate							
2011C	3.00-5.25%	2031	\$ 1,550	\$ —	\$ 1,550	\$ —	\$ —
2011E	3.38-5.00%	2028	8,650	—	8,650	—	—
2012A	2.00-5.00%	2031	7,305	—	7,305	—	—
2012C	4.00-5.00%	2033	2,480	—	2,325	155	10
2013A	3.12-3.25%	2031	2,405	—	—	2,405	—
2013D (a)	4.64-4.74%	2028	9,230	—	—	9,230	—
2014B	3.00-5.00%	2036	74,130	—	5,350	68,780	3,370
2014C	3.25-5.00%	2041	29,970	—	440	29,530	450
2014D	5.00%	2036	40,190	—	5,305	34,885	6,520
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	4.00-5.00%	2047	93,545	—	—	93,545	—
2017B	3.00-5.00%	2031	21,935	—	—	21,935	2,475
2018A	3.38-5.00%	2048	75,840	—	195	75,645	215
2018B (a)	3.88-4.18%	2035	20,645	—	—	20,645	—
2019A	3.00-5.00%	2039	84,120	—	2,115	82,005	1,450
2019B (a)	1.88-3.25%	2039	219,005	—	7,290	211,715	14,515
2020A (a)	3.00%	2050	74,115	—	—	74,115	—
2020B (a)	1.78-2.15%	2033	28,135	—	—	28,135	—
2021A (a)	3.19%	2051	39,655	—	—	39,655	—
2021B (a)	0.30-2.46%	2033	42,685	—	—	42,685	3,130
Total Fixed Rate			984,950	—	40,525	944,425	32,135
General Receipts Bonds - Variable Rate							
2017C (a,b)	1.81%	2027	50,150	—	—	50,150	—
2021C (a,b)	2.27%	2031	18,700	30,375	—	49,075	—
			68,850	30,375	—	99,225	—
Other Debt							
Stratford Heights 2020 (b,c)	2.35%	2025	41,075	—	—	41,075	—
Premium			53,375	—	6,555	46,820	5,155
Less: Current portion of debt			(38,286)	—	—	(37,290)	—
Net long-term debt			\$ 1,109,964	\$ 30,375	\$ 47,080	\$ 1,094,255	\$ 37,290

Notes:

- (a) Taxable bonds
- (b) Direct placement debt
- (c) University Heights Community Urban Redevelopment Corporation (see Note 15)

Debt Issuances

During the year ended June 30, 2022, the university did not issue general receipts obligations.

Debt Retirement

During 2022, the university retired \$10,200,000 of callable obligations. Debt retired included \$1,550,000 of fixed rate bonds (Series 2011C), and \$8,650,000 of fixed rate bonds (Series 2011E). These series are now fully retired.

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 "drawdown" bonds whereby purchaser of the bonds will fund the purchase price of the bonds in installments. As of June 30, 2022, a total of \$49,075,000 of the purchase price was advanced under the contract. This series was used to refund a portion of various maturities related to Series 2010C and Series 2010F fixed rate bonds and to finance a portion of the design and renovation of the Calhoun Hall Renovation capital project (\$30,375,000).

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, 2022 is 1.81%. 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.

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, 2022 is 2.35%. 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.

Collateralization

General receipts obligations are collateralized by a pledge of the university's general receipts.

Derivative Transactions

Interest Rate Swaps

The university has two pay-fixed interest rate swaps in effect at June 30, 2022. 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, 2022 (*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	(\$1,220)	6/1/2030
7/8/2020	PNC Bank	A2/A	2017C	\$34,020	0.39%	USD-100% LIBOR-BBA-1M	\$3,684	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, 2022 is (\$1,220,000), 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 2022, the fair value of the swap increased \$2,112,000, 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, 2022 is \$3,684,000, 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. During 2022, the fair value of the swap increased \$2,635,000 which is reported as investment income within the Statement of Revenue, Expenses, and Changes in Net Position.

