

# 2017 ANNUAL FINANCIAL REPORT

The University of Toledo is a national, public research university where students obtain a world-class education and become part of a diverse community of leaders committed to improving the human condition in the region and the world.



THE UNIVERSITY OF  
**TOLEDO**  
1872





# Dave Yost • Auditor of State

Board of Trustees  
University of Toledo  
2801 W. Bancroft Street  
Toledo, Ohio 43606-3390

We have reviewed the *Independent Auditor's Report* of the University of Toledo, Lucas County, prepared by CliftonLarsonAllen LLP, for the audit period July 1, 2016 through June 30, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

December 11, 2017

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**THE UNIVERSITY OF TOLEDO  
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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
The University of Toledo  
Toledo, Ohio

### **Report on the Financial Statements**

We have audited the accompanying financial statements of The University of Toledo (the University) and its discretely presented component unit, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are reported as a component unit of the state of Ohio.

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

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

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of The University of Toledo Physicians, Clinical Faculty, Inc. (UTP-CF), a wholly owned subsidiary, whose statements reflect total assets of \$73,318,000 as of June 30, 2017, and total revenues of \$133,134,000 for the year then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for UTP-CF, is based solely on the report of other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the discretely presented component unit were not audited under *Government Auditing Standards*.

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

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

### **Opinion**

In our opinion, based on our audit and the report of other auditors, the basic financial statements referred to above present fairly, in all material respects, the financial position of the University of Toledo and its discretely presented component unit as of June 30, 2017, and the changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Report on Comparative Information*

The financial statements of The University of Toledo as of and for the year ended June 30, 2016 were audited by other auditors whose report dated October 14, 2016, expressed an unmodified opinion on those statements. Based on the report from other auditors, the comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-13, schedule of pension funding progress, and schedule of contributions on page 72 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise The University of Toledo's basic financial statements. The schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, Audit Requirements for Federal Awards* (the Uniform Guidance) and is not a required part of the basic financial statements.



Board of Trustees  
The University of Toledo

The accompanying schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2017, on our consideration of The University of Toledo's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of The University of Toledo's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The University of Toledo's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Toledo, Ohio  
November 8, 2017

**THE UNIVERSITY OF TOLEDO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

The following Management's Discussion and Analysis (MD&A) provides an overview of the financial position and activities of The University of Toledo (the University) for the year ended June 30, 2017 with comparative information for the years ended June 30, 2016 and 2015. The MD&A complements the accompanying audited financial statements and footnotes.

**ABOUT THE UNIVERSITY OF TOLEDO**

The University is a leading research institution in the State of Ohio with over 20,000 students, 1,500 instructional faculty, and 4,000 staff members. The University is comprised of thirteen colleges: Arts and Letters; Business and Innovation; Education; Engineering; Graduate Studies; Health and Human Services; Honors; Law; Medicine and Life Sciences; Natural Sciences and Mathematics; Nursing; Pharmacy and Pharmaceutical Sciences; and University College. The University offers more than 300 undergraduate, graduate, and professional programs leading to degrees in over 60 instructional departments. The University operates The University of Toledo Medical Center (UTMC) which includes 319 registered beds and provides services to over 11,000 admitted patients, 235,000 outpatient clinic patients, and 37,000 emergency visit patients. UTMC specializes in kidney transplantation, cardiology, neurology, trauma care, orthopedic surgery, and cancer treatment.

The Board of Trustees (BOT) governs the University and is responsible for oversight of academic programs, budgets, general administration, and employment of faculty and staff. The Governor, with the advice and consent of the State Senate, appoints the BOT members for staggered nine-year terms. Two student non-voting members, appointed for two-year terms, also serve on the Board.

The following financial statements reflect all assets, deferred inflows/outflows, liabilities, and net position of the University and the University of Toledo Foundation (Foundation), the University's discretely presented component unit. The University of Toledo Physicians, Clinical Faculty, Inc. (UTP-CF), The University of Toledo Medical Assurance Company SPC (UTMAC SPC), and Rocket Innovations meet the criteria under GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, and are therefore shown in a blended presentation. UTP-CF provides administrative support, billing, and collection services for physician services at the University. UTMAC SPC, which ceased operations during the year ended June 30, 2017, was a captive insurance company established to provide insurance needs for the University, its staff and affiliated physicians. Rocket Innovations supports the University through investment in public and private economic development projects and promotes the interests of the University.

The Foundation is a legally separate entity with a primary function of fundraising to supplement the resources that are available to the University in support of its programs. The Foundation is governed by a separate board of trustees which is self-perpetuating and consists of graduates and friends of the University. Nearly all the assets of the Foundation are restricted by donors to activities of the University. The University does not control the timing or amount of receipts from the Foundation.

The University is a component unit of the State of Ohio and is included in the State of Ohio's Comprehensive Annual Financial Report (CAFR).

**THE UNIVERSITY OF TOLEDO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

**ABOUT THE FINANCIAL STATEMENTS**

The annual financial statements are prepared in accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. In addition to this MD&A section, the audited financial statements include Statements of Net Position; Statements of Revenues, Expenses, and Changes in Net Position; Statements of Cash Flows; and the Notes to Financial Statements. In accordance with GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, which amends GASB Statement No. 14; the Foundation is discretely presented. A complete copy of the audited financial statements of the Foundation is available at the Foundation offices located near the campus of the University.

The **Statement of Net Position** is the University's balance sheet. It reflects the total assets, liabilities, deferred inflows/outflows, and net position (equity) of the University. Liabilities whose maturities are less than one year and assets available to pay those liabilities are classified as current. Other assets and liabilities with maturities greater than one year are classified as non-current. Investment assets are carried at market value. Capital assets, which include the University's land, buildings, improvements, and equipment, are presented net of depreciation. Net position is displayed in the following categories:

- Net investment in capital assets (presents the University's equity in capital assets)
- Restricted – non-expendable (available for investment purposes only and cannot be expended)
- Restricted – expendable (available for use based on externally imposed restrictions)
- Unrestricted (available to the University for any lawful purpose of the institution)

The **Statement of Revenues, Expenses, and Changes in Net Position** is the University's income statement. It reports the detailed revenues and expenses presented in a net revenue (expense) format. Revenues and expenses are classified as operating, non-operating, and other changes, and subtotals are presented for net operating income (loss), income (loss) before other changes, and increase (decrease) in net position. Tuition revenue is shown net of financial aid, hospital patient services revenue is shown net of contractual allowances and bad debt, and depreciation is provided for capital assets.

In accordance with GASB Statement No. 35, appropriations received from the State of Ohio and certain federal and grants and contracts are presented as non-operating revenue; whereas operating expenses include virtually all expenses except interest on long-term debt. Therefore, the University will typically reflect a net operating loss, though universities and other public institutions have traditionally relied on non-operating revenue to support functional operations of the institution.

The **Statement of Cash Flows** presents the sources and uses of cash during the year. It breaks out the sources and uses of cash in the following categories:

- Operating activities
- Non-capital financing activities
- Capital and related financing activities
- Investing activities

Cash flows associated with the University's expendable net position appear in the operating and non-capital financing categories. Capital financing activities include payments for capital assets, proceeds from long-term debt and debt repayments. Purchases and sales of investments are reflected as investing activities.

**THE UNIVERSITY OF TOLEDO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

The **Notes to Financial Statements** follow the financial statements of the University. The Notes provide additional information and details to supplement the financial statements.

**Impact of GASB Statement No. 68**

The University's net position is adversely impacted by the implementation of GASB Statement No. 68, *Accounting, and Financial Reporting for Pensions*. The University reflects a negative \$279.8 million unrestricted net position as of June 30, 2017, as a result of recognizing its share of the net pension liability of the State retirement plans. The University has a restricted expendable net position of \$96.2 million and a restricted non-expendable net position of \$13.2 million as of June 30, 2017. Net investment in capital is \$324.7 million. The following sections provide additional details on the University's 2017 financial position and results and a look ahead at significant economic conditions expected to affect the University in the future.

**FINANCIAL HIGHLIGHTS AND KEY TRENDS**

**STATEMENTS OF NET POSITION**

Impact of GASB 68 –  
Significant net pension  
liability and negative  
unrestricted net position

University maintains  
prudent levels of debt  
and sufficient liquidity

| Summary Statements of Net Position (in thousands)      |                     |                     |                     |
|--|---------------------|---------------------|---------------------|
|  | 2017                | 2016                | 2015                |
| <b>Assets</b>  |                     |                     |                     |
| Cash and cash equivalents                              | \$ 48,834           | \$ 54,905           | \$ 52,424           |
| Current receivables, inventories, and prepaid expenses | 115,146             | 130,840             | 123,928             |
| <b>Total current assets</b>                            | <b>163,980</b>      | <b>185,745</b>      | <b>176,352</b>      |
| Restricted cash  | 2,620               | 2,529               | -                   |
| Endowment and loan investments                         | 60,395              | 55,316              | 60,479              |
| Long-term investments                                  | 165,255             | 152,022             | 164,322             |
| Capital assets, net of accumulated depreciation        | 596,844             | 621,056             | 640,862             |
| Net pension asset                                      | 960                 | 868                 | 736                 |
| Other non-current assets                               | 77,981              | 51,837              | 60,513              |
| <b>Total non-current assets</b>                        | <b>904,055</b>      | <b>883,628</b>      | <b>926,912</b>      |
| <b>Total assets</b>                                    | <b>\$ 1,068,035</b> | <b>\$ 1,069,373</b> | <b>\$ 1,103,264</b> |
| <b>Deferred outflows</b>                               |                     |                     |                     |
| Deferred outflows of resources - derivatives           | \$ 6,855            | \$ 14,981           | \$ 5,941            |
| Deferred outflows of resources - pension               | 164,327             | 115,847             | 26,246              |
| Deferred outflows of resources - refunding             | 14,592              | 15,199              | 16,559              |
| <b>Total deferred outflows</b>                         | <b>\$ 185,774</b>   | <b>\$ 146,027</b>   | <b>\$ 48,746</b>    |
| <b>Liabilities</b>                                     |                     |                     |                     |
| Accounts payable and accrued expenses                  | \$ 75,258           | \$ 81,608           | \$ 69,256           |
| Other current liabilities                              | 74,509              | 77,763              | 76,987              |
| <b>Total current liabilities</b>                       | <b>149,767</b>      | <b>159,371</b>      | <b>146,243</b>      |
| Bonds, notes, and leases                               | 298,423             | 283,431             | 299,674             |
| Net pension liability                                  | 603,168             | 491,984             | 378,834             |
| Other long-term liabilities                            | 35,984              | 40,648              | 43,287              |
| <b>Total non-current liabilities</b>                   | <b>937,575</b>      | <b>816,063</b>      | <b>721,795</b>      |
| <b>Total liabilities</b>                               | <b>\$ 1,087,342</b> | <b>\$ 975,434</b>   | <b>\$ 868,038</b>   |
| <b>Deferred inflows</b>                                |                     |                     |                     |
| Deferred inflows of resources - pension                | \$ 12,122           | \$ 23,159           | \$ 32,614           |
| <b>Total deferred inflows</b>                          | <b>\$ 12,122</b>    | <b>\$ 23,159</b>    | <b>\$ 32,614</b>    |
| <b>Net position</b>                                    |                     |                     |                     |
| Net investment in capital assets                       | \$ 324,703          | \$ 335,512          | \$ 341,396          |
| Restricted – non-expendable                            | 13,236              | 13,086              | 12,985              |
| Restricted – expendable                                | 96,211              | 108,992             | 136,582             |
| Unrestricted   | (279,805)           | (240,783)           | (239,605)           |
| <b>Total net position</b>                              | <b>\$ 154,345</b>   | <b>\$ 216,807</b>   | <b>\$ 251,358</b>   |

**THE UNIVERSITY OF TOLEDO**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2017**

**Current Assets**

Current assets (\$164 million) decreased \$21.8 million (11.7%) in 2017 driven by decreases in cash and temporary investments, and accounts receivable. Cash and cash equivalents (\$48.8 million) decreased \$6.1 million due to an increased allocation of assets to longer-term investments to gain higher yields. The University experienced significant improvement in its patient revenue cycle, thus reducing the University's current receivables. The University's liquidity continues to provide a sufficient level of working capital. The **Statements of Cash Flows**, discussed later in more detail, will provide additional information regarding the sources and uses of cash.

**Non-current Assets**

University endowments and long-term investments are pooled with assets of The University of Toledo Foundation and Alumni Association. University endowments (\$60.4 million) increased by \$5.1 million or 9.2% due to strong investment returns. University long-term investments (\$165.3 million) increased by \$13.2 million. The increase in long-term investments is attributed to favorable investment performance and a larger allocation to longer-term securities in the fixed income portfolio to gain higher yields. Other non-current assets (\$78.0 million) increased by \$26.1 million due to investments held by bond trustee relating to the bond issuance during the year. Capital assets (\$596.8 million) including University land, buildings, infrastructure, improvements, and equipment decreased by \$24.2 million during 2017 as depreciation expense outpaced capital investment spending. Capital spending focused on residence life renovations, deferred maintenance, and infrastructure projects funded primarily by bond proceeds and state appropriations.

**Deferred Outflows**

Deferred outflows of resources (\$185.8 million) increased \$39.7 million. The actuarial activity associated with the pension plans increased by \$48.5 million, while the mark-to-market valuation for the derivative interest rate swap instruments decreased by \$8.1 million.

**Current Liabilities**

Current liabilities (\$149.8 million) decreased \$9.6 million in 2017 due to a combination of lower accounts payable to vendors (primarily from the hospital and capital projects) offset by higher payroll-related accruals due to the voluntary separation incentive plan.

**Non-current Liabilities**

Total non-current liabilities (\$937.6 million) are significantly impacted by the implementation of GASB Statement No. 68. The University's share of the net pension liability for the State retirement systems increased \$111.2 million bringing the total liability to \$603.2 million. The University is only obligated to pay the members' contributions to the retirement system and not the pension benefits. Bonds, notes, and leases (\$298.4 million) increased \$15 million during 2017. The University issued Series 2017A general receipts bonds for \$72.8 million. The debt issuance was a combination of new debt (approximately \$30 million) to fund various capital projects and refunding of Series 2007A and 2008A bonds. The increase in debt is offset by the scheduled principal payments on outstanding issuances and amortization of interest rate swap contracts. Other long-term liabilities (\$36 million) decreased by \$4.7 million.

**Deferred Inflows**

Deferred inflows of resources (\$12.1 million) decreased by \$11 million due to the University's share of the actuarial activity associated with the State pension plans.

**THE UNIVERSITY OF TOLEDO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

**Prior Years' Highlights**

In 2016, the University had total assets of approximately \$1.07 billion, a reduction of \$33.9 million driven by decreases in long-term investments (\$12.3 million) and capital assets (\$19.8 million). Deferred outflows of \$146 million increased by \$97.3 million due to adjustments related to pension and derivative activities. Total liabilities were \$975.4 million, an increase of \$107.4 million, impacted primarily by the net pension liability adjustment of \$113.2 million. Bonds, notes, and leases decreased \$16.2 million based on scheduled payments and amortization. Deferred inflows were \$23.2 million, a decrease of \$9.5 million. Net position was \$216.8 million reflecting a decrease of \$34.6 million.

In 2015, the University had total assets of \$1.1 billion and deferred outflows of \$48.7 million. The \$46.7 million decrease in total assets compared to 2014 was driven by decreases in long-term investments (\$25.6 million) and cash and cash equivalents (\$14.3 million). Cash and cash equivalents fell due to lower operating margins and diminishing investment returns. Capital assets decreased \$10.2 million as depreciation expense exceeded capital spending. Deferred outflows increased \$28.5 million with the adoption of GASB Statement No. 68. Total liabilities were \$868 million, an increase of \$372 million, and deferred inflows were \$32.6 million, an increase of \$32.6 million, both driven by the adoption of GASB Statement No. 68. Bonds, notes, and leases decreased \$16.7 million based on scheduled payments and amortization. Net position was \$251.4 million reflecting a decrease of \$423 million, of which \$391 million was attributable to the change in accounting principle associated with the adoption of GASB Statement No. 68.