Interest Rate Cap

The university has an interest rate cap in effect at June 30, 2022. 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, 2022:

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	\$5,686	6/01/2031

The fair value of the interest rate cap on June 30, 2022 is \$5,686,000, 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 \$9,370,000 in credit risk associated with the PNC swap and interest rate cap agreements with a positive fair value through fiscal year 2022. 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*):

Fiscal Year	Fixed Rate Bonds		Direct Placement/Variable Debt		Total
	Principal	Interest	Principal	Interest	
2023	\$ 32,135	\$ 35,251	\$ —	\$ 3,238	\$ 70,624
2024	40,235	34,249	1,555	3,238	79,277
2025	43,955	32,885	1,590	3,223	81,653
2026	46,055	31,541	42,705	2,725	123,026
2027	45,210	29,890	45,375	2,226	122,701
2028-2032	216,940	124,719	49,075	3,533	394,267
2033-2037	155,375	90,837	—	—	246,212
2038-2042	119,695	62,387	—	—	182,082
2043-2047	124,060	36,092	—	—	160,152
2048-2052	120,765	12,010	—	—	132,775
Total	\$ 944,425	\$ 489,861	\$ 140,300	\$ 18,183	\$ 1,592,769

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	
			Amount Defeased	Amount Outstanding at June 30, 2022
Series 2010C	2028-2039	6.38% - 6.48%	\$ 18,125	\$ —
Series 2010F	2021-2034	3.50% - 5.00%	62,865	—
Series 2011E	2022-2028	3.38% - 5.00%	20,070	—
Series 2012A	2023-2031	3.00% - 5.00%	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			\$ 292,820	\$ 152,010

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 2022 was \$42,315,000.

Lease Liabilities

The university leases various office space, campus housing and equipment, the terms of which expire in various years through 2039.

Lease liabilities as of June 30, 2022 are as follows (*in thousands*):

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Noncurrent Portion
Lease liabilities:						
Buildings	\$ 71,612	\$ 78,517	\$ 25,745	\$ 124,384	\$ 28,325	\$ 96,059
Moveable equipment	—	243	71	172	67	105
Total lease liabilities	<u>\$ 71,612</u>	<u>\$ 78,760</u>	<u>\$ 25,816</u>	<u>\$ 124,556</u>	<u>\$ 28,392</u>	<u>\$ 96,164</u>

Annual scheduled payments by year under leases are as follows (*in thousands*):

Fiscal Year	Principal	Interest	Total
2023	\$ 28,392	\$ 1,575	\$ 29,967
2024	6,468	1,495	7,963
2025	4,697	1,424	6,121
2026	4,610	1,354	5,964
2027	4,586	1,300	5,886
2028-2032	27,362	5,130	32,492
2033-2037	35,206	2,393	37,599
2038-2039	13,235	145	13,380
Total	<u>\$ 124,556</u>	<u>\$ 14,816</u>	<u>\$ 139,372</u>

8. Other Long-Term Liabilities

Other long-term liabilities as of June 30, 2022 are as follows (*in thousands*):

	Beginning			Ending	Current	Noncurrent
	Balance	Additions	Reductions	Balance	Portion	Portion
Other long-term liabilities:						
Compensated absences	\$ 71,315	\$ 7,203	\$ 6,673	\$ 71,845	\$ 49,209	\$ 22,636
Government loan advances	14,963	132	2,963	12,132	—	12,132
Interest rate swap liability	3,332	—	2,112	1,220	—	1,220
Total other long-term liabilities	\$ 89,610	\$ 7,335	\$ 11,748	\$ 85,197	\$ 49,209	\$ 35,988

9. 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, degree completion, student risk and course cost 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 2021, the university was awarded \$21.5 million in Coronavirus Relief Funds (CRF) from the State of Ohio for institutional (\$21.2 million) and mental health (\$345,000) purposes. Funds were awarded to the State of Ohio as Federal Financial Assistance from the US Department of Treasury. CRF funds spent in 2021 totaled \$21.3 million. CRF funds spent in 2022 totaled \$151,000.

In response to the COVID-19 pandemic, the Federal Government established The Higher Education Emergency Relief Fund (HEERF). The university was awarded a total of \$132.8 million over the two-year period, 2020 and 2021. Of that amount, \$73.9 million was awarded as institutional general-purpose funding and \$58.9 million was awarded as student aid. In 2020, 2021 and 2022, grant funds totaling \$22.5 million, \$68.3 million and \$39.8 million were spent, respectively. Remaining HEERF funds total \$2.2 million and are required to be spent by June 30, 2023.

10. Retirement Plans and Other Postemployment Benefits

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

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

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

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

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

Benefits Provided

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

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

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

OPERS offers a combined plan that has elements of both a defined benefit and defined contribution plan. In the combined plan, employee contributions are invested in self-directed investments, and the employer contribution is used to fund a reduced defined benefit. Eligibility requirements under the combined plan for age and years of service are identical to the defined benefit plan described earlier. The benefit formula for the defined benefit component of the plan for state and local members in transition groups A and B applies a factor of 1.0% to the member's final average salary for the first 30 years of service. A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition group C applies a factor of 1.0% to the member's final average salary 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. Effective August 1, 2019 to July 1, 2021, members are eligible to retire with reduced benefits at age 60 with five years of qualifying service credit, or at age 55 with 28 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will continue to be phased in through August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service and at least age 60.

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, 2022:

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, 2022, contributions to the pension plans from the university were \$29,905,000 for OPERS and \$21,958,000 for STRS Ohio.

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

At June 30, 2022, the university reported a liability of \$103,675,000 and \$193,494,000 for OPERS and STRS Ohio, respectively, for its proportionate share of the net pension liability. This was a decrease of \$71,135,000 for OPERS and a decrease of \$177,900,000 for STRS Ohio compared to the liabilities reported as of June 30, 2021. The net pension liability was measured as of December 31, 2021 for OPERS and June 30, 2021 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, 2022, the university's proportion was 1.28% for OPERS Traditional Pension Plan, 1.97% for OPERS Combined Plan and 1.51% for STRS Ohio.

For the year ended June 30, 2022, the university recognized a reduction of expense of \$47,386,000 for OPERS and \$29,844,000 for STRS Ohio, for a total reduction of expense of \$77,230,000.

At June 30, 2022, 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	\$ 5,410	\$ 5,988	\$ 11,398	
Changes in assumptions	13,509	53,679	67,188	
Changes in proportion	7,841	4,114	11,955	
University's contributions subsequent to the measurement date	16,336	27,258	43,594	
	<u>\$ 43,096</u>	<u>\$ 91,039</u>	<u>\$ 134,135</u>	
Deferred Inflows of Resources				
	OPERS	STRS Ohio	Total	
Differences between expected and actual experience	\$ 3,117	\$ 1,230	\$ 4,347	
Net difference between projected and actual earnings on pension plan investments	127,820	166,260	294,080	
Changes in proportion	705	5,914	6,619	
	<u>\$ 131,642</u>	<u>\$ 173,404</u>	<u>\$ 305,046</u>	

At June 30, 2022, the university reported \$16,336,000 and \$27,258,000 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, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2022 related to pensions will be recognized in pension expense as follows (*in thousands*):

Year ended June 30,	OPERS	STRS Ohio	Total
2023	\$ (12,602)	\$ (26,649)	\$ (39,251)
2024	(41,886)	(22,466)	(64,352)
2025	(29,987)	(26,511)	(56,498)
2026	(20,272)	(33,997)	(54,269)
2027	(76)	—	(76)
Thereafter	(59)	—	(59)
	<u>\$ (104,882)</u>	<u>\$ (109,623)</u>	<u>\$ (214,505)</u>

Actuarial Assumptions

For OPERS, the total pension liability was determined by an actuarial valuation as of December 31, 2021 using the following actuarial assumptions, applied to all prior periods in the measurement:

OPERS	Traditional Pension Plan	Combined Plan
Valuation date	December 31, 2021	December 31, 2021
Date of last experience study	Period ended December 31, 2020	Period ended December 31, 2020
Inflation	2.75%	2.75%
Projected salary increases	2.75% - 10.75% including inflation at 2.75%	2.75% - 8.25% including inflation at 2.75%
Investment rate of return	6.90%	6.90%
Cost-of-living adjustments	Pre-1/7/2013 retirees: 3.00% simple; post-1/7/2013 retirees: 3.00% simple through 2022, then 2.05% simple	Pre-1/7/2013 retirees: 3.00% simple; post-1/7/2013 retirees: 3.00% simple through 2022, then 2.05% simple

For STRS Ohio, the total pension liability was determined by an actuarial valuation as of June 30, 2021 using the following actuarial assumptions, applied to all prior periods included in the measurement:

STRS Ohio	
Valuation date	June 30, 2021
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	7.00%, 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 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retirees Mortality Tables (males and females) for all divisions. For all of the previously described tables, the base year is 2010 and the mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these 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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equities	21%	3.78%
International equities	23%	4.88%
Fixed income	24%	1.03%
Real estate	11%	3.66%
Private equity	12%	7.43%
Risk parity	5%	2.92%
Other investments	4%	2.85%
	<u>100%</u>	

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

STRS Ohio

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

Discount Rate

The discount rate used to measure the total pension liability was 6.90% for OPERS and 7.00% 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	Current Discount Rate	1% Increase
	5.9%	6.9%	7.9%
OPERS	\$288,003	\$103,675	(\$49,607)

	1% Decrease	Current Discount Rate	1% Increase
	6.0%	7.0%	8.0%
STRS Ohio	\$362,342	\$193,494	\$50,818

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. Effective, January 1, 2022, members may no longer select this option.