**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

Hospital experienced increases in emergency and outpatient visits

Enrollment increase leads to improvement in net tuition and fees

GASB 68 adjustment results in over \$51.6 million of additional pension expense

| Summary of Revenues, Expenses, and Changes in Net Position |                   |                   |                   |
|--|-------------------|-------------------|-------------------|
| <i>(in thousands)</i>                                      | 2017              | 2016              | 2015              |
| <b>Operating revenues:</b>                                 |                   |                   |                   |
| Hospital, net  | \$ 307,844        | \$ 295,408        | \$ 283,862        |
| Tuition and fees, net                                      | 199,998           | 197,760           | 202,986           |
| Grants and contracts                                       | 51,285            | 51,268            | 55,312            |
| Auxiliary  | 52,638            | 55,586            | 57,294            |
| Other patient services revenue                             | 74,314            | 74,723            | 67,187            |
| Other  | 42,031            | 66,189            | 26,922            |
| <b>Total operating revenue</b>                             | <b>728,110</b>    | <b>740,934</b>    | <b>693,563</b>    |
| <b>Operating expenses:</b>                                 |                   |                   |                   |
| Salaries, wages, and benefits                              | 630,447           | 576,329           | 541,747           |
| Supplies   | 105,997           | 108,074           | 104,923           |
| Outside purchased services                                 | 80,366            | 80,799            | 81,657            |
| Depreciation   | 57,987            | 58,231            | 58,060            |
| Other  | 92,830            | 86,922            | 85,737            |
| <b>Total operating expenses</b>                            | <b>967,627</b>    | <b>910,355</b>    | <b>872,124</b>    |
| Operating Loss   | (239,517)         | (169,421)         | (178,561)         |
| <b>Non-operating revenues (expenses):</b>                  |                   |                   |                   |
| State share of instruction and grants & contracts          | 148,661           | 147,153           | 143,796           |
| Investment income  | 25,149            | (12,113)          | 4,706             |
| Interest on debt   | (12,755)          | (13,160)          | (13,605)          |
| Asset disposal   | (201)             | (338)             | (146)             |
| Other  | 706               | 1,094             | 519               |
| <b>Total non-operating revenues</b>                        | <b>161,560</b>    | <b>122,636</b>    | <b>135,270</b>    |
| <b>Other changes</b>                                       |                   |                   |                   |
| Capital appropriations                                     | 12,285            | 12,362            | 9,562             |
| Other  | 3,210             | (128)             | 1,582             |
| <b>Total other changes</b>                                 | <b>15,495</b>     | <b>12,234</b>     | <b>11,144</b>     |
| Increase/(decrease) in net position                        | (62,462)          | (34,551)          | (32,147)          |
| Net position - beginning of the year                       | 216,807           | 251,358           | 283,505           |
| <b>Net position - end of the year</b>                      | <b>\$ 154,345</b> | <b>\$ 216,807</b> | <b>\$ 251,358</b> |

**THE UNIVERSITY OF TOLEDO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

**Operating Revenues**

Operating revenues (\$728.1 million) decreased by \$12.8 million driven by the difference in the contributions from the College of Medicine and Life Sciences affiliation agreement. In 2016, the University received an initial one-time contribution of \$40 million from the affiliation. In 2017, the annual contributions commenced with a first installment of \$12.5 million. The decrease in revenue from the affiliation was offset by patient revenue. Hospital revenue increased \$12.4 million (4.2%) and other patient service revenues (\$74.3 million) were flat. The Hospital experienced patient volume increases in outpatient and emergency visits. Tuition and fees (\$200 million) increased \$2.2 million (1.1%) as a result of increased enrollment for the first time in the last five years. Auxiliary revenue (\$52.6 million) decreased \$2.9 million (5.3%) because of a change in the food service contract whereby the third-party manager receives certain revenue sources directly. The decrease from food service was offset by an increase in revenue from residence life.

**Operating Expenses**

Total operating expenses (\$967.6 million) increased \$57.3 million (6.3%). Salaries, wages and benefits (\$630.4 million) increased \$54.1 million (9.4%) due to the GASB 68 pension adjustment, the voluntary separation plan for faculty and staff, cost of living increases, and hospital volume increases. Supplies (\$106 million) decreased \$2.1 million (1.9%) primarily from lower expense at UTP-CF, and outside purchased services (\$80.4 million) were flat. Occupancy expenses (\$24.4 million), included in other operating expenses, were flat as well.

**Non-operating Revenues and Expenses**

Total non-operating revenues (\$161.6 million) improved by \$38.9 million driven by increases in investment income (\$37.3 million change) and State Share of Instruction (SSI) (\$1.5 million increase). The University's long-term investments and endowment investment portfolios are pooled with assets from the University of Toledo Foundation and the Alumni Association.

**Other Changes**

Total other changes (\$15.5 million) increased \$3.3 million with flat state capital appropriations (\$12.3 million); capital grants, gifts, and contracts increased \$3.0 million; and capital transfers increasing \$0.3 million.

**Prior Years Highlights**

In 2016, the University experienced a decrease in net position of \$34.6 million. Operating revenues were \$740.9 million, an increase of \$47.4 million. The University received \$40 million in contributions from its College of Medicine affiliation agreement as a one-time initial investment. Hospital revenue increased \$11.5 million driven by an increase in outpatient and emergency visits. Tuition and fees dropped by \$5.2 million due to lower enrollment and higher tuition discounts. Auxiliary revenue decreased by \$1.7 million from reduction in housing revenues partially offset by revenue increases from football guarantees and ticket sales. Operating expenses were \$910.4 million, an increase of \$38.2 million. Salaries, wages, and benefits increased \$34.6 million due to net pension liability adjustments, rising health care costs, and hospital volume increases. Supplies increased by \$3.2 million, or 3%, while outside purchased services declined by nearly \$1 million, or 1%. Total non-operating revenue decreased \$12.6 million due to lower investment returns offset by an increase in SSI. Other changes of \$12.2 million reflected an increase of \$1 million.

**THE UNIVERSITY OF TOLEDO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

In 2015, the University experienced a decrease in net position of \$32.1 million. Operating revenues were \$693.6 million, an increase of \$14.4 million. Hospital revenue increased \$22.4 million driven by an increase in patient days, surgeries, and emergency visits. Tuition and fees dropped \$2.5 million due to lower enrollment and higher discounts. Auxiliary revenue increased \$4.5 million from residence life and athletic conference revenue. Operating expenses were \$872.1 million, an increase of \$37.4 million. Salaries, wages, and benefits increased \$16.5 million due to cost of living adjustments, bargaining unit settlements and hospital volume increases. Supplies increased \$14.1 million driven by hospital volume and healthcare-related supply price increases. Outside purchased services increased \$3.8 million due to one-time contractual services. Total non-operating revenue decreased \$32.3 million due to lower investment returns offset by a slight increase in state share of instruction. Other changes were down \$1 million with a decrease in state capital appropriations offset slightly by an increase in capital grants.

**STATEMENTS OF CASH FLOWS**

| Summary of Cash Flows (in thousands)                         |              |             |              |
|--|--------------|-------------|--------------|
|  | 2017         | 2016        | 2015         |
| Net cash flows from operating activities                     | \$ (118,143) | \$ (98,319) | \$ (122,817) |
| Net cash flows from non-capital financing activities         | 149,494      | 148,913     | 143,257      |
| Net cash flows from capital and related financing activities | (10,443)     | (56,073)    | (62,359)     |
| Net cash flows from investing activities                     | (26,888)     | 10,489      | 27,586       |
| Net increase/(decrease) in cash                              | \$ (5,980)   | \$ 5,010    | \$ (14,333)  |

In 2017, cash and cash equivalents decreased by \$6.0 million. The University had net cash used in operating activities of \$118.1 million, a change of \$20.7 million driven by the difference in the contribution from the College of Medicine and Life Sciences affiliation as previously mentioned. The University had net cash provided by non-capital financing of \$149.5 million, which is a slight increase over last year from more SSI funding. Net cash used in capital and related financing activities was \$10.4 million including proceeds from debt issuance of \$84.7 million, principal paid on capital debt of \$64 million, and capital asset purchases of \$34.0 million. Net cash used in investing activities was \$26.9 million driven by net investment activity (\$35.6 million) offset by withdrawals from investment pool (\$8.5 million).

**Prior Years' Highlights**

In 2016, cash and cash equivalents increased by \$5.0 million. The University had net cash used in operating activities of \$98.3 million, a lower net use of cash compared to prior year. The lower net use of cash was due to cash received for the academic affiliation with ProMedica. The University had net cash provided by non-capital financing of \$148.9 million, which is higher than last year due to the increase in SSI and net direct lending activity. Net cash used in capital and related financing activities was \$56.1 million including capital asset purchases of \$38.8 million and debt service of \$29.7 million. Net cash provided from investing activities was \$10.5 million.

In 2015, cash and cash equivalents decreased by \$14.3 million. The University had net cash used in operating activities of \$122.8 million, a higher net use of cash compared to prior year. The higher net use of cash was due to higher payments to suppliers, vendors, and employees. The University had net cash provided by non-capital financing of \$143.3 million, which is comparable to prior year as the increase in SSI was offset by lower grants, gifts, and net direct lending activity. Net cash used in capital and related financing activities was \$62.4 million including capital asset purchases of \$48 million and debt service of \$29.5 million. Net cash provided from investing activities was \$27.6 million, which is lower than prior year based on returns from sale of investments.



**THE UNIVERSITY OF TOLEDO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

**Higher Education and the University**

The United States Higher Education sector continues to be stable as demand remains strong and enrollment is steady. The long-term outlook for higher education is favorable as the number of careers requiring degrees and advanced degrees continues to grow. The sector expects strong growth in associate and master's degrees. The lifetime earnings disparity between degreed and non-degreed individuals continues to support the value of higher education. Despite the strong demand, the sector continues to face a multi-faceted set of challenges. There are continuous pressures on institutions regarding affordability and accountability. Also, there is uncertainty surrounding the federal policy for higher education and concern regarding the continued growth in unfunded pension liabilities.

Overall, State funding has shown modest increases for higher education with significant variance from state-to-state. State funding models have transitioned to performance-based models that focus on accountability and evaluate universities on the number of degrees issued and courses completed. State funding is likely to see incremental increases, but is not expected to keep pace with the growth of operating expenses. Furthermore, State funding increases have been coupled with tuition limitations or even tuition freezes.

The State of Ohio implemented a performance-based funding model for State Share of Instruction (SSI) in fiscal year 2014. The revised methodology includes performance-based metrics such as course completion and degrees awarded, while also including consideration for at-risk students. The SSI experienced modest increases over the last several years, but the State also mandated tuition freezes for the past two years (2016 and 2017). The State of Ohio passed its recent biennium budget that will both freeze the SSI funding as well as continue the tuition freeze for 2018 and 2019. The limited prospect of revenue growth requires Ohio public universities to continue efforts to identify efficiencies and cost reduction opportunities.

The University is positioning itself to address the formidable challenges it faces. The University completed several strategic planning initiatives over the past year. The five-year strategic plan completed with campus-wide collaboration identifies the key priorities of the University focusing on student success and academic excellence; research and scholarship; faculty, staff, and students; fiscal positioning and infrastructure; and reputation and engagement. The University also completed a strategic enrollment initiative leading to the University having enrollment growth in 2017 for the first time since 2010. The final strategic planning effort completed was the multiple campus master plan. The master plan focuses on improved utilization of space, prioritizes facility initiatives, and identifies funding sources.

The University continues to focus on efficiency and cost reduction strategies. The University has reduced administrative expenses over the last several years by managing resources more efficiently; establishing stronger budget and position controls; and implementing automation and re-engineering processes. The University continues its pursuit of reducing expenses wherever possible while still maintaining critical functions in support of the student experience and its mission. The University recently offered a successful voluntary separation plan and eliminated a significant number of vacant positions.

**THE UNIVERSITY OF TOLEDO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

The University completed an affiliation agreement in fiscal year 2016 between the University's College of Medicine and Life Sciences and ProMedica Health System, a locally-owned health system in northwest Ohio and southeast Michigan with a network of hospitals, physicians, health care professionals, researchers, specialty clinics, and facilities. The partnership will ensure long-term strength and expansion of educational and financial opportunities for the University's College of Medicine and Life Sciences. ProMedica's Toledo Hospital and Toledo's Children's Hospital will become academic medical centers and University students and residents will train at the ProMedica facilities. ProMedica will provide the University with significant financial support for operations and capital investment.

The University recognizes the importance of adapting to technological advances and changes in student preferences for how education is delivered. The U.S. Department of Education reports that one-quarter of students are exclusively distance learners or use some form of online courses toward obtaining a degree. The University is continually looking for opportunities to expand its online education as well as use technology to create simulation to emulate real-world experiences. The University recently opened the Simulation Center facility to create new models for the education of healthcare professionals. The Center offers virtual reality, human patient simulators, and fresh tissue laboratories to facilitate team training, electronic learning, competency assessments, and outcome measurements.

#### **Healthcare and the University**

The healthcare industry, in which UTMC operates, is subject to regulation by a number of governmental agencies, including those which administer the Medicare and Medicaid programs; federal, state, and local agencies responsible for administration of health planning programs; and other federal, state, and local governmental agencies. Furthermore, federal, state, and local policies developed to regulate the manner in which health care is provided, administered, and paid for nationally and locally has an impact as well. As a result, the health care industry is sensitive to legislative and regulatory changes in such programs and is affected by reductions and limitations in governmental spending for such programs as well as changing health care policies.

The University of Toledo Medical Center is subject to the following: the statutes, regulations, and changes governing the Medicare and Medicaid programs; regulatory actions by the governmental agencies that administer and enforce the Medicare and Medicaid programs; changes in payment from non-governmental third party payers, such as private insurance plans and managed care entities; and actions by, among others, the Medicare peer review organization, the Ohio Department of Health, the Joint Commission and other accreditation bodies, and federal, state, and local governmental authorities.

UTMC maintains over 300 patient beds and is the area's only academic medical center. It is a Level One Trauma Center, offering emergency health and trauma services 24 hours a day. UTMC's six Signature Programs have earned many accolades in the community and include Cardiology, Neurology, Orthopedics, Cancer, Surgery, and Kidney Transplantation. It delivers superior patient care, quality outcomes, and patient safety and has been recognized by *U.S. News and World Report* for high performance in 2016-17. This is the sixth consecutive year UTMC has been included in the *U.S. News and World Report* rankings. In addition, UTMC was recognized by *Consumer Reports* as one of the highest scoring U.S. teaching hospitals as preventing central-line infections. Furthermore, UTMC was named a "Leader in LGBTQ Healthcare Equality" by the Human Rights Campaign Foundation for its commitment to the equal treatment of all lesbian, gay, bisexual, transgender, and questioning patients.

**THE UNIVERSITY OF TOLEDO  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2017**

During fiscal year 2017, UTMC continued to support the mission of the University “to improve the human condition” by providing patient-centered, university quality care. Acute inpatient admissions increased approximately 2.9% compared with prior year. Seeing an overwhelming need in the Toledo community, UTMC answered the call and opened an Adult Detoxification Inpatient Unit in March 2017. The 10-bed unit has a dedicated team of nurses, social workers and other staff with training and experience in detox and behavioral health. Also notable, the Eleanor N. Dana Cancer Center, which opened its doors in 2013, continues to thrive with visits increasing by 3.0% over the prior year. Becker’s Hospital Review has named UTMC as one of the 100 Hospital and Health Systems with Great Oncology Programs.