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, 2022, there were 2,813 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 2022. During 2022, the employer contributions were \$23,154,000. 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 2022 were 2.44% to OPERS and 4.47% to STRS Ohio. The employer contributions to the OPERS and STRS Ohio unfunded liability accounts during 2022, were \$2,539,000 and \$5,300,000, respectively.

Payables to the Pension Plans

At June 30, 2022, the university reported a payable of \$4,731,000 and \$4,186,000 for OPERS and STRS Ohio, respectively, for the outstanding amount of contributions to the pension plans required for the year ended June 30, 2022.

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 2022. 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, 2022, the university reported an asset of \$40,952,000 for OPERS for its proportionate share of the net OPEB asset. This was an increase of \$18,723,000 compared to the asset reported as of June 30, 2021. The net OPEB asset was measured as of December 31, 2021 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, 2022, for the measurement period, the university's proportion was 1.31% for OPERS.

At June 30, 2022, the university reported an asset of \$31,907,000 for STRS Ohio for its proportionate share of the net OPEB asset. This was an increase of \$4,931,000 compared to the asset reported as of June 30, 2021. The net OPEB asset was measured as of June 30, 2021 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, 2022, for the measurement period, the university's proportion was 1.51% for STRS Ohio.

For the year ended June 30, 2022, the university recognized OPEB reduction of expense of \$35,010,000 for OPERS and reduction of expense of \$1,744,000 for STRS Ohio, for a total reduction of expense of \$36,754,000.

At June 30, 2022, 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	\$ —	\$ 1,124	\$ 1,124
Changes in assumptions	—	2,047	2,047
Changes in proportion	1,005	247	1,252
	<u>\$ 1,005</u>	<u>\$ 3,418</u>	<u>\$ 4,423</u>

Deferred Inflows of Resources			
	OPERS	STRS Ohio	Total
Differences between expected and actual experience	\$ 5,957	\$ 5,892	\$ 11,849
Changes in assumptions	15,907	18,927	34,834
Net difference between projected and actual earnings on OPEB plan investments	19,285	8,819	28,104
Changes in proportion	305	31	336
	<u>\$ 41,454</u>	<u>\$ 33,669</u>	<u>\$ 75,123</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2022 related to OPEB will be recognized in OPEB expense as follows (*in thousands*):

Year ended June 30,	OPERS	STRS Ohio	Total
2023	\$ (24,935)	\$ (8,630)	\$ (33,565)
2024	(8,511)	(8,409)	(16,920)
2025	(4,199)	(8,277)	(12,476)
2026	(2,804)	(3,682)	(6,486)
2027	—	(1,280)	(1,280)
Thereafter	—	27	27
	<u>\$ (40,449)</u>	<u>\$ (30,251)</u>	<u>\$ (70,700)</u>

Actuarial Assumptions

For OPERS, the total OPEB asset was determined by an actuarial valuation as of December 31, 2020 rolled forward to December 31, 2021 using the following actuarial assumptions, applied to all prior periods in the measurement.

OPERS	
Actuarial Valuation Date	December 31, 2020
Rolled-Forward Measurement Date	December 31, 2021
Experience Study	5-Year Period Ended December 31, 2020
Actuarial Cost Method	Individual entry age normal
Single Discount Rate	6.00%
Investment Rate of Return	6.00%
Municipal Bond Rate	1.84%
Wage Inflation	2.75%
Projected Salary Increases	2.75% - 10.75% (includes wage inflation at 2.75%)
Health Care Cost Trend Rate	5.50% initial, 3.50% ultimate in 2034

For STRS Ohio, the total OPEB asset was determined by an actuarial valuation as of June 30, 2021 using the following actuarial assumptions, applied to all prior periods in the measurement.