While UTMC is well positioned to sustain a strong financial position in the coming years, ongoing constraints on revenue are expected due to fiscal pressures from healthcare reform. The impact of insurance exchanges, managed care rates, and Medicaid expansion continues to cause uncertainty in the environment for hospitals nationwide. Management believes that much of the payment pressure facing UTMC can be offset by continuing to position itself to thrive in the changing market.

UTMC is placing considerable focus on productivity and cost reduction and will effectively manage expenses as reimbursements come under pressure. An essential part of reducing unnecessary treatment and costs is the effective use of electronic medical record systems. Allowing this to be possible, UTMC has successfully upgraded its electronic medical records / electronic health records (EMR/EHR) systems as part of the Health Information Technology for Economic and Clinical Health (HITECH) Act. During fiscal year 2017, UTMC successfully demonstrated meaningful use of certified EMR/EHR technology meeting the Medicare requirements once again. In addition, other cost cutting initiatives have been implemented during 2017 to allow UTMC to be successful. Specifically, UTMC continues to meet the 340B Program requirements as administered by the Office of Pharmacy Affairs of the Health Resources and Services Administration (OP/HRSA), a part of the U.S. Department of Health and Human Services (HHS). Cost savings under the program can amount to 25 percent of an organization’s annual outpatient pharmaceutical cost in the initial year of participation, with savings being in perpetuity as long as the provider stays qualified for the program.

While facing the challenges of the ever-changing healthcare environment, UTMC expects to improve its financial position and operating results during the upcoming year, and will continue to play a key role in supporting the University.

**Contacting Financial Management**

This financial report is designed to provide our bondholders, customers, community members, and other interested parties with a general overview of the University of Toledo’s finances and to demonstrate the University’s accountability for the funds it receives.

If you have questions about this report or need additional information, contact the Finance and Administration department, at University Hall 3700, 2801 W. Bancroft St., Toledo, Ohio 43606-3390.

**THE UNIVERSITY OF TOLEDO**  
**STATEMENTS OF NET POSITION**  
**JUNE 30, 2017 AND 2016**  
(DOLLARS IN THOUSANDS)

|   | <u>University</u> |                   | <u>UT Foundation</u> |                |
|---|-------------------|-------------------|----------------------|----------------|
|   | <u>2017</u>       | <u>2016</u>       | <u>2017</u>          | <u>2016</u>    |
| <b>ASSETS</b>                                     |                   |                   |                      |                |
| <b>Current assets:</b>                            |                   |                   |                      |                |
| Cash and cash equivalents                         | \$ 48,834         | \$ 54,905         | \$ 1,492             | \$ 1,707       |
| Accounts receivable, net                          | 96,673            | 109,893           | 1,403                | 729            |
| Contributions receivable, net                     | -                 | -                 | 4,164                | 3,821          |
| Inventories                                       | 9,175             | 10,906            | -                    | -              |
| Notes receivable, net                             | 2,661             | 3,189             | -                    | -              |
| Other   | 6,637             | 6,852             | 219                  | 210            |
| <b>Total current assets</b>                       | <b>163,980</b>    | <b>185,745</b>    | <b>7,278</b>         | <b>6,467</b>   |
| <b>Noncurrent assets:</b>                         |                   |                   |                      |                |
| Restricted cash                                   | 2,620             | 2,529             | -                    | -              |
| Endowment and loan investments                    | 60,395            | 55,316            | -                    | -              |
| Notes receivable, net                             | 11,085            | 11,561            | -                    | -              |
| Long-term investments                             | 165,255           | 152,022           | 252,866              | 226,498        |
| Investments held by insurance captive             | 34,412            | 32,449            | -                    | -              |
| Contributions receivable, net                     | -                 | -                 | 15,485               | 16,785         |
| Investments held by bond trustee                  | 25,958            | 869               | -                    | -              |
| Capital assets, net                               | 596,844           | 621,056           | 19,457               | 20,647         |
| Rocket Innovations                                | 3,614             | 3,623             | -                    | -              |
| Charitable remainder trusts and annuity contracts | -                 | -                 | 4,891                | 5,331          |
| Cash surrender value of life insurance policies   | -                 | -                 | 1,443                | 1,575          |
| Net pension asset                                 | 960               | 868               | -                    | -              |
| Other   | 2,912             | 3,335             | 497                  | 497            |
| <b>Total noncurrent assets</b>                    | <b>904,055</b>    | <b>883,628</b>    | <b>294,639</b>       | <b>271,333</b> |
| <b>Total assets</b>                               | <b>1,068,035</b>  | <b>1,069,373</b>  | <b>301,917</b>       | <b>277,800</b> |
| <b>Deferred outflows:</b>                         |                   |                   |                      |                |
| Deferred outflows of resources - derivatives      | 6,855             | 14,981            | -                    | -              |
| Deferred outflows of resources - pension          | 164,327           | 115,847           | -                    | -              |
| Deferred outflows of resources - refunding        | 14,592            | 15,199            | -                    | -              |
| <b>Total deferred outflows</b>                    | <b>\$ 185,774</b> | <b>\$ 146,027</b> | <b>\$ -</b>          | <b>\$ -</b>    |

See accompanying Notes to Financial Statements.

**THE UNIVERSITY OF TOLEDO**  
**STATEMENTS OF NET POSITION (CONTINUED)**  
**JUNE 30, 2017 AND 2016**  
(DOLLARS IN THOUSANDS)

|   | <u>University</u> |                   | <u>UT Foundation</u> |                   |
|---|-------------------|-------------------|----------------------|-------------------|
|   | <u>2017</u>       | <u>2016</u>       | <u>2017</u>          | <u>2016</u>       |
| <b>LIABILITIES</b>                      |                   |                   |                      |                   |
| <b>Current liabilities:</b>             |                   |                   |                      |                   |
| Accounts payable                        | \$ 25,360         | \$ 34,867         | \$ 843               | \$ 1,360          |
| Accrued liabilities                     | 49,898            | 46,741            | 222                  | 519               |
| Unearned revenue                        | 32,048            | 35,122            | 91                   | -                 |
| Deposits                                | 2,158             | 1,790             | -                    | -                 |
| Compensated absences - current portion  | 24,141            | 23,796            | -                    | -                 |
| Long-term liabilities - current portion | 16,162            | 17,055            | 276                  | 338               |
| <b>Total current liabilities</b>        | <b>149,767</b>    | <b>159,371</b>    | <b>1,432</b>         | <b>2,217</b>      |
| <b>Noncurrent liabilities:</b>          |                   |                   |                      |                   |
| Compensated absences                    | 8,746             | 9,246             | -                    | -                 |
| Insurance captive reserve for losses    | 8,468             | 9,389             | -                    | -                 |
| Fair value of derivative investment     | 6,855             | 14,981            | -                    | -                 |
| Other                                   | 11,915            | 7,032             | -                    | -                 |
| Net pension liability                   | 603,168           | 491,984           | -                    | -                 |
| Long-term liabilities                   | 295,256           | 283,431           | 13,967               | 14,754            |
| Funds held for affiliates               | -                 | -                 | 1,241                | 1,399             |
| Note payable to UT Foundation           | 3,167             | -                 | -                    | -                 |
| <b>Total noncurrent liabilities</b>     | <b>937,575</b>    | <b>816,063</b>    | <b>15,208</b>        | <b>16,153</b>     |
| <b>Total liabilities</b>                | <b>1,087,342</b>  | <b>975,434</b>    | <b>16,640</b>        | <b>18,370</b>     |
| <b>Deferred inflows:</b>                |                   |                   |                      |                   |
| Deferred inflows of resources - pension | 12,122            | 23,159            | -                    | -                 |
| <b>Total deferred inflows</b>           | <b>12,122</b>     | <b>23,159</b>     | <b>-</b>             | <b>-</b>          |
| <b>NET POSITION</b>                     |                   |                   |                      |                   |
| Net investment in capital assets        | 324,703           | 335,512           | 5,721                | 6,209             |
| Restricted                              |                   |                   |                      |                   |
| Nonexpendable                           | 13,236            | 13,086            | 121,372              | 117,011           |
| Expendable                              | 96,211            | 108,992           | 139,960              | 122,205           |
| Unrestricted                            | (279,805)         | (240,783)         | 18,224               | 14,005            |
| <b>Total net position</b>               | <b>\$ 154,345</b> | <b>\$ 216,807</b> | <b>\$ 285,277</b>    | <b>\$ 259,430</b> |

See accompanying Notes to Financial Statements.

**THE UNIVERSITY OF TOLEDO**  
**STATEMENTS OF REVENUES, EXPENSES, AND**  
**OTHER CHANGES IN NET POSITION**  
**YEARS ENDED JUNE 30, 2017 AND 2016**  
(DOLLARS IN THOUSANDS)

|  | <u>University</u>   |                     | <u>UT Foundation</u> |                   |
|--|---------------------|---------------------|----------------------|-------------------|
|  | <u>2017</u>         | <u>2016</u>         | <u>2017</u>          | <u>2016</u>       |
| <b>REVENUES</b>  |                     |                     |                      |                   |
| <b>Operating revenues:</b>   |                     |                     |                      |                   |
| Hospital patient service revenue, net of bad debt of \$12,721 and \$16,324, respectively | \$ 307,844          | \$ 295,408          | \$ -                 | \$ -              |
| Student tuition and fees, net of student aid of \$79,069 and \$78,335, respectively      | 199,998             | 197,760             | -                    | -                 |
| Federal grants and contracts   | 33,124              | 29,760              | -                    | -                 |
| State grants and contracts   | 5,469               | 4,088               | -                    | -                 |
| Local grants and contracts   | 518                 | 628                 | -                    | -                 |
| Private grants and contracts   | 12,174              | 16,792              | -                    | -                 |
| Sales and services   | 5,657               | 6,745               | -                    | -                 |
| Auxiliary Enterprises, net of student aid of \$2,593 and \$2,610, respectively           | 52,638              | 55,586              | -                    | -                 |
| Other patient services revenue   | 74,314              | 74,723              | -                    | -                 |
| Contributions and support  | -                   | -                   | 12,708               | 14,947            |
| Residency reimbursement  | 10,585              | 9,179               | -                    | -                 |
| Academic Affiliation Investment  | 12,500              | 40,000              | -                    | -                 |
| Other  | 13,289              | 10,265              | 8,535                | 9,361             |
| <b>Total operating revenues</b>  | <b>728,110</b>      | <b>740,934</b>      | <b>21,243</b>        | <b>24,308</b>     |
| <b>EXPENSES</b>  |                     |                     |                      |                   |
| <b>Operating expenses:</b>   |                     |                     |                      |                   |
| Salaries and wages   | 435,603             | 421,323             | -                    | -                 |
| Benefits   | 194,844             | 155,006             | -                    | -                 |
| Supplies   | 105,997             | 108,074             | -                    | -                 |
| Travel and entertainment   | 14,473              | 14,779              | -                    | -                 |
| Information and communication  | 15,616              | 16,747              | -                    | -                 |
| Occupancy  | 24,314              | 23,968              | -                    | -                 |
| Scholarship  | 28,816              | 27,324              | -                    | -                 |
| Outside purchased services   | 80,366              | 80,799              | -                    | -                 |
| Provision for doubtful accounts  | 2,513               | 2,717               | -                    | -                 |
| Support to University  | -                   | -                   | 14,095               | 14,353            |
| Fundraising and development  | -                   | -                   | 2,689                | 2,640             |
| Management   | -                   | -                   | 4,144                | 4,262             |
| Depreciation   | 57,987              | 58,231              | 450                  | 504               |
| Other  | 7,098               | 1,387               | 5,271                | 5,953             |
| <b>Total operating expenses</b>  | <b>967,627</b>      | <b>910,355</b>      | <b>26,649</b>        | <b>27,712</b>     |
| <b>Operating income (loss)</b>   | <b>\$ (239,517)</b> | <b>\$ (169,421)</b> | <b>\$ (5,406)</b>    | <b>\$ (3,404)</b> |

See accompanying Notes to Financial Statements.

**THE UNIVERSITY OF TOLEDO**  
**STATEMENTS OF REVENUES, EXPENSES, AND**  
**OTHER CHANGES IN NET POSITION (CONTINUED)**  
**YEARS ENDED JUNE 30, 2017 AND 2016**  
(DOLLARS IN THOUSANDS)

|  | <u>University</u> |                   | <u>UT Foundation</u> |                   |
|--|-------------------|-------------------|----------------------|-------------------|
|  | <u>2017</u>       | <u>2016</u>       | <u>2017</u>          | <u>2016</u>       |
| <b>NONOPERATING REVENUES (EXPENSES)</b>      |                   |                   |                      |                   |
| State share of instruction                   | \$ 112,102        | \$ 110,457        | \$ -                 | \$ -              |
| <b>Loss after state share of instruction</b> | (127,415)         | (58,964)          | (5,406)              | (3,404)           |
| Federal grants and contracts                 | 21,497            | 21,831            | -                    | -                 |
| State grants and contracts                   | 10,548            | 11,090            | -                    | -                 |
| Gifts  | 4,514             | 3,775             | -                    | -                 |
| Investment income                            | 25,149            | (12,113)          | 29,889               | (11,021)          |
| Interest on debt                             | (12,755)          | (13,160)          | -                    | -                 |
| Asset disposal                               | (201)             | (338)             | (657)                | -                 |
| Other  | 706               | 1,094             | 2,274                | 2,629             |
| <b>Total nonoperating revenues</b>           | <u>49,458</u>     | <u>12,179</u>     | <u>31,506</u>        | <u>(8,392)</u>    |
| <b>Income (loss) before other changes</b>    | (77,957)          | (46,785)          | 26,100               | (11,796)          |
| <b>Other changes</b>                         |                   |                   |                      |                   |
| Capital appropriations                       | 12,285            | 12,362            | -                    | -                 |
| Capital grants, gifts, and contracts         | 2,956             | 79                | -                    | -                 |
| Capital transfers                            | 253               | (207)             | (253)                | 207               |
| Addition to permanent endowment              | 1                 | -                 | -                    | -                 |
| <b>Total other changes</b>                   | <u>15,495</u>     | <u>12,234</u>     | <u>(253)</u>         | <u>207</u>        |
| <b>Increase/(decrease) in net position</b>   | (62,462)          | (34,551)          | 25,847               | (11,589)          |
| <b>NET POSITION</b>                          |                   |                   |                      |                   |
| Net position at beginning of year            | <u>216,807</u>    | <u>251,358</u>    | <u>259,430</u>       | <u>271,019</u>    |
| Net position at end of year                  | <u>\$ 154,345</u> | <u>\$ 216,807</u> | <u>\$ 285,277</u>    | <u>\$ 259,430</u> |

See accompanying Notes to Financial Statements.