STRS Ohio	
Actuarial Valuation Date	June 30, 2021
Inflation	2.50%
Salary increases	12.50% at age 20 to 2.50% at age 65
Payroll increases	3.00%
Investment Rate of Return	7.00%, net of investment expenses, including inflation
Health Care Cost Trend Rate	-16.18% to 29.98% initial, 4.00% ultimate
Cost-of-living adjustments	0% effective July 1, 2017

For OPERS, pre-retirement mortality rates are based on 130% of the Pub-2010 General Employee Mortality tables (males and females) for State and Local Government divisions and 170% of the Pub-2010 Safety Employee Mortality tables (males and females) for the Public Safety and Law Enforcement divisions. Post-retirement mortality rates are based on 115% of the PubG-2010 Retiree Mortality Tables (males and females) for all divisions. Post-retirement mortality rates for disabled retirees are based on the PubNS-2010 Disabled Retiree Mortality Tables (males and females) for all divisions. For all the previously described tables, the base year is 2010 and mortality rates for a particular calendar year are determined by applying the MP-2020 mortality improvement scales (males and females) to all of these 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:

<u>OPERS</u>		
<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equities	25%	3.78%
International equities	25%	4.88%
Fixed income	34%	0.91%
REITs	7%	3.71%
Risk parity	2%	2.92%
Other investments	7%	1.93%
	<u>100%</u>	

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

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

Discount Rate

The discount rates used to measure the total OPEB asset were 6.00% for OPERS and 7.00% 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, 2021. 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 1.84%. 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 2121, 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, 2021. Therefore, the long-term expected rate of return on health care plan investments of 7.00% was applied to all periods of projected health care costs to determine the total OPEB asset as of June 30, 2021.

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	Current Discount Rate	1% Increase
	5.00%	6.00%	7.00%
OPERS	(\$24,083)	(\$40,952)	(\$54,952)

	1% Decrease	Current Discount Rate	1% Increase
	6.00%	7.00%	8.00%
STRS Ohio	(\$26,925)	(\$31,907)	(\$36,070)

The university's proportionate share of the net OPEB liability (asset) has been calculated using health care trend rates of 5.5% for OPERS and a range of -16.2% to 30.0% 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	(\$41,394)	(\$40,952)	(\$40,426)

	1% Decrease	Current Health Care Cost Trend Rate	1% Increase
STRS Ohio	(\$35,901)	(\$31,907)	(\$26,969)

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.

11. Risk Management and Self-Insurance Funds

The university is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters and employee health and accident benefits. Settled claims have not exceeded commercial coverage in any of the three preceding years. The state of Ohio self-insures workers' compensation benefits for all state employees, including university employees. 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 2022. 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 \$22,955,000 are adequate to cover estimated liabilities resulting from known claims and incidents and incurred-but-not-reported incidents as of June 30, 2022 for the university and University of Cincinnati Physicians, Inc. Trust assets related to the university total \$2,101,000 and are included in current portion of other assets; liabilities of \$762,000 are included in accrued liabilities in the Statement of Net Position as of June 30, 2022.

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 \$15 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 \$14 million reinsured through a commercial reinsurance agreements. Excess commercial coverage for general liability was provided with total shared limits of \$35 million. In addition, educators' legal liability coverage was provided through the IUC-RMIC program with \$35 million in total limits 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 \$3,395,000.

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, 2022 and 2021 are as follows (*in thousands*):

	2022	2021
Liability at beginning of fiscal year	\$ 7,389	\$ 9,205
Current year claims including changes in estimates	99,764	88,570
Claim payments	(100,392)	(90,386)
Liability at the end of fiscal year	<u>\$ 6,761</u>	<u>\$ 7,389</u>

12. Capital Project Commitments

At June 30, 2022, the university is committed to future capital expenditures as follows (*in thousands*):

Contractual commitments	\$ 127,126
Estimated completion costs of projects	<u>159,908</u>
Total	<u>\$ 287,034</u>

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

State appropriations	\$ 5,893
Internal and other sources	<u>281,141</u>
Total	<u>\$ 287,034</u>

13. 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.