**THE UNIVERSITY OF TOLEDO**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2017 AND 2016**  
(DOLLARS IN THOUSANDS)

|   | <u>2017</u>        | <u>2016</u>      |
|---|--------------------|------------------|
| <b>Cash flows from operating activities</b>                             |                    |                  |
| Tuition and fees  | \$ 193,748         | \$ 197,718       |
| Grants and contracts  | 50,119             | 55,181           |
| Hospital revenues   | 315,210            | 294,447          |
| Sales and services of educational activities                            | 6,420              | 4,419            |
| Payments to suppliers and outside purchased services                    | (299,000)          | (290,477)        |
| Payments to employees   | (495,341)          | (489,035)        |
| Loans issued to students  | (1,673)            | (1,952)          |
| Collection of loans from students                                       | 2,677              | 2,963            |
| Auxiliary Enterprise charges  | 56,121             | 55,620           |
| Other   | 53,576             | 72,797           |
| Net cash provided by/(used in) operating activities                     | <u>(118,143)</u>   | <u>(98,319)</u>  |
| <b>Cash flows from non-capital financing activities</b>                 |                    |                  |
| State share of instruction  | 112,102            | 110,457          |
| Student direct lending receipts   | 131,272            | 131,403          |
| Student direct lending disbursements                                    | (130,807)          | (130,392)        |
| Gifts, grants, and contracts  | 36,559             | 36,697           |
| Agency transactions   | 368                | 748              |
| Net cash provided by/(used in) non-capital financing activities         | <u>149,494</u>     | <u>148,913</u>   |
| <b>Cash flows from capital and related financing activities</b>         |                    |                  |
| Purchases of capital assets   | (34,028)           | (38,792)         |
| Proceeds from the sale of capital assets                                | 13                 | -                |
| Principal paid on capital debt  | (64,014)           | (16,802)         |
| Capital appropriations  | 12,285             | 12,362           |
| Proceeds from debt issuance   | 84,658             | -                |
| Capital grants and gifts  | 2,996              | 79               |
| Interest paid on capital debt   | (12,353)           | (12,920)         |
| Net cash provided by/(used in) capital and related financing activities | <u>(10,443)</u>    | <u>(56,073)</u>  |
| <b>Cash flows from investing activities</b>                             |                    |                  |
| Proceeds from sales of investments                                      | 127,133            | 137,353          |
| Purchases of investments  | (162,703)          | (132,013)        |
| Investment income   | 182                | 149              |
| Withdrawals from investment pool  | 8,500              | 5,000            |
| Net cash provided by/(used in) investing activities                     | <u>\$ (26,888)</u> | <u>\$ 10,489</u> |

See accompanying Notes to Financial Statements.



**THE UNIVERSITY OF TOLEDO**  
**STATEMENTS OF CASH FLOWS (CONTINUED)**  
**YEARS ENDED JUNE 30, 2017 AND 2016**  
(DOLLARS IN THOUSANDS)

|   | <u>2017</u>         | <u>2016</u>        |
|---|---------------------|--------------------|
| <b>Net increase (decrease) in cash</b>  | \$ (5,980)          | \$ 5,010           |
| Cash and cash equivalents - beginning of year                                     | 57,434              | 52,424             |
| Cash and cash equivalents - end of year   | <u>\$ 51,454</u>    | <u>\$ 57,434</u>   |
|   |                     |                    |
|   | <u>2017</u>         | <u>2016</u>        |
| <b>Reconciliation of operating loss to net cash used in operating activities:</b> |                     |                    |
| Operating loss  | \$ (239,517)        | \$ (169,421)       |
| Adjustments to reconcile operating loss to  |                     |                    |
| Net cash used in operating activities:  |                     |                    |
| Depreciation  | 57,987              | 58,231             |
| Provision for patient bad debt  | 2,513               | 2,717              |
| (Increase) decrease in assets:  |                     |                    |
| Accounts receivable, net  | 13,220              | (4,340)            |
| Inventories   | 1,731               | (1,914)            |
| Other current assets  | 215                 | 644                |
| Notes receivable, net   | 1,004               | 1,011              |
| Increase (decrease) in liabilities:   |                     |                    |
| Accounts payable and accrued liabilities  | (2,720)             | 5,291              |
| Deferred revenue  | (3,074)             | (46)               |
| Compensated absences  | (155)               | 180                |
| Medical professional liability accrual  | (921)               | (4,634)            |
| Net pension liability and pension deferrals                                       | 51,574              | 13,962             |
| Net cash provided by/(used in) operating activities                               | <u>\$ (118,143)</u> | <u>\$ (98,319)</u> |

See accompanying Notes to Financial Statements.

**THE UNIVERSITY OF TOLEDO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**  
**(DOLLARS IN THOUSANDS)**

**NOTE 1 ORGANIZATION, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The University of Toledo (the University) is a leading research institution in the state of Ohio with over 20,000 students, 1,500 instructional faculty, and 4,000 staff members. The University is comprised of 13 colleges: Arts and Letters; Business and Innovation; Education; Engineering; Graduate Studies; Health and Human Services; Honors; Law; Medicine and Life Sciences; Natural Sciences and Mathematics; Nursing; Pharmacy and Pharmaceutical Sciences; and University College. The University offers more than 300 undergraduate, graduate, and professional programs leading to degrees in over 60 instructional departments. The University operates The University of Toledo Medical Center (UTMC) which includes 319 registered patient beds and provides services to more than 11,000 admitted inpatients, 235,000 outpatient clinic patients, and 37,000 emergency visit patients. UTMC specializes in kidney transplantation, cardiology, neurology, trauma care, orthopedic surgery, and cancer treatment.

**Organization**

The University of Toledo was founded in 1872 and is a component unit of the state of Ohio and discretely presented in the state's Comprehensive Annual Financial Report. The University is classified as a state instrumentality under Internal Revenue Code Section 115 and is therefore exempt from federal income taxes. Certain activities of the University may be subject to taxation as unrelated business income under Internal Revenue Code Sections 511 through 514.

The University is governed by a board of trustees which is responsible for oversight of academic programs, budgets, general administration, and employment of faculty and staff. The trustees are appointed by the Governor with the advice and consent of the state Senate for staggered nine-year terms. The board includes two nonvoting student members who are appointed for two-year terms.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). In accordance with GASB Statement No. 35 – *Basic Financial Statements and Management Discussion and Analysis for Public Colleges and Universities*, the University presents Management's Discussion and Analysis; Statements of Net Position; Statements of Revenue, Expenses, and Changes in Net Position; Statements of Cash Flows; and Notes to Financial Statements.

For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

**THE UNIVERSITY OF TOLEDO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**  
**(DOLLARS IN THOUSANDS)**

**NOTE 1 ORGANIZATION, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

Nonexchange transactions, in which the University receives value without directly giving equal value in return, include: federal, state, and local grants; state appropriations; and other contributions. On an accrual basis, revenue from grants, state appropriations, and other contributions is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the University must provide local resources to be used for a specific purpose, and expense requirements, in which the resources are provided to the University on a reimbursement basis.

The financial statements have been prepared in accordance with GASB Statement No. 61 *The Financial Reporting Entity: Omnibus*. This standard requires examination of significant operational or financial relationships with the University and establishes criteria for identifying and presenting component units of the organization. Based on this examination and application of these criteria, the University has identified four component units: The University of Toledo Foundation, The University of Toledo Physicians, Clinical Faculty, Inc. (UTP-CF), The University of Toledo Medical Assurance Company SPC (UTMAC SPC), and Rocket Innovations as described in the following paragraphs.

**Component Units of the Organization**

**The University of Toledo Foundation**

The University of Toledo Foundation is a legally separate, tax-exempt entity that acts primarily as a fundraising organization to supplement the resources available to the University in support of its programs. The Foundation transferred approximately \$14,100 and \$14,400 during fiscal years 2017 and 2016, respectively, to the University for both restricted and unrestricted purposes in support of its programs. Certain marketable investments of the University are pooled with marketable investments of the Foundation. The Foundation manages these funds and charges the University a management fee equal to 1.25% of the fair market value of the University's share of the pooled investments.

The Foundation is a nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards, including Accounting Standards Codification 958-205, previously FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the University's financial reporting entity for these differences.

In accordance with GASB Statement No. 61, the Foundation is reflected as a discretely presented component unit in the University's financial statements. A complete copy of the audited financial statements of the Foundation is available at the Foundation offices located near the campus of the University.

**THE UNIVERSITY OF TOLEDO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**  
**(DOLLARS IN THOUSANDS)**

**NOTE 1 ORGANIZATION, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Component Units of the Organization**

The University of Toledo Physicians, Clinical Faculty, Inc.

Effective July 1, 2011, the University became the sole member of the once self-perpetuating board of The University of Toledo Clinical Faculty, Inc. which subsequently changed to The University of Toledo Physicians Clinical Faculty, Inc. (UTP-CF). UTP-CF is the sole member of The University of Toledo Physicians, LLC (UTP).

UTP-CF is a multi-specialty corporation which employs 246 physicians in northwest Ohio and is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC). The Organization provides physician services at The University of Toledo Medical Center and other local facilities in the following areas: Anesthesia, Medicine, Neurology, Obstetrics, Orthopedics, Pathology, Pediatrics, Psychiatry, Radiology, Radiation Oncology, Rehabilitation, Surgery, Urology, Family Medicine, and Emergency Medicine. UTP-CF also provides administrative support, billing, and collection services for physician services at UTMC. Total operating revenues for UTP-CF, net of its provision for doubtful accounts, were \$131,578 and \$89,679 for the fiscal years ending June 30, 2017 and 2016, respectively.

During fiscal year 2017, UTP-CF became the sole member of a newly created pure captive domiciled in Vermont. The new company, The University of Toledo Medical Assurance Company, LLC, was created to provide insurance services to the University and UTP-CF after the liquidation of UTMAC SPC, as described in the following section.

The consolidated financial statements of UTP-CF and its wholly owned subsidiaries: The University of Toledo Physicians, LLC, The University of Toledo Medical Assurance Company, LLC, UTP Pathology Services, LLC, and Northwest Ohio Medicine, Inc. have been prepared following the recommendations of FASB ASC 958-205, *Not-for-Profit Entities – Presentation of Financial Statements*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications were deemed significant and necessary to be made to the UTP-CF financial information before blending into the University's financial reporting entity. All transactions between the University and UTP-CF have been eliminated in the financial statements for the years ended June 30, 2017 and 2016.

In accordance with GASB Statement No. 61, UTP-CF financials are presented in a blended manner, reflected as a part of the University's financials, and are also shown below in condensed format as of and for the year ended June 30 of each respective year. Separate audited financial statements for UTP-CF are available at the UTP-CF offices located near the campus of the University.

**THE UNIVERSITY OF TOLEDO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**  
(DOLLARS IN THOUSANDS)

**NOTE 1 ORGANIZATION, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Component Units of the Organization (Continued)**

The University of Toledo Physicians, Clinical Faculty, Inc. (Continued)

University of Toledo Physicians Clinical Faculty, Inc.

**Condensed Statements of Net Position**

|                                       | <u>2017</u>      | <u>2016</u>      |
|---------------------------------------|------------------|------------------|
| <b>ASSETS</b>                         |                  |                  |
| Current assets                        | \$ 33,072        | \$ 32,819        |
| Due from University of Toledo         | 3,456            | 1,568            |
| Capital assets                        | 1,080            | 830              |
| Investments held by insurance captive | 34,412           | -                |
| Other assets                          | <u>1,298</u>     | <u>233</u>       |
| <b>Total assets</b>                   | <b>73,318</b>    | <b>35,450</b>    |
| <b>LIABILITIES</b>                    |                  |                  |
| Current liabilities                   | 11,121           | 11,051           |
| Due to University of Toledo           | 1,014            | 968              |
| Insurance captive reserve for losses  | <u>8,468</u>     | <u>-</u>         |
| <b>Total liabilities</b>              | <b>20,603</b>    | <b>12,019</b>    |
| <b>NET POSITION</b>                   |                  |                  |
| Unrestricted                          | <u>52,715</u>    | <u>23,431</u>    |
| <b>Total net position</b>             | <b>\$ 52,715</b> | <b>\$ 23,431</b> |

**Condensed Statements of Revenues, Expenses and Changes in Net Position**

|  | <u>2017</u>      | <u>2016</u>      |
|--|------------------|------------------|
| <b>OPERATING REVENUES</b>                  |                  |                  |
| Net patient service revenue                | \$ 83,041        | \$ 80,589        |
| Contribution from the University of Toledo | 26,359           | -                |
| Other                                      | <u>22,178</u>    | <u>9,090</u>     |
| Total operating revenue                    | 131,578          | 89,679           |
| <b>OPERATING EXPENSES</b>                  |                  |                  |
| Salaries, wages, and benefits              | 78,285           | 69,662           |
| Depreciation                               | 229              | 204              |
| Other                                      | <u>25,336</u>    | <u>19,070</u>    |
| Total operating expenses                   | <u>103,850</u>   | <u>88,936</u>    |
| Operating income                           | 27,728           | 743              |
| Total non-operating revenues               | <u>1,556</u>     | <u>(73)</u>      |
| Increase in net position                   | 29,284           | 670              |
| Net position - beginning of the year       | 23,431           | 22,761           |
| Net position - end of the year             | <u>\$ 52,715</u> | <u>\$ 23,431</u> |

**THE UNIVERSITY OF TOLEDO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**  
(DOLLARS IN THOUSANDS)

**NOTE 1 ORGANIZATION, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Component Units of the Organization (Continued)**

The University of Toledo Physicians, Clinical Faculty, Inc. (Continued)

**Condensed Statements of Cash Flows**

|   | <u>2017</u>      | <u>2016</u>      |
|---|------------------|------------------|
| Net cash flows from operating activities      | \$ 7,202         | \$ 3,845         |
| Net cash flows from financing activities      | 25,873           | (304)            |
| Net cash flows from investing activities      | <u>(33,314)</u>  | <u>16</u>        |
| Net increase in cash                          | (239)            | 3,557            |
| Cash and cash equivalents - beginning of year | 21,927           | 18,370           |
| Cash and cash equivalents - end of year       | <u>\$ 21,688</u> | <u>\$ 21,927</u> |

The University of Toledo Medical Assurance Company SPC

In August 2005, the University created a captive insurance company, The University of Toledo Medical Assurance Company SPC (UTMAC SPC), through a trust controlled by the University's board. UTMAC SPC was incorporated in the Cayman Islands and provided insurance services exclusively to the University, its staff, and affiliated physicians.

In November 2016, the company passed resolutions to effectuate the transfer of all assets and liabilities to a newly formed company, The University of Toledo Medical Assurance Company LLC (UTMAC LLC), based in Vermont. UTMAC SPC was then liquidated with all capital and retained earnings being distributed and subsequently used as investment in UTMAC LLC. See Note 13 for additional details. UTMAC LLC is a wholly owned subsidiary of UTP-CF.

In accordance with GASB Statement No. 61, UTMAC SPC financials are presented in a blended manner, reflected as a part of the University's financials, and are also shown below in condensed format as of and for the year ended June 30 of each respective year. Unaudited financial statements for UTMAC SPC are available at the University's finance offices located near the campus of the University.

**THE UNIVERSITY OF TOLEDO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**  
(DOLLARS IN THOUSANDS)

**NOTE 1 ORGANIZATION, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Component Units of the Organization (Continued)**

**The University of Toledo Medical Assurance Company SPC (Continued)**

**The University of Toledo Medical Assurance Company SPC**

**Condensed Statements of Net Position**

|                           | <u>2017</u> | <u>2016</u>      |
|---------------------------|-------------|------------------|
| <b>ASSETS</b>             |             |                  |
| Current assets            | \$ -        | \$ 4,659         |
| Other assets              | -           | 32,539           |
| <b>Total assets</b>       | <u>-</u>    | <u>37,198</u>    |
| <b>LIABILITIES</b>        |             |                  |
| Current liabilities       | -           | 635              |
| Long-term liabilities     | -           | 10,441           |
| <b>Total liabilities</b>  | <u>-</u>    | <u>11,076</u>    |
| <b>NET POSITION</b>       |             |                  |
| Unrestricted              | -           | 26,122           |
| <b>Total net position</b> | <u>\$ -</u> | <u>\$ 26,122</u> |

**Condensed Statements of Revenues, Expenses and Changes in Net Position**

|                                      | <u>2017</u> | <u>2016</u>      |
|--------------------------------------|-------------|------------------|
| Net premium revenue                  | \$ (8,113)  | \$ 3,340         |
| Total operating expenses             | (7,792)     | (2,379)          |
| Operating income/(loss)              | (321)       | 5,719            |
| Investment income                    | 577         | 892              |
| Increase/(decrease) in net position  | 256         | 6,611            |
| Dividend distribution                | (26,378)    |                  |
| Net position - beginning of the year | 26,122      | 19,511           |
| Net position - end of the year       | <u>\$ -</u> | <u>\$ 26,122</u> |

**Condensed Statements of Cash Flows**

|   | <u>2017</u> | <u>2016</u>     |
|---|-------------|-----------------|
| Net cash flows from operating activities      | \$ (8,761)  | \$ 1,881        |
| Net cash flows from financing activities      | (26,378)    | -               |
| Net cash flows from investing activities      | 32,667      | (2,443)         |
| Net increase/(decrease) in cash               | (2,472)     | (562)           |
| Cash and cash equivalents - beginning of year | 2,472       | 3,034           |
| Cash and cash equivalents - end of year       | <u>\$ -</u> | <u>\$ 2,472</u> |

**THE UNIVERSITY OF TOLEDO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**  
(DOLLARS IN THOUSANDS)

**NOTE 1 ORGANIZATION, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Component Units of the Organization (Continued)**

Rocket Innovations

In February 2009, the University formed a nonprofit corporation called Science, Technology, and Innovation Enterprises, which filed an amendment in December 2014 to change its name to Rocket Innovations (the Corporation). The University is the sole member of the Corporation which has been organized for charitable, educational, and scientific purposes within the scope of Section 501(c)(3) of the IRC. The Corporation supports the University through investment in public and private economic development projects and promotes the interests of the University.

The Corporation consists of equity investments (common stock, preferred stock, warrant options, and promissory notes) valued at approximately \$3,614 and \$3,623 as of June 30, 2017 and 2016, respectively. Total cash available to help fund future investments for the years ended June 30, 2017 and 2016 was approximately \$325 and \$496, respectively. In accordance with GASB Statement No. 61, the Corporation's financials are presented in a blended manner, reflected as a part of the University's financials, and are also shown below in condensed format as of and for the year ended June 30 of each respective year.

**Rocket Innovations**

**Condensed Statements of Net Position**

|                           | <u>2017</u>     | <u>2016</u>     |
|---------------------------|-----------------|-----------------|
| <b>ASSETS</b>             |                 |                 |
| Current assets            | \$ 1,073        | \$ 775          |
| Other assets              | 3,614           | 3,623           |
| <b>Total assets</b>       | <u>4,687</u>    | <u>4,398</u>    |
| <b>LIABILITIES</b>        |                 |                 |
| Current liabilities       | 113             | 113             |
| <b>Total liabilities</b>  | <u>113</u>      | <u>113</u>      |
| <b>NET POSITION</b>       |                 |                 |
| Unrestricted              | 4,574           | 4,285           |
| <b>Total net position</b> | <u>\$ 4,574</u> | <u>\$ 4,285</u> |

**Condensed Statements of Revenues, Expenses and Changes in Net Position**

|                                      | <u>2017</u>     | <u>2016</u>     |
|--------------------------------------|-----------------|-----------------|
| Total operating revenue              | \$ 1,763        | \$ 221          |
| Total operating expenses             | 1,466           | 520             |
| Operating loss                       | 297             | (299)           |
| Investment income/(loss)             | (8)             | (702)           |
| Increase/(decrease) in net position  | 289             | (1,001)         |
| Net position - beginning of the year | 4,285           | 5,286           |
| Net position - end of the year       | <u>\$ 4,574</u> | <u>\$ 4,285</u> |



**THE UNIVERSITY OF TOLEDO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**  
(DOLLARS IN THOUSANDS)

**NOTE 1 ORGANIZATION, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Component Units of the Organization (Continued)**

**Rocket Innovations (Continued)**

**Condensed Statements of Cash Flows**

|   | <u>2017</u>     | <u>2016</u>   |
|---|-----------------|---------------|
| Net cash flows from operating activities      | \$ 328          | \$ (366)      |
| Cash and cash equivalents - beginning of year | 735             | 1,101         |
| Cash and cash equivalents - end of year       | <u>\$ 1,063</u> | <u>\$ 735</u> |

**Significant Accounting Policies**

**Cash and Cash Equivalents**

Cash and cash equivalents consist of cash on hand and demand deposits with banks. Investments with original maturities less than 90 days are considered cash equivalents. Restricted cash consists of cash deposits segregated for the Federal Perkins Loan Program. For purposes of the statement of cash flows, "cash" is defined as the total of cash and cash equivalents and restricted cash.

**Inventories**

Inventories are stated at the lower of cost or market. Cost is determined on an average cost basis.

**Patient Revenue and Accounts Receivable**

Patient accounts receivable and revenue are recorded at net realizable value when patient services are performed. The University has agreements with third-party payors that provide for payments to the University at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

- Medicare and Medicaid: The University is a provider of services under the Medicare and Medicaid programs. The University is paid a prospectively determined fixed price for each Medicare and Medicaid inpatient. The price varies depending on the type of illness or the patient's diagnostic related group classification. Capital costs, certain Medicare outpatient services, and Medicaid outpatient services are also reimbursed on a prospectively determined fixed price. Graduate medical education is reimbursed on a per diem basis under the Medicare program. The University receives payment for other Medicare outpatient services and certain inpatient costs on a reasonable cost basis.
- Other Payors: The University has also entered into payment agreements with certain commercial carriers to provide health care services. Payment to the University under these agreements is based on prospectively determined fixed prices, fee screens, or on a percentage of billed charges.

**THE UNIVERSITY OF TOLEDO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**  
(DOLLARS IN THOUSANDS)

**NOTE 1 ORGANIZATION, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Significant Accounting Policies (Continued)**

Patient Revenue and Accounts Receivable (Continued)

Provision is made in the financial statements for the differences between the University's standard rate charged for services rendered and third-party reimbursements and for estimated settlements based on third-party reimbursement contracts. Retroactive settlements resulting from third-party audits of filed cost reports are reflected in the financial statements in the year of settlement. These provisions and settlements are included in deductions from patient service revenue. There is at least a reasonable possibility that recorded estimates will change in the near-term. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. The University believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

Charity care includes services provided to persons who cannot afford healthcare because of inadequate resources or who are uninsured or underinsured. In addition to charity care, services are provided under Medicaid and other welfare programs. Certain payments received under these programs are less than the cost of providing the service.

A summary of charity and uncompensated care, at cost, is as follows:

|   | Year Ended<br>6/30/2017 | Year Ended<br>6/30/2016 |
|---|-------------------------|-------------------------|
| Traditional charity care                      | \$ 723                  | \$ 625                  |
| Unpaid costs of traditional Medicaid programs | 5,473                   | 4,050                   |
| Unpaid costs of other welfare programs        | 16,060                  | 16,147                  |
| Total charity and uncompensated care          | <u>\$ 22,256</u>        | <u>\$ 20,822</u>        |

**THE UNIVERSITY OF TOLEDO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**  
**(DOLLARS IN THOUSANDS)**

**NOTE 1 ORGANIZATION, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Significant Accounting Policies (Continued)**

Capital Assets

Capital assets are stated at historical cost or fair value at date of donation in the case of gifts. When capital assets are sold or otherwise disposed of, the carrying value of such assets is removed from the asset accounts, along with the related accumulated depreciation. Depreciation has been recorded in accordance with generally accepted accounting principles. The University has a rare book collection and manuscript collection in the library that is not capitalized since it represents historical works of art that are held for exhibition, education, research, and public service. These collections are neither disposed of for financial gain nor encumbered by any means.

Deferred Outflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and will, therefore, not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources for the University consist of accumulated changes in the fair value of hedging derivative instruments, deferred losses on refunding of debt, and applicable changes to net pension liability (see Notes 8 and 9).

Pensions

For purposes of measuring the net pension liability, net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State Teachers Retirement System of Ohio (STRS) and the Ohio Public Employees Retirement System (OPERS) Pension Plan and additions to/deductions from STRS' and OPERS' fiduciary net position have been determined on the same basis as they are reported by STRS and OPERS. STRS and OPERS use the economic resources measurement focus and the full accrual basis of accounting. Contribution revenue is recorded as contributions are due, pursuant to legal requirements.

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

Unearned Revenue

Summer term tuition and fees, and corresponding expenses relating to various sessions falling in the fiscal year, are recognized in the fiscal year they occur. The portion of sessions falling into the next fiscal year are recorded as Unearned Revenue and Prepaid Expenses in the statement of net position and will be recognized in the following year.

**THE UNIVERSITY OF TOLEDO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**  
**(DOLLARS IN THOUSANDS)**

**NOTE 1 ORGANIZATION, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Significant Accounting Policies (Continued)**

Insurance Captive Reserve for Losses

The insurance captive reserve for losses represents a liability for estimated unpaid losses and loss adjustment expenses relating to healthcare professional liability. A provision is also recorded for incurred but not paid amounts related to claim run-out provisions on the medical stop-loss coverage.

Note Payable to Foundation

As described in Note 14, the University has borrowed \$5,798 from the pooled investment portfolio as of June 30, 2017, to fund various capital projects. Of the total outstanding, \$2,631 represents the University's share of the loan and this amount has been eliminated in the financial statements. The remaining \$3,167 represents the portion of the loan effectively owed to the Foundation.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and will therefore not be recognized as an inflow of resources (revenue) until then. Deferred inflows of resources for the University are attributable to collective changes in the net pension liability. See Note 9 for more details.

Net Position

Net position is classified into the three following categories:

*Net investment in capital assets:* Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement in those assets.

*Restricted:* Net position subject to externally imposed constraints that they may be maintained permanently by the University, or net position whose use by the University is subject to externally imposed constraints that can be fulfilled by actions of the University pursuant to those constraints or that expire by the passage of time. Restricted net position is classified further as nonexpendable or expendable. Nonexpendable restricted net position contains externally imposed restrictions that stipulate the resources be maintained permanently. Expendable restricted net position is available for expenditure by the University but must be spent for purposes as determined by donors or external entities that have placed time or purpose restrictions on the use of the assets.

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**NOTE 1 ORGANIZATION, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Significant Accounting Policies (Continued)**

Net Position (Continued)

Nonexpendable restricted net position is categorized as shown below. Income from the underlying assets is available to support the activities within these categories.

| Non-expendable restricted net position | 2017             | 2016             |
|--|------------------|------------------|
| Scholarships and fellowships           | \$ 10,972        | \$ 10,972        |
| University purposes                    | 2,264            | 2,114            |
| Total                                  | <u>\$ 13,236</u> | <u>\$ 13,086</u> |

Expendable restricted net position is categorized as shown below.

| Expendable restricted net position | 2017             | 2016              |
|------------------------------------|------------------|-------------------|
| Capital projects                   | \$ 6,854         | \$ 20,454         |
| Debt service                       | 17,557           | 20,845            |
| Research                           | 1,121            | 777               |
| Scholarships and fellowships       | 45,537           | 40,693            |
| University purposes                | 25,142           | 26,223            |
| Total                              | <u>\$ 96,211</u> | <u>\$ 108,992</u> |

*Unrestricted:* Net position available to the University for any lawful purpose of the institution. Unrestricted net position may be designated for specific purposes by action of management or the board of trustees or may otherwise be limited by contractual agreements with outside parties. The University has committed unrestricted net position to provide for identified future needs, such as debt service, contractual obligations, capital outlay, academic programming, and postemployment benefits. In the determination of whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available, it is the University's practice to use restricted first.

Compensatory Time

Compensatory time may be given in lieu of overtime pay to classified employees who work in excess of the regular schedule. The liability and expense for future payouts are recorded as earned.

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**NOTE 1 ORGANIZATION, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Significant Accounting Policies (Continued)**

Compensated Absences

University employees earn vacation and sick leave based, in part, on length of service. Vacation pay is fully vested when earned. Upon separation from service, employees are paid accumulated vacation and some are paid for sick pay based upon the nature of separation (death, retirement, or termination). Certain limitations have been placed on the hours of vacation and sick leave that employees may accumulate and carry over for payment at termination, retirement, or death. Unused hours exceeding their limitation are forfeited. The liability and expense incurred are recorded at year-end as long-term and short-term liabilities in the statement of net position, and as a component of operating expenses in the statement of revenues, expenses, and changes in net position.

Grants and Contracts

The University receives grants and contracts from federal, state, and private agencies to fund research and other activities. Grants and contracts generally provide for the recovery of direct and indirect costs. The University recognizes revenues associated with grants and contracts as the related costs are incurred. Indirect cost recovery is recorded as a percentage of direct costs at negotiated fixed rates. Revenues received under grants and contracts are subject to the examination and retroactive adjustments by the awarding agency. Federal funds are subject to an annual audit per regulations in the Office of Management and Budget (OMB) *Uniform Guidance* (2 CFR part 200, subpart F).

Operating and Nonoperating Revenue

The University has classified its revenues as either operating or nonoperating according to the following criteria:

*Operating revenues:* Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances; (2) patient service revenue; (3) sales and services of auxiliary enterprises, net of agency payments; and (4) most federal, state, and local grants and contracts.

*Nonoperating revenues:* Nonoperating revenues include activities that have the characteristics of nonexchange transactions that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis*.

**THE UNIVERSITY OF TOLEDO**  
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**NOTE 1 ORGANIZATION, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Significant Accounting Policies (Continued)**

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on students' behalf. Certain governmental grants, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship discount and allowance.

State Subsidies

The University receives student-based subsidy and other subsidies from the state. These subsidies are determined biennially and released annually based upon allocations determined by the Ohio General Assembly and the Ohio Department of Higher Education.

In addition to subsidies, the state provides capital appropriations for construction of major plant facilities on the campus. The financing of construction is obtained by the state through issuance of state revenue bonds. State funds are pledged for the repayment of the revenue bonds. In the event these funds are insufficient to retire the revenue bonds, a pledge exists to assess a special student fee to students of state assisted institutions of higher education. As a result of this financing arrangement, the outstanding debt relating to the revenue bonds is not included in the University's statement of net position.

State appropriations are recognized when received. Restricted funds are recognized as revenue only to the extent expended.

Capitalized Interest

Interest on construction projects is capitalized until substantial completion of the project.

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**NOTE 1 ORGANIZATION, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Significant Accounting Policies (Continued)**

Endowments

For donor-restricted endowments, the Uniform Prudent Management of Institutional Funds Act, as adopted by Ohio, permits the University and the Foundation to distribute an amount of realized and unrealized endowment appreciation as the Board of Trustees determines to be prudent. The University's and the Foundation's Board of Trustees established an investment policy for the endowments and quasi endowments with the objectives of protecting principal and maximizing total investment return without assuming extraordinary risks. It is the goal of the University to provide spendable income levels that are reasonably stable and sufficient to meet budgetary requirements and to maintain a spending rate, currently 4.0% of the three-year market average, which ensures a proper balance between the preservation of corpus and enhancement of the purchasing power of investment earnings. As of June 30, 2017 and 2016, net appreciation of \$45,537 and \$40,693 was available to be spent, of which \$36,286 and \$32,492 was restricted to specific purposes.

Interest Rate Swap Agreements

The University has entered into various interest rate swap agreements in order to manage and hedge risks associated with interest. In June 2008, the GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, effective for the University's fiscal year 2010. This Statement requires derivative instruments (such as interest rate swap agreements) to be reported at fair value. In addition, for derivative instruments that qualify as effective hedges, changes in fair value will be reported as deferrals in the statement of net position, while changes in the fair value of the derivative instruments that do not qualify as effective hedges including investment derivative instruments, will be reported as nonoperating revenue (expense) as a component of investment income. See Note 8 for relevant disclosures.

Investments Held By Insurance Captive

Investments held by insurance captive include equities and fixed income securities maintained in support of captive operations.

Investments Held By Bond Trustee

Investments held by bond trustee represent funds held by a third party to pay for capital additions and improvements.

Use of 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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.