14. Restricted Net Position

Restricted net position is either nonexpendable or expendable. Nonexpendable restricted net position consists primarily of endowments whose corpus is held in perpetuity. Only the income and net appreciation is used for the purpose specified by the donor. The principal of expendable restricted net position may be used for the donor-specified purpose 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	\$ 122,950
Research	40,745
Academic support	50,382
College/programs	100,363
Scholarships	90,819
Interest in UC Health	420,645
Other	16,676
	<u>842,580</u>
Less: UHCURC Elimination	10,590
Total	<u><u>\$ 831,990</u></u>

Restricted expendable:	
Instruction	\$ 35,693
Research	124,770
Academic support	29,218
College/programs	195,416
Scholarships	52,335
Student loans	11,458
Capital projects	7,581
Net OPEB asset	72,859
Total	<u><u>\$ 529,330</u></u>

15. 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, 2021 have been blended with the university's financial statements for the fiscal year ended June 30, 2022.

A condensed statement of net position for UHCURC as of August 31, 2021 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

	8/31/2021
Current assets	\$ 21
Capital assets not being depreciated	4,788
Capital assets being depreciated, net	33,342
Total assets	38,151
Current liabilities	195
Accrued interest payable – University of Cincinnati	17,693
Notes payable – University of Cincinnati	16,998
Other long-term debt	41,075
Total liabilities	75,961
Net investment in capital assets	(2,945)
Unrestricted	(34,866)
Total net position	\$ (37,811)

Statement of Revenues, Expenses, and Changes in Net Position

	<u>8/31/2021</u>
Operating revenues	\$ 1,589
Operating expenses	125
Depreciation	<u>1,390</u>
Operating income	74
Other nonoperating expenses	<u>3,245</u>
Decrease in net position	(3,171)
Net position, beginning of the year	<u>(34,640)</u>
Net position, end of the year	<u><u>\$ (37,811)</u></u>

Statement of Cash Flows

	<u>8/31/2021</u>
Net cash from operating activities	\$ 49
Net cash used for capital and financing activities	<u>(52)</u>
Net decrease in cash and cash equivalents	(3)
Cash and cash equivalents, beginning of the year	<u>24</u>
Cash and cash equivalents, end of the year	<u><u>\$ 21</u></u>

16. 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 \$103,088,000 as of June 30, 2022. 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 \$96,199,000 as of June 30, 2022.

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

	2022
Less than one year	\$ 29,043,226
One to five years	49,025,852
More than five years	25,018,660
	<u>103,087,738</u>
Less discount to present value	(6,888,316)
Less allowance for uncollectible pledges	(5,014,650)
	<u><u>\$ 91,184,772</u></u>

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

Amounts due from irrevocable bequests, which are unconditional promises to give, as of June 30, 2022 of approximately \$15,302,000 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 \$138,000 associated with the irrevocable bequests, as of June 30, 2022.

As of June 30, 2022, thirty one donors currently have outstanding conditional pledges to the Foundation. As of June 30, 2022, 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 \$19,239,000 as of June 30, 2022.

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 1,442 endowment funds, at June 30, 2022.

The Foundation has adopted a spending rate policy that limits the distribution of endowment income. The spending rate in fiscal year 2022 was 4.2% 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 2022, income earned in the investment pool was less than the amount allocated for expenditure by approximately \$3,834,000. This shortfall was funded by cumulative capital gains in the investment pool for the year ended June 30, 2022.

The endowment net asset composition by type of fund as of June 30, 2022 was as follows:

	2022		
	Without Donor Restriction	With Donor Restriction	Total
Donor restricted endowment funds:			
Original amount	\$ —	\$ 458,946,784	\$ 458,946,784
Accumulated gains	—	74,041,349	74,041,349
Term endowments	—	44,952,776	44,952,776
Board designated endowment funds	3,534,550	—	3,534,550
Total	\$ 3,534,550	\$ 577,940,909	\$ 581,475,459

The change in endowment fund net assets for the year ended June 30, 2022, is as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 2,951,625	\$ 571,940,095	\$ 574,891,720
Investment income:			
Interest and dividend income	234,089	18,999,816	19,233,905
Net realized/unrealized gain	(6,345)	(19,604,390)	(19,610,735)
Total investment income	227,744	(604,574)	(376,830)
Contributions and other transfers	630,000	24,406,460	25,036,460
Appropriation of endowment assets for expenditure	(274,819)	(22,793,202)	(23,068,021)
Other changes:			
Other income	—	3,124,564	3,124,564
Income reinvestment	—	1,867,566	1,867,566
Endowment net assets, end of year	\$ 3,534,550	\$ 577,940,909	\$ 581,475,459

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, 2022, the university is holding approximately \$4,215,000 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 \$67,213,000 as of June 30, 2022. 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, 2022:

	2022 Fair Value	2022 Cost
Cash equivalents	\$ 5,537,551	\$ 5,537,551
U.S. Government and agency obligations	4,809,841	5,156,581
Corporate bonds	10,404,234	11,147,392
Mutual funds	17,742,306	17,349,136
Equities	22,133,667	18,673,021
Real estate and other	10,800,000	10,800,000
University pooled investments	536,198,865	500,703,497
Total	<u>\$ 607,626,464</u>	<u>\$ 569,367,178</u>

The number of units in Fund A owned by the Foundation totaled 6,049,490, which represents 40.8% share of the university investment pool as of June 30, 2022. 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, 2022. 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, 2022, 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, 2022. The Foundation believes that the carrying value of these investments is a reasonable estimate of fair value at June 30, 2022. 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:

	2022
Fund A	
U.S. and international equity securities	31 %
Hedge funds and private equity capital	51 %
Fixed income securities	13 %
Fund C	
Real estate and community development	5 %
Total	<u>100 %</u>

BENEFICIAL INTEREST IN TRUSTS – OTHER TRUSTEES

The Foundation has been notified of eleven trusts held by other trustees where the remainder interest will irrevocably benefit the university. 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 \$12,467,000 as of June 30, 2022. Per GASB 81, *Irrevocable Split-Interest Agreements*, the university includes \$9,797,000 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*

OPERS (dollars in millions)	2022	2021	2020	2019
University's proportion of the net pension liability	1.28 %	1.22 %	1.23 %	1.19 %
University's proportionate share of the net pension liability	\$ 103.7	\$ 174.8	\$ 238.3	\$ 324.6
University's covered-employee payroll	\$ 203.7	\$ 188.8	\$ 189.4	\$ 178.5
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	50.90 %	92.61 %	125.80 %	181.85 %
Plan fiduciary net position as a percentage of the total pension liability	92.99 %	87.19 %	82.44 %	74.90 %

OPERS (dollars in millions)	2018	2017	2016	2015
University's proportion of the net pension liability	1.18 %	1.17 %	1.13 %	1.13 %
University's proportionate share of the net pension liability	\$ 183.0	\$ 265.4	\$ 195.2	\$ 135.9
University's covered-employee payroll	\$ 172.3	\$ 163.6	\$ 153.8	\$ 150.5
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	106.22 %	162.22 %	126.88 %	90.32 %
Plan fiduciary net position as a percentage of the total pension liability	84.85 %	77.38 %	81.19 %	86.53 %

STRS Ohio (dollars in millions)	2022	2021	2020	2019
University's proportion of the net pension liability	1.51 %	1.53 %	1.55 %	1.50 %
University's proportionate share of the net pension liability	\$ 193.5	\$ 371.4	\$ 343.3	\$ 329.7
University's covered-employee payroll	\$ 151.4	\$ 151.0	\$ 149.3	\$ 139.8
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	127.81 %	246.04 %	230.01 %	235.84 %
Plan fiduciary net position as a percentage of the total pension liability	87.78 %	75.48 %	77.40 %	77.31 %

STRS Ohio (dollars in millions)	2018	2017	2016	2015
University's proportion of the net pension liability	1.50 %	1.51 %	1.48 %	1.46 %
University's proportionate share of the net pension liability	\$ 355.6	\$ 503.8	\$ 408.0	\$ 354.4
University's covered-employee payroll	\$ 136.7	\$ 132.8	\$ 131.1	\$ 128.9
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	260.23 %	379.23 %	311.11 %	275.03 %
Plan fiduciary net position as a percentage of the total pension liability	75.29 %	66.78 %	72.09 %	74.71 %

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

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

OPERS (dollars in millions)	2022	2021	2020	2019
Contractually required contribution	\$ 29.9	\$ 27.1	\$ 27.0	\$ 25.9
Contributions in relation to the contractually required contribution	(29.9)	(27.1)	(27.0)	(25.9)
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —
University's covered-employee payroll	\$ 212.0	\$ 192.3	\$ 191.7	\$ 183.8
Contributions as a percentage of covered-employee payroll	14.10%	14.11%	14.11%	14.12%

OPERS (dollars in millions)	2018	2017	2016	2015
Contractually required contribution	\$ 24.6	\$ 23.9	\$ 22.3	\$ 21.7
Contributions in relation to the contractually required contribution	(24.6)	(23.9)	(22.3)	(21.7)
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —
University's covered-employee payroll	\$ 174.3	\$ 169.2	\$ 157.8	\$ 154.0
Contributions as a percentage of covered-employee payroll	14.11%	14.11%	14.11%	14.12%