**THE UNIVERSITY OF TOLEDO**  
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**NOTE 1 ORGANIZATION, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Significant Accounting Policies (Continued)**

Reclassifications

Certain items in the June 30, 2016 comparative information have been reclassified to correspond to the June 30, 2017 financial statement presentation.

New Accounting Principles

In fiscal year 2017, the University adopted the following accounting principles issued by the Governmental Accounting Standards Board:

GASB Statement No. 74 – The GASB has issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is effective for fiscal year beginning after June 15, 2016. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The University has determined that Statement No. 74 has no effect on its financial statements.

GASB Statement No. 77 – The GASB has issued Statement No. 77, *Tax Abatement Disclosures*, which is effective for reporting periods beginning after December 15, 2015. Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time. As the University does not have taxing authority and has not granted tax abatements, the adoption of this principle has no effect on its financial statements.

GASB Statement No. 78 – The GASB has issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, which is effective for reporting periods beginning after December 15, 2015. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). As the University participates in two cost-sharing multiple-employer defined benefit pension plans that provide benefits exclusively to state and local governments, the adoption of this principle has no effect on its financial statements.

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**NOTE 1 ORGANIZATION, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Significant Accounting Policies (Continued)**

New Accounting Principles (Continued)

GASB Statement No. 80 – The GASB has issued Statement No. 80, *Blending Requirements for Certain Component Units*, which is effective for fiscal years beginning after June 15, 2016. This statement amends the blending requirements for the financial presentation of component units of all state and local governments established in Statement No. 14, *The Financial Reporting Entity*, as amended. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The University has determined that Statement No. 80 does not apply to its component units and has no effect on its financial statements.

**NOTE 2 CASH AND CASH EQUIVALENTS**

The carrying amount of the University's cash and cash equivalents for all funds was \$51,454 and \$57,434 as of June 30, 2017 and 2016, respectively, as compared to bank balances of \$58,285 and \$67,976, respectively. The differences in carrying amount and bank balances are caused by outstanding checks and deposits in transit. The University had cash deposits with a single financial institution totaling \$36,041 and \$35,428 as of June 30, 2017 and 2016. \$250 of the cash deposits is insured by the Federal Deposit Insurance Corporation (FDIC) as of June 30, 2017 and 2016. The remaining amounts are collateralized with single financial institution collateral pools at the Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the University, per the Ohio Revised Code 135.181B which requires that the total market value of the securities so pledged is at least equal to 105% of the total amount of all public deposits.

UTP-CF maintains the majority of its operating cash balances in three financial institutions. The balances at each institution are insured by the FDIC up to certain limits. At June 30, 2017 and 2016, the Organization had approximately \$5,629 and \$9,523 in excess of FDIC insured limits, respectively. Management reviews the financial institutions periodically to assess any custodial credit risk.

UTMAC LLC had cash deposits with a single financial institution totaling \$1,906 as of June 30, 2017. The balance is insured by the FDIC up to certain limits. The funds in excess of the FDIC limit are not covered by insurance; however, the Company has not experienced any losses in such accounts and management believes it is not exposed to any significant custodial credit risk on cash deposits. UTMAC SPC was not eligible for FDIC insurance as its cash deposits were held by a non-U.S. bank. UTMAC SPC had cash deposits totaling \$712 as of June 30, 2016.

**THE UNIVERSITY OF TOLEDO**  
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**NOTE 3 INVESTMENTS**

University investments are categorized by the following: endowment and loan investments, long-term investments, investments held by insurance captive, and investments held by bond trustee. Endowment and loan investments include gifted endowment funds of the University held in an investment pool with gifted endowment funds of the Foundation. Long-term investments are considered institutional reserves emphasizing both capital preservation and long-term appreciation. Long-term investments consist of the University's equity in the Foundation's investment pool as well as fixed income instruments. Investments held by insurance captive include equities and fixed income securities maintained in support of captive operations. Investments held by bond trustee include short-term and long-term fixed income instruments available for approved capital projects.

The University's investment policy establishes investment objectives, strategies, and measures for evaluation. The policy complies with the state of Ohio regulations provided by legislation.

The University's investment policy authorizes the investment of nonendowed funds other than board-designated reserves in the following investments:

- Obligation of the U.S. Treasury and other federal agencies
- Municipal and state bonds
- Certificates of deposit
- Repurchase agreements
- Mutual funds and mutual fund pools
- Money market funds
- Commercial paper
- Bankers acceptances
- Corporate bonds and stock
- Asset backed securities
- Mortgage pools and mortgage related securities
- Guaranteed investment contracts

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**NOTE 3 INVESTMENTS (CONTINUED)**

The University's investment policy authorizes the investment of board-designated reserves and endowed funds in the following investments:

- Obligation of the U.S. Treasury and other federal agencies
- Municipal and state bonds
- Certificates of deposit
- Repurchase agreements
- Mutual funds and mutual fund pools
- Money market funds
- Corporate bonds and stocks
- Mortgages and collateralized mortgage obligations
- Alternative investments

The University's positions in money market instruments are reported at amortized cost.

The carrying values of investments as of June 30, 2017, exclusive of accrued interest, consisted of the following:

|                                    | Endowment<br>and Loan<br>Investments | Long-Term<br>Investments | Investments<br>Held by<br>Insurance<br>Captive | Investments<br>Held by Bond<br>Trustee | Total             |
|------------------------------------|--------------------------------------|--------------------------|--|--|-------------------|
| Corporate bonds and notes          | \$ -                                 | \$ 10,456                | \$ 6,245                                       | \$ 10,969                              | \$ 27,670         |
| Corporate stock                    | -                                    | -                        | 14,280   | -                                      | 14,280            |
| Equity in internal investment pool | 57,703                               | 147,284                  | -  | -                                      | 204,987           |
| Money market                       | 104                                  | -                        | -  | 97                                     | 201               |
| Mutual funds - equity              | 2,223                                | -                        | -  | -                                      | 2,223             |
| Mutual funds - fixed income        | 365                                  | -                        | -  | -                                      | 365               |
| U.S. government and agencies       | -                                    | 7,515                    | 13,887   | 14,892                                 | 36,294            |
| <b>Total investments</b>           | <b>\$ 60,395</b>                     | <b>\$ 165,255</b>        | <b>\$ 34,412</b>                               | <b>\$ 25,958</b>                       | <b>\$ 286,020</b> |

The carrying values of investments as of June 30, 2016, exclusive of accrued interest, consisted of the following:

|                                    | Endowment<br>and Loan<br>Investments | Long-Term<br>Investments | Investments<br>Held by<br>Insurance<br>Captive | Investments<br>Held by Bond<br>Trustee | Total             |
|------------------------------------|--------------------------------------|--------------------------|--|--|-------------------|
| Corporate bonds and notes          | \$ -                                 | \$ 6,007                 | \$ 13,017                                      | \$ -                                   | \$ 19,024         |
| Corporate stock                    | -                                    | -                        | 12,136   | -                                      | 12,136            |
| Equity in internal investment pool | 52,905                               | 142,163                  | -  | -                                      | 195,068           |
| Money market                       | 106                                  | -                        | -  | 705                                    | 811               |
| Mutual funds - equity              | 1,928                                | 1,862                    | -  | -                                      | 3,790             |
| Mutual funds - fixed income        | 377                                  | 490                      | -  | -                                      | 867               |
| U.S. government and agencies       | -                                    | 1,500                    | 7,296  | 164                                    | 8,960             |
| <b>Total investments</b>           | <b>\$ 55,316</b>                     | <b>\$ 152,022</b>        | <b>\$ 32,449</b>                               | <b>\$ 869</b>                          | <b>\$ 240,656</b> |

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**NOTE 3 INVESTMENTS (CONTINUED)**

GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, requires certain additional disclosures related to the interest rate, credit, foreign currency, and custodial risks associated with interest-bearing investments as of June 30, 2017. At the present time, the University does not have formal policies addressing these types of risk.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments with interest rates that are fixed for longer periods are likely to be subject to more variability in their fair values as a result of future changes in interest rates.

As of June 30, 2017, the University had the following interest-bearing investments and maturities.

| Investment Type              | Fair Value       | Investment Maturity (in Years) |                  |                  |                 |
|------------------------------|------------------|--------------------------------|------------------|------------------|-----------------|
|                              |                  | < 1                            | 1 - 5            | 6 - 10           | > 10            |
| U.S. government and agencies | \$ 36,294        | \$ 14,748                      | \$ 8,336         | \$ 8,638         | \$ 4,572        |
| Corporate bonds and notes    | 27,670           | 12,865                         | 2,880            | 11,901           | 24              |
| Mutual funds - fixed income  | 365              | -                              | 48               | 317              | -               |
| <b>Total</b>                 | <b>\$ 64,329</b> | <b>\$ 27,613</b>               | <b>\$ 11,264</b> | <b>\$ 20,856</b> | <b>\$ 4,596</b> |

As of June 30, 2016, the University had the following interest-bearing investments and maturities:

| Investment Type              | Fair Value       | Investment Maturity (in Years) |                  |                 |                 |
|------------------------------|------------------|--------------------------------|------------------|-----------------|-----------------|
|                              |                  | < 1                            | 1 - 5            | 6 - 10          | > 10            |
| U.S. government and agencies | \$ 8,960         | \$ 478                         | \$ 5,490         | \$ 2,888        | \$ 104          |
| Corporate bonds and notes    | 19,024           | 853                            | 10,122           | 5,039           | 3,010           |
| Mutual funds - fixed income  | 867              | -                              | 539              | 328             | -               |
| <b>Total</b>                 | <b>\$ 28,851</b> | <b>\$ 1,331</b>                | <b>\$ 16,151</b> | <b>\$ 8,255</b> | <b>\$ 3,114</b> |

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit quality information – as commonly expressed in terms of the credit ratings issued by the nationally recognized statistical rating organizations (NRSROs) such as Moody's Investors Service, Standard & Poor's, or Fitch Ratings – provides a current depiction of potential variable cash flows and credit risk.

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**NOTE 3 INVESTMENTS (CONTINUED)**

Credit Risk (Continued)

The credit ratings of the University's interest-bearing investments as of June 30, 2017 are as follows:

| Investment Type              | Fair Value       | Credit Rating (Moody's) |                 |                  |                 |
|------------------------------|------------------|-------------------------|-----------------|------------------|-----------------|
|                              |                  | Aaa                     | Aa              | A                | Baa             |
| U.S. government and agencies | \$ 36,294        | \$ 35,894               | \$ -            | \$ 400           | \$ -            |
| Corporate bonds and notes    | 27,670           | 654                     | 990             | 20,924           | 5,102           |
| Mutual funds - fixed income  | 365              | 16                      | 349             | -                | -               |
| <b>Total</b>                 | <b>\$ 64,329</b> | <b>\$ 36,564</b>        | <b>\$ 1,339</b> | <b>\$ 21,324</b> | <b>\$ 5,102</b> |

The credit ratings of the University's interest-bearing investments as of June 30, 2016 are as follows:

| Investment Type              | Fair Value       | Credit Rating (Moody's) |                 |                 |                 |
|------------------------------|------------------|-------------------------|-----------------|-----------------|-----------------|
|                              |                  | Aaa                     | Aa              | A               | Baa             |
| U.S. government and agencies | \$ 8,960         | \$ 8,497                | \$ 463          | \$ -            | \$ -            |
| Corporate bonds and notes    | 19,024           | 8,961                   | 2,352           | 6,461           | 1,250           |
| Mutual funds - fixed income  | 867              | 17                      | 360             | -               | 490             |
| <b>Total</b>                 | <b>\$ 28,851</b> | <b>\$ 17,475</b>        | <b>\$ 3,175</b> | <b>\$ 6,461</b> | <b>\$ 1,740</b> |

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The University's investment policy requires investment pool direct placements to be sufficiently diversified and provides that no more than 7% of its equity holdings and 5% of its fixed income holdings can be invested in any particular issue. The foregoing restrictions do not apply to securities that are issued or fully guaranteed by the United States government. The University did not have investments in any single issuer that equaled 5% or more in 2017 or 2016.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. Investments held by insurance captive included \$1,893 and \$1,635 of international equities as of June 30, 2017 and 2016, representing 5.5% and 4.9% of the captive investment portfolio.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The University had no exposure to custodial credit risk for the years ended June 30, 2017 and 2016.

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**NOTE 3 INVESTMENTS (CONTINUED)**

**The University of Toledo Foundation and Subsidiaries Investments**

Certain investments of the University of Toledo and the University of Toledo Alumni Association are pooled with investments of the Foundation. The pooled investments are managed by the Foundation. The following are the Foundation's pooled investments at June 30:

|  | 2017              |                   | 2016              |                   |
|--|-------------------|-------------------|-------------------|-------------------|
|  | Market            | Cost              | Market            | Cost              |
| Mutual funds, index funds and ETF's - equities | \$ 182,055        | \$ 139,733        | \$ 160,726        | \$ 143,854        |
| Mutual funds and ETF's - fixed income          | 54,074            | 54,733            | 54,318            | 53,774            |
| Common stocks                                  | 70,320            | 60,889            | 71,878            | 67,897            |
| Hedge funds                                    | 71,906            | 70,822            | 74,920            | 75,596            |
| Partnerships                                   | 56,291            | 52,675            | 36,983            | 35,171            |
| U.S. government and agency issues              | 12,205            | 12,141            | 5,942             | 5,634             |
| Corporate bonds                                | 1,849             | 1,773             | 2,030             | 1,872             |
| Cash equivalents                               | 4,637             | 4,637             | 8,030             | 8,030             |
| Total pooled investments                       | <u>\$ 453,337</u> | <u>\$ 397,403</u> | <u>\$ 414,827</u> | <u>\$ 391,828</u> |

The Foundation had the following sources of unrealized and realized gains and losses related to the pooled investments reported in their statement of activities for the years ended June 30:

|   | 2017             | 2016               |
|---|------------------|--------------------|
| Unrealized gains:   |                  |                    |
| Ending balance  | \$ 24,535        | \$ 6,876           |
| Beginning balance   | 6,876            | 26,343             |
| Unrealized appreciation/(depreciation)                    | 17,659           | (19,467)           |
| Realized appreciation/(depreciation)                      | 7,989            | 4,968              |
| Total realized and unrealized appreciation/(depreciation) | <u>\$ 25,648</u> | <u>\$ (14,499)</u> |

**THE UNIVERSITY OF TOLEDO**  
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**NOTE 4 FAIR VALUE MEASUREMENTS**

The University categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The University's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The University has the following recurring fair value measurements as of June 30, 2017 and 2016:

**Assets and Liabilities Measured at Fair Value on a Recurring Basis**

|   | Fair Value Measurements Using: |  |   |  |
|---|--------------------------------|--|---|--|
|   | Balance at June<br>30, 2017    | Quoted Prices<br>in Active<br>Markets for<br>Identical Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| <b>Investments by fair value level:</b>                   |                                |  |   |  |
| Corporate bonds and notes                                 | \$ 27,670                      | \$ -   | \$ 27,670   | \$ -   |
| Corporate stock   | 14,280                         | 14,280   | -   | -  |
| Mutual funds - equity                                     | 2,223                          | 2,223  | -   | -  |
| Mutual funds - fixed income                               | 365                            | 365  | -   | -  |
| U.S. Government and agencies                              | 36,294                         | -  | 36,294  | -  |
| Total investments by fair value level                     | <u>\$ 80,832</u>               | <u>\$ 16,868</u>   | <u>\$ 63,964</u>  | <u>\$ -</u>  |
| <b>Investments measured at the net asset value (NAV):</b> |                                |  |   |  |
| Equity in internal investment pool                        | \$ 204,987                     |  |   |  |
| Total investments measured at the NAV                     | <u>\$ 204,987</u>              |  |   |  |
| Total investments measured at fair value                  | <u><u>\$ 285,819</u></u>       |  |   |  |
| <b>Derivative instruments by fair value level:</b>        |                                |  |   |  |
| Interest rate swap liability                              | \$ 6,855                       | \$ -   | \$ 6,855  | \$ -   |
| Total derivative instruments by fair value level          | <u><u>\$ 6,855</u></u>         | <u><u>\$ -</u></u>   | <u><u>\$ 6,855</u></u>                                    | <u><u>\$ -</u></u>                                 |



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**NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)**

Assets and Liabilities Measured at Fair Value on a Recurring Basis

|   | Fair Value Measurements Using: |  |   |  |
|---|--------------------------------|--|---|--|
|   | Balance at June<br>30, 2016    | Quoted Prices<br>in Active<br>Markets for<br>Identical Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| <b>Investments by fair value level:</b>                   |                                |  |   |  |
| Corporate bonds and notes                                 | \$ 19,024                      | \$ -   | \$ 19,024   | \$ -   |
| Corporate stock   | 12,136                         | 12,136   | -   | -  |
| Mutual funds - equity                                     | 3,790                          | 3,790  | -   | -  |
| Mutual funds - fixed income                               | 867                            | 867  | -   | -  |
| U.S. Government and agencies                              | 8,960                          | -  | 8,960   | -  |
| Total investments by fair value level                     | <u>\$ 44,777</u>               | <u>\$ 16,793</u>   | <u>\$ 27,984</u>  | <u>\$ -</u>  |
| <b>Investments measured at the net asset value (NAV):</b> |                                |  |   |  |
| Equity in internal investment pool                        | \$ 195,068                     |  |   |  |
| Total investments measured at the NAV                     | <u>\$ 195,068</u>              |  |   |  |
| Total investments measured at fair value                  | <u>\$ 239,845</u>              |  |   |  |
| <b>Derivative instruments by fair value level:</b>        |                                |  |   |  |
| Interest rate swap liability                              | \$ 14,981                      | \$ -   | \$ 14,981   | \$ -   |
| Total derivative instruments by fair value level          | <u>\$ 14,981</u>               | <u>\$ -</u>  | <u>\$ 14,981</u>  | <u>\$ -</u>  |

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. The fair value of corporate bonds and issuances of the U.S. government and its agencies was determined primarily based on Level 2 inputs. The University estimates the fair value of these investments using other inputs such as interest rates and yield curves that are observable at commonly quoted intervals. The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented in the following section.

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**NOTE 4 FAIR VALUE MEASUREMENTS (CONTINUED)**

**Investments in Entities that Calculate Net Asset Value per Share**

The University holds an equity interest in the investment pool of the Foundation. Fair value is measured on a recurring basis using the net asset value per share as a practical expedient. The fair value of the University's equity interest in the investment pool was \$204,987 and \$195,068 as of June 30, 2017 and 2016, respectively. There were no unfunded commitments and there is no redemption notice period or restriction on redemption frequency.

The primary investment strategy of the investment pool is capital preservation and long-term appreciation through a mix of fixed income instruments and equities.

**NOTE 5 ACCOUNTS AND NOTES RECEIVABLE**

The accounts and notes receivable, shown net of allowances for uncollectible accounts at June 30, 2017 and 2016, respectively, are summarized as follows:

|   | 2017       | 2016       |
|---|------------|------------|
| Accounts receivable:                                    |            |            |
| Tuition and fees  | \$ 12,883  | \$ 9,093   |
| Patient services  | 53,528     | 59,889     |
| Sales and services                                      | 7,201      | 14,944     |
| Auxiliary services                                      | 980        | 2,399      |
| Grants and contracts                                    | 22,081     | 23,568     |
| Total accounts receivable - net of allowances           | 96,673     | 109,893    |
| Notes receivable:                                       |            |            |
| Current   | 2,661      | 3,189      |
| Non-current   | 11,085     | 11,561     |
| Total notes receivable - net of allowances              | 13,746     | 14,750     |
| Total accounts and notes receivable - net of allowances | \$ 110,419 | \$ 124,643 |

Accounts receivable are for transactions relating to tuition and fees, patient services, auxiliary enterprise sales, grants and contracts, and miscellaneous sales and services. Accounts receivable are recorded net of contractual allowances and allowances for uncollectible accounts totaling \$17,071 and \$22,104 for fiscal years 2017 and 2016, respectively. Student notes receivable are recorded net of allowance for uncollectible accounts of \$760 and \$760 as of June 30, 2017 and 2016, respectively.

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**NOTE 6 CAPITAL ASSETS**

Capital assets are recorded at cost or if acquired by gift at the fair market value as of the date of donation. Capital assets consist of the following as of June 30, 2017:

|   | Balance<br>6/30/2016 | Additions          | Reallocation/<br>Reductions | Balance<br>6/30/2017 |
|---|----------------------|--------------------|-----------------------------|----------------------|
| <b>Capital assets, not being depreciated:</b> |                      |                    |                             |                      |
| Land and land improvements                    | \$ 22,363            | \$ 253             | \$ -                        | \$ 22,616            |
| Construction in progress                      | 22,449               | 20,042             | (21,333)                    | 21,158               |
| Total capital assets, not being depreciated   | 44,812               | 20,295             | (21,333)                    | 43,774               |
| <b>Capital assets, being depreciated:</b>     |                      |                    |                             |                      |
| Land improvements                             | 16,612               | -                  | -                           | 16,612               |
| Infrastructure                                | 166,253              | 626                | 2,446                       | 169,325              |
| Buildings                                     | 1,039,123            | -                  | 21,333                      | 1,060,456            |
| Equipment                                     | 220,168              | 13,107             | (12,998)                    | 220,277              |
| Total capital assets, being depreciated       | 1,442,156            | 13,733             | 10,781                      | 1,466,670            |
| Less accumulated depreciation:                | 865,912              | 57,987             | (10,299)                    | 913,600              |
| Total capital assets, being depreciated, net  | 576,244              | (44,254)           | 21,080                      | 553,070              |
| <b>Capital assets, net</b>                    | <b>\$ 621,056</b>    | <b>\$ (23,959)</b> | <b>\$ (253)</b>             | <b>\$ 596,844</b>    |

Capital assets consist of the following as of June 30, 2016:

|   | Balance<br>6/30/2015 | Additions          | Reallocation/<br>Reductions | Balance<br>6/30/2016 |
|---|----------------------|--------------------|-----------------------------|----------------------|
| <b>Capital assets, not being depreciated:</b> |                      |                    |                             |                      |
| Land and land improvements                    | \$ 22,363            | \$ -               | \$ -                        | \$ 22,363            |
| Construction in progress                      | 17,661               | 10,127             | (5,339)                     | 22,449               |
| Total capital assets, not being depreciated   | 40,024               | 10,127             | (5,339)                     | 44,812               |
| <b>Capital assets, being depreciated:</b>     |                      |                    |                             |                      |
| Land improvements                             | 16,732               | -                  | (120)                       | 16,612               |
| Infrastructure                                | 156,159              | 11,682             | (1,588)                     | 166,253              |
| Buildings                                     | 1,034,740            | -                  | 4,383                       | 1,039,123            |
| Equipment                                     | 221,036              | 16,983             | (17,851)                    | 220,168              |
| Total capital assets, being depreciated       | 1,428,667            | 28,665             | (15,176)                    | 1,442,156            |
| Less accumulated depreciation:                | 827,829              | 58,231             | (20,148)                    | 865,912              |
| Total capital assets, being depreciated, net  | 600,838              | (29,566)           | 4,972                       | 576,244              |
| <b>Capital assets, net</b>                    | <b>\$ 640,862</b>    | <b>\$ (19,439)</b> | <b>\$ (367)</b>             | <b>\$ 621,056</b>    |

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**NOTE 6 CAPITAL ASSETS (CONTINUED)**

Assets are classified as either for Academic or Hospital use. Academic assets are capitalized at a cost of \$50 or greater with the exception of equipment and computer software, which are capitalized at a cost of \$5 or greater. Academic asset depreciation and amortization on capital leases are recognized on a straight-line basis over the estimated useful life of the asset, as follows:

| <u>Classification</u> | <u>Life</u>    |
|-----------------------|----------------|
| Infrastructure        | 10 to 25 years |
| Buildings             | 40 years       |
| Building additions    | 10 to 40 years |
| Equipment             | 5 - 10 years   |

Hospital assets are capitalized with a cost of \$5 or greater for equipment, buildings, and building additions based on increase of capacity, life, or operating efficiency of a capital asset. Hospital asset depreciation and amortization on capital leases are recognized on a straight-line basis over the estimated useful life of the asset, as follows:

| <u>Classification</u> | <u>Life</u>   |
|-----------------------|---------------|
| Infrastructure        | 2 to 40 years |
| Buildings             | 5 to 40 years |
| Building additions    | 5 to 40 years |
| Equipment             | 3 to 20 years |

**NOTE 7 DEBT**

On March 28, 2017, the University issued \$72,820 in General Receipts Premium Bonds, Series 2017A. Proceeds from the Bonds, together with available funds, were used to refund \$35,190 General Receipt Bonds Series 2007A, advance refund \$12,005 General Receipt Bonds Series 2008A, fund \$30,000 in capital projects to the University's Main Campus, and to pay cost of issuance. Capital improvements include the renovation of Parks Tower, improvements to various campus facilities, and electrical, lighting, and HVAC upgrades. The University realized a cash flow savings of \$3,094 and an economic gain of \$3,311 from the refunded bonds. The bonds have an average coupon of 4.39% and a final maturity in 2047.

The University defeased a portion of the Series 2008A Bonds through an advanced refunding during the year ended June 30, 2017, and accordingly, they are not reflected in the accompanying financial statements as of June 30, 2017. The amount of bonds that have been defeased and are outstanding as of June 30, 2017 is \$12,005.

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**NOTE 7 DEBT (CONTINUED)**

On June 27, 2013, the University issued \$15,610 in General Receipts Bonds, Series 2013D through a direct placement with U.S. Bank National Association. Proceeds of the Series 2013D were used to fund the purchase of \$15,050 of outstanding General Receipts Bonds, Series 2007B that were tendered for purchase, to redeem on July 16, 2013 the outstanding General Receipts Bonds, Series 2005, and to pay cost of issuance of the Series 2013D Bonds. The Series 2013D Bonds bear interest at 72% of the one-month LIBOR plus 0.50%. On November 7, 2017, Huntington National Bank purchased the bonds at 72% of the sum of LIBOR plus 0.85 subject to an optional tender on July 7, 2023.

On June 27, 2013, the University issued \$34,180 in General Receipts Bonds, Series 2013C. Proceeds of the Series 2013C were used to advance refund General Receipts Bonds, Series 2009B, Build America Bonds at par due to a reduction in the federal subsidy and to pay cost of issuance of the Series 2013C Bonds. The Series 2013C Bonds bear a fixed rate of interest with an average yield of 4.03% and a final maturity of June 1, 2031.

On June 21, 2013, the University issued \$86,485 in General Receipts Bonds, Series 2013B, through a direct placement with PNC Bank, National Association. Proceeds of the Series 2013B were used to advance refund General Receipts Bonds, Series 2011A, and to pay the cost of issuance of the Series 2011A Bonds. Series 2013B Bonds bear interest at 72% of the one-month LIBOR plus 0.39% and are subject to an optional tender on July 6, 2018.

On June 7, 2013, the University issued \$10,125 in General Receipts Bonds, Series 2013A through a direct placement with Capital One Public Funding, LLC. Proceeds of the Series 2013A were used to defease and advance refund the \$9,635 outstanding General Receipts Bonds, Series 2004, and to pay the cost of issuance of the Series 2013A Bonds. The University recognized cash flow savings of \$904 and an economic gain of \$790 from the advance refunding of Series 2004. Series 2013A bears interest at 1.99% with a final maturity of June 1, 2025.

On November 3, 2011, the University issued \$47,640 in General Receipts Bonds, Series 2011B. Proceeds of the Series 2011B Bonds were, together with other available funds, to pay the cost of various improvements on the University's Health Science Campus, including reconstruction of existing facilities to house a comprehensive cancer center; expansions, renovations, and improvements to The University of Toledo Medical Center, including reconstruction and renovation of patient rooms and operating rooms; renovations and improvements to Dowling Hall building for outpatient office space and clinical space; acquisition and installation of hardware and software for electronic medical records system; acquisition of medical equipment; and acquisition and installation of various other facility improvements. Additional proceeds of the Series 2011B Bonds were used to pay the costs related to the issuance of the Series 2011B Bonds. The Series 2011B Bonds bear a fixed rate of interest with an average yield of 4.41%.

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**NOTE 7 DEBT (CONTINUED)**

On November 16, 2010, the University issued \$45,460 in General Receipts Bonds, Series 2010. Proceeds of the Series 2010 Bonds were used to fund the purchase of \$44,835 of outstanding General Receipts Bonds, Series 2005 that were tendered for purchase, to pay a portion of the termination payments under interest rate hedges related to the Series 2005 Bonds, and to pay costs of issuance of the Bonds. The Series 2010 Bonds bear a fixed rate of interest with an average yield of 4.67%.

On July 15, 2009, the University issued \$22,390 in General Receipts Bonds, Series 2009A (Tax-Exempt). The bonds were issued with a fixed rate of interest. Proceeds of the series 2009A Bonds were used to pay a portion of the costs of certain improvements to University facilities and the cost of refunding the University's Series 1998 General Receipts Bonds.

On July 11, 2008, the University issued \$35,480 in General Receipts Bonds, Series 2008A, which bear a fixed rate of interest with coupons ranging from 3% to 5% over the scheduled redemption period from June 1, 2009 through the final maturity of June 1, 2027. A financial guarantee insurance policy was issued concurrently with the delivery of the bonds by Assured Guaranty Corp. \$12,005 par amount of the bonds not previously advance refunded were refinanced by General Receipts Bonds, Series 2017A.

On April 26, 2007, the University issued \$49,900 in General Receipts Bonds, Series 2007B, to finance the rehabilitation and improvement of a facility to provide classrooms for undergraduates; the rehabilitation and improvement of the main library; and improvements to athletic facilities. Series 2007B bears interest based on the Auction Period Rate for each 35-day auction period. During fiscal year 2010 the University made two public tender offers for the 2007B Series Bonds. The University also tendered and repurchased 2007B Series Bonds in fiscal year 2013 from proceeds of the Series 2013D Bond issuance. Bonds repurchased and subsequently cancelled under these tender offers have been credited against the mandatory redemption schedule of the Series 2007B Bonds. The next scheduled principal redemption date on the series 2007B Bonds is currently June 1, 2036.

On January 23, 2007, the University issued \$46,595 in General Receipts Bonds, Series 2007A, with an average interest rate of 4.43%, to advance refund the General Receipts Bonds Series 2001, and current refund the General Receipt Bond Anticipation Notes Series 2006. Series 2007A were refunded by the issuance of the Series 2017A Bonds.

On March 29, 2005, the University issued \$50,000 in General Receipts Bonds, Series 2005, at a variable rate of interest, for the construction and equipping of certain major expansions, renovations, and improvements at HSC. During fiscal year 2010 the University made two public tender offers for the 2005 Series Bonds. During fiscal year 2011 the University made an additional tender offer for the 2005 Series Bonds. The Bonds repurchased and subsequently cancelled under these tender offers have been credited against the mandatory redemption schedule of the Series 2005 Bonds. On July 16, 2013, the remaining \$1,200 principal balance of the 2005 Series Bonds was redeemed from proceeds received from the Series 2013D issuance.

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**NOTE 7 DEBT (CONTINUED)**

The principal and interest payments of all of the General Receipts Bonds are collateralized by the pledge of the general receipts of the University. The bond indentures have various covenants relating to reporting with which the University has complied.

The University has master lease obligations with financial institutions and other lease obligations relating to athletic, hospital and other equipment with a capital cost of \$1,864 and rates ranging from 1.7% to 7.06%. The balance of capital lease obligations was \$1,277 and \$853 for the years ended June 30, 2017 and 2016, respectively.

Interest expense, net of interest income, related to the borrowing is capitalized as part of the cost of construction. Interest expense on indebtedness was \$12,755 and \$13,160 for the years ended June 30, 2017 and 2016, respectively.

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**NOTE 7 DEBT (CONTINUED)**

Long-term liabilities consist of the following as of June 30, 2017:

|   | Due Dates | Interest Rate  | Balance           |                  |                  | Balance           |                  |
|---|-----------|----------------|-------------------|------------------|------------------|-------------------|------------------|
|   |           |                | June 30, 2016     | Additions        | Retirements      | June 30, 2017     | Current          |
| General Receipts Series 2007A, serial and term bonds<br>Refund Series 2001 and Current refund Series 2006                                       | 2008-2036 | 4.0% to 5.0%   | \$ 35,190         |                  | \$ 35,190        | \$ -              | \$ -             |
| General Receipts Series 2007B, term bonds:<br>Renovations for athletic, classrooms, and library   | 2031-2036 | Variable       | 1,325             |                  | -                | 1,325             | -                |
| General Receipts Series 2008A, term bonds:<br>Current refund of Series 2008 Bond Anticipation Note  | 2009-2027 | 3.0% to 5.0%   | 24,590            |                  | 13,335           | 11,255            | 1,220            |
| General Receipts series 2009A, serial and term bonds:<br>Refund Series 1998, Hospital renovations and digital records                           | 2010-2020 | 3.0% to 4.375% | 8,090             |                  | 2,875            | 5,215             | 2,980            |
| General Receipts Series 2010, serial bonds:<br>Refund of Series 2005 General Receipts Bonds   | 2013-2021 | 4.0% to 5.0%   | 30,370            |                  | 3,710            | 26,660            | 4,145            |
| General Receipts Series 2011B, serial and term bonds:<br>Health Science campus improvements and Medical Center reconstruction for cancer center | 2015-2031 | 4.5% to 5.0%   | 45,305            |                  | 1,250            | 44,055            | 1,315            |
| General Receipts Series 2013A, private placement bonds<br>Refund Series 2004  | 2014-2025 | 1.99%          | 7,810             |                  | 800              | 7,010             | 820              |
| General Receipts Series 2013B, private placement bonds<br>Refund Series 2011A   | 2015-2032 | Variable       | 80,590            |                  | 3,705            | 76,885            | 3,900            |
| General Receipts Series 2013C, serial bonds<br>Refund Series 2009B  | 2019-2031 | 5.00%          | 34,180            |                  | -                | 34,180            | -                |
| General Receipts Series 2013D, private placement bonds<br>Refund partial Series 2007B and all of Series 2005                                    | 2031-2036 | Variable       | 15,610            |                  | -                | 15,610            | -                |
| General Receipts Series 2017A, serial bonds<br>Refund partial Series 2008A and all of Series 2007A  | 2019-2047 | 3.625% to 5.0% | -                 | 72,820           | -                | 72,820            | -                |
| Interest Rate Swap Contract (see Note 8)  |           |                | 16,573            |                  | 1,447            | 15,126            | 1,313            |
| Capital lease obligation  | 2002-2009 | Various        | 853               | 921              | 497              | 1,277             | 469              |
| Compensated absences  |           |                | 33,042            | 16,756           | 16,911           | 32,887            | 24,141           |
|   |           |                | <u>\$ 333,528</u> | <u>\$ 90,497</u> | <u>\$ 79,720</u> | <u>\$ 344,305</u> | <u>\$ 40,303</u> |
| Less current portion long-term liabilities  |           |                |                   |                  |                  | 40,303            |                  |
| Long-term liabilities   |           |                |                   |                  |                  | <u>\$ 304,002</u> |                  |



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**NOTE 7 DEBT (CONTINUED)**

Long-term liabilities consist of the following as of June 30, 2016:

|  | Due Dates | Interest Rate  | Balance<br>June 30, 2015 | Additions        | Retirements      | Balance<br>June 30, 2016 | Current          |
|--|-----------|----------------|--------------------------|------------------|------------------|--------------------------|------------------|
| General Receipts Series 2007A, serial and term bonds<br>Refund Series 2001 and Current refund Series 2006  | 2008-2036 | 4.0% to 5.0%   | \$ 36,725                | \$ -             | \$ 1,535         | \$ 35,190                | \$ 1,610         |
| General Receipts Series 2007B, term bonds:<br>Renovations for athletic, classrooms, and library  | 2031-2036 | Variable       | 1,325                    | -                | -                | 1,325                    | -                |
| General Receipts Series 2008A, term bonds:<br>Current refund of Series 2008 Bond Anticipation Note   | 2009-2027 | 3.0% to 5.0%   | 25,750                   | -                | 1,160            | 24,590                   | 1,330            |
| General Receipts series 2009A, serial and term bonds:<br>Refund Series 1998, Hospital renovations and digital records                              | 2010-2020 | 3.0% to 4.375% | 10,850                   | -                | 2,760            | 8,090                    | 2,875            |
| General Receipts Series 2010, serial bonds:<br>Refund of Series 2005 General Receipts Bonds  | 2013-2021 | 4.0% to 5.0%   | 34,100                   | -                | 3,730            | 30,370                   | 3,710            |
| General Receipts Series 2011B, serial and term bonds:<br>Health Science campus improvements and Medical Center<br>reconstruction for cancer center | 2015-2031 | 4.5% to 5.0%   | 46,500                   | -                | 1,195            | 45,305                   | 1,250            |
| General Receipts Series 2013A, private placement bonds<br>Refund Series 2004   | 2014-2025 | 1.99%          | 8,595                    | -                | 785              | 7,810                    | 800              |
| General Receipts Series 2013B, private placement bonds<br>Refund Series 2011A  | 2015-2032 | Variable       | 84,100                   | -                | 3,510            | 80,590                   | 3,705            |
| General Receipts Series 2013C, serial bonds<br>Refund Series 2009B   | 2019-2031 | 5.00%          | 34,180                   | -                | -                | 34,180                   | -                |
| General Receipts Series 2013D, private placement bonds<br>Refund partial Series 2007B and all of Series 2005                                       | 2031-2036 | Variable       | 15,610                   | -                | -                | 15,610                   | -                |
| Interest Rate Swap Contract (see Note 8)   |           |                | 18,158                   | -                | 1,585            | 16,573                   | 1,430            |
| Capital lease obligation   | 2002-2009 | Various        | 452                      | 943              | 542              | 853                      | 345              |
| Compensated absences   |           |                | 32,863                   | 17,056           | 16,877           | 33,042                   | 23,796           |
|  |           |                | <b>\$ 349,208</b>        | <b>\$ 17,999</b> | <b>\$ 33,679</b> | <b>\$ 333,528</b>        | <b>\$ 40,851</b> |
| Less current portion long-term liabilities   |           |                |                          |                  |                  | 40,851                   |                  |
| Long-term liabilities  |           |                |                          |                  |                  | <u>\$ 292,677</u>        |                  |

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**NOTE 7 DEBT (CONTINUED)**

Principal and interest on long-term debt are payable from general receipts. The obligations are generally callable. The future amounts of principal and interest payments required by the bond agreements are as follows:

|               | Principal         | Interest          | Swap Interest   | Net Interest      | Net P&I           |
|---------------|-------------------|-------------------|-----------------|-------------------|-------------------|
| 2018          | \$ 14,380         | \$ 12,794         | \$ 587          | \$ 13,381         | \$ 27,761         |
| 2019          | 16,375            | 12,166            | 534             | 12,700            | 29,075            |
| 2020          | 17,230            | 11,436            | 474             | 11,910            | 29,140            |
| 2021          | 17,970            | 10,827            | 321             | 11,148            | 29,118            |
| 2022          | 10,945            | 9,884             | 402             | 10,286            | 21,231            |
| 2023-2027     | 69,355            | 40,978            | 1,716           | 42,694            | 112,049           |
| 2028-2032     | 108,915           | 24,928            | 1,687           | 26,615            | 135,530           |
| 2033-2047     | 39,845            | 9,920             | 160             | 10,080            | 49,925            |
| <b>TOTALS</b> | <b>\$ 295,015</b> | <b>\$ 132,933</b> | <b>\$ 5,881</b> | <b>\$ 138,814</b> | <b>\$ 433,829</b> |

The future amounts of principal and interest payments required by the lease agreements are as follows:

|              | Principal       | Interest     | Total           |
|--------------|-----------------|--------------|-----------------|
| 2018         | \$ 469          | \$ 36        | \$ 505          |
| 2019         | 371             | 21           | 392             |
| 2020         | 327             | 13           | 340             |
| 2021         | 105             | 15           | 120             |
| 2022         | 5               | -            | 5               |
| <b>Total</b> | <b>\$ 1,277</b> | <b>\$ 85</b> | <b>\$ 1,362</b> |

Contracts have been entered into for capital construction projects amounting to approximately \$47,139. The estimated cost to complete construction in progress at June 30, 2017 is \$15,963.

The University leases certain facilities and data processing, patient care, and other equipment under various non-cancelable operating lease agreements. Total operating lease expense was \$1,065 and \$1,965 in 2017 and 2016, respectively. At June 30, 2017, the University is committed to future minimum operating lease payments of \$588 in 2018; \$143 in 2019; \$57 in 2020; and \$44 in 2021.

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**NOTE 8 INTEREST RATE SWAPS**

In order to hedge against interest rate fluctuations on the Series 2002 variable rate bonds, the University entered into three interest rate derivative (swap) agreements in November 2002. The current notional value of the three swap agreements is \$59,790. The three swaps remain in effect and are now associated with the Series 2013B Bonds. The counterparty for these swaps is JP Morgan Chase. One swap with a notional value of \$7,665 expires on June 1, 2020, and the University pays a fixed rate of 5.000% to the counterparty and receives a variable rate of interest of 67% of one-month LIBOR from the counterparty. The other two swaps with a combined notional value of \$52,125 expire on June 1, 2032. The University pays a fixed rate of 3.888% to the counterparty and receives a variable rate of interest of 71% of one-month LIBOR from the counterparty on these two swaps. Only the net difference in interest payments is actually exchanged with the counterparty. The swap agreement's fair value is estimated using the zero-coupon method, whereby the future net settlement payment as required by the swap is calculated, and then discounted using the spot rates implied by the current yield curve. The mark-to-market valuation on the three swap agreements as of June 30, 2017 is a liability of \$4,541 compared to a liability of \$9,819 on June 30, 2016.

In April 2007, the University entered into a swap agreement with JP Morgan Chase that expires on June 31, 2036, in the notional amount of \$33,250, to hedge a portion of the exposure against interest rate fluctuations arising from the variable interest rates on the Series 2007B. \$17,640 of the notional amount is now associated with the Series 2013B and the remaining \$15,610 notional value is associated with the Series 2013D. Based on the swap agreement, the University owes interest calculated at a fixed rate of 3.666% to the swap counterparty. In return, the counterparty owes the University interest at a variable rate based on 68% of one-month LIBOR. Only the net difference in interest payments is actually exchanged with the counterparty. The swap agreement's fair value is estimated using the zero-coupon method, whereby the future net settlement payment as required by the swap is calculated, and then discounted using the spot rates implied by the current yield curve. The mark-to-market valuation on the swap agreement as of June 30, 2017 is a liability \$2,314 compared to a liability of \$5,162 on June 30, 2016.

Upon termination of any of the swap agreements, a payment may be owed by the University to the swap counterparty, or by the swap counterparty to the University, depending on the prevailing economic circumstances at the time of the termination.

Interest rate swaps are classified as hedging derivative instruments, if the hedging instruments meet the criteria outlined in GASB Statement No. 53, paragraph 27a and b, or as investment derivative instruments if they do not meet the criteria. All four of the swap agreements have been determined to be effective hedging derivative instruments as of both June 30, 2017 and June 30, 2016.

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**NOTE 8 INTEREST RATE SWAPS (CONTINUED)**

All of the University's hedging relationships in fiscal year 2012 were terminated in fiscal year 2013 and designated into new hedging relationships. In accordance to GASB Statement No. 53, these swaps are considered hybrid instruments consisting of a financing element and an embedded derivative. The at-market amount of the swaps at the time of the new hedging relationship is designated as a hedging instrument with a current mark-to-market value of (\$6,855). The above-market amounts which equal \$15,126 are considered borrowings and are included in long-term debt which will be paid down by a portion of the swaps' periodic fixed payments.

As of the balance sheet date, the swap agreements can be summarized as follows:

| Effective Date | Type                | Objective                | Notional Amount  | Pays   | Receives  | Maturity Date | Counter Party Credit Rating | MTM @ 06/30/17    | MTM @ 06/30/16     |
|----------------|---------------------|--------------------------|------------------|--------|-----------|---------------|-----------------------------|-------------------|--------------------|
| 11/16/02       | Pay-Fixed, Rec-Var. | Synthetic Fixed Interest | \$ 24,690        | 3.888% | 71% Libor | 6/1/32        | Aa3/A+                      | \$ (2,154)        | \$ (4,598)         |
| 11/19/02       | Pay-Fixed, Rec-Var. | Synthetic Fixed Interest | \$ 27,435        | 3.888% | 71% Libor | 6/1/32        | Aa3/A+                      | \$ (2,395)        | \$ (5,110)         |
| 4/26/07        | Pay-Fixed, Rec-Var. | Synthetic Fixed Interest | \$ 33,250        | 3.660% | 68% Libor | 6/1/36        | Aa3/A+                      | \$ (2,314)        | \$ (5,162)         |
| 12/1/02        | Pay-Fixed, Rec-Var. | Synthetic Fixed Interest | \$ 7,665         | 5.000% | 67% Libor | 6/1/20        | Aa3/A+                      | \$ 8              | \$ (111)           |
|                |                     |                          | <u>\$ 93,040</u> |        |           |               |                             | <u>\$ (6,855)</u> | <u>\$ (14,981)</u> |

|  | Change in Fair Value |      | Fair Value at June 30, 2017 |          | Fair Value at June 30, 2016 |          |
|--|----------------------|------|-----------------------------|----------|-----------------------------|----------|
|  | 2017                 | 2016 | Amount                      | Notional | Amount                      | Notional |

Business-type activities

Cash flow hedges:

|  |          |            |                 |           |                 |           |
|--|----------|------------|-----------------|-----------|-----------------|-----------|
| Pay-fixed interest rate swaps (receive-variable) | \$ 8,126 | \$ (9,040) | \$ (6,855)      | \$ 93,040 | \$ (14,981)     | \$ 96,710 |
|  |          |            | Deferred charge |           | Deferred charge |           |

The fair values of the interest rate swaps were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

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**NOTE 8 INTEREST RATE SWAPS (CONTINUED)**

As of June 30, 2017, the University's net liability position is \$21,981 exclusive of accrued interest in the amount of \$193 compared to a net liability position of \$31,554 at June 30, 2016. The University has not been required to post collateral with any counterparty as of June 30, 2017.

It is the University's policy to enter into netting arrangements whenever it has entered into more than one derivative instrument transaction with a counterparty. Under the terms of these arrangements, should one party become insolvent or otherwise default on its obligations, close-out netting provisions permit the nondefaulting party to accelerate and terminate all outstanding transactions and net the transactions' fair values so that a single sum will be owed by, or owed to, the non-defaulting party.

Although the University originally executed interest rate swap agreements with multiple counterparties, four contracts, comprising approximately 100% of the net exposure to custodial credit risk, are held with one company as the result of merger activity since 2002. That counterparty is rated Aa3/A+.

Interest rate risk – The University is exposed to interest rate risk on its interest rate swaps. On its pay-fixed, receive-variable interest rate swap, as LIBOR or the Securities Industry and Financial