STRS Ohio (dollars in millions)	2022	2021	2020	2019
Contractually required contribution	\$ 22.0	\$ 21.2	\$ 21.1	\$ 20.9
Contributions in relation to the contractually required contribution	(22.0)	(21.2)	(21.1)	(20.9)
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —
University's covered-employee payroll	\$ 156.8	\$ 151.4	\$ 151.0	\$ 149.3
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	14.00%

STRS Ohio (dollars in millions)	2018	2017	2016	2015
Contractually required contribution	\$ 19.6	\$ 19.1	\$ 18.6	\$ 18.4
Contributions in relation to the contractually required contribution	(19.6)	(19.1)	(18.6)	(18.4)
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —
University's covered-employee payroll	\$ 139.8	\$ 136.7	\$ 132.8	\$ 131.1
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	14.00%

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

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

OPERS (dollars in millions)	2022	2021	2020	2019	2018
University's proportion of the net OPEB liability (asset)	1.31 %	1.25 %	1.26 %	1.22 %	1.21 %
University's proportionate share of the net OPEB liability (asset)	\$ (40.9)	\$ (22.2)	\$ 173.6	\$ 159.0	\$ 131.2
University's covered-employee payroll	\$ 203.7	\$ 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	-20.07 %	-11.76 %	91.65 %	89.08 %	76.15 %
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	128.24 %	115.57 %	47.80 %	46.33 %	54.14 %

STRS Ohio (dollars in millions)	2022	2021	2020	2019	2018
University's proportion of the net OPEB liability (asset)	1.51 %	1.53 %	1.55 %	1.50 %	1.50 %
University's proportionate share of the net OPEB liability (asset)	\$ (31.9)	\$ (27.0)	\$ (25.7)	\$ (24.1)	\$ 58.4
University's covered-employee payroll	\$ 151.4	\$ 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	-21.08 %	-17.82 %	-17.22 %	-17.24 %	42.73 %
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	174.73 %	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*

OPERS (dollars in millions)	2022	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	\$ 212.0	\$ 192.3	\$ 191.7	\$ 183.8	\$ 174.3
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.50%

STRS Ohio (dollars in millions)	2022	2021	2020	2019	2018
Contractually required contribution	\$ —	\$ —	\$ —	\$ —	\$ —
Contributions in relation to the contractually required contribution	—	—	—	—	—
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —
University's covered-employee payroll	\$ 156.8	\$ 151.4	\$ 151.0	\$ 149.3	\$ 139.8
Contributions as a percentage of covered-employee payroll	0.00%	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 an 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 an 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 an experience study for the five year period ending December 31, 2015.

Amounts reported in 2021 for OPERS reflect the following change of assumptions based on an experience study for the five year period ending December 31, 2020:

- Expected rate of investment return decreased from 7.2% to 6.9%.
- The long-term expected wage inflation assumption decreased from 3.25% to 2.75%.
- Mortality assumptions changed from using the MP-2015 mortality improvement scale to using the MP-2020 mortality improvements scales to reflect a slight decrease in life expectancies.

Amounts reported in 2021 for STRS Ohio reflect a decrease in the expected rate of investment return from 7.45% to 7.00% based on an experience study for the five year period ending June 30, 2016.

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 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 an 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 an 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 an 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 an 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 an 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 an 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 an 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 an 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.

Amounts reported in 2022 for OPERS reflect the following change of assumptions based on an experience study for the five year period ending December 31, 2020:

- Wage inflation assumption decreased from 3.25% to 2.75%.
- Health care cost trend rate changed from 8.5% initial rate and 3.5% ultimate rate in 2035 to 5.5% initial rate and 3.5% ultimate rate in 2034.
- Mortality assumptions changed from using the MP-2015 mortality improvement scale to using the MP-2020 mortality improvements scales to reflect a slight decrease in life expectancies.

Amounts reported in 2022 for STRS Ohio reflect the following change of assumptions based on an experience study for five year period ending June 30, 2016:

- Discount rate of return decreased from 7.45% to 7.00%.
- Health care cost trend rates for 2021 valuation ranging from -16.18% to 29.98% initially and a 4.0% ultimate rate compared to prior year health care cost trend rates for 2020 valuation ranging from -6.69% to 11.87% initially and 4% ultimate rate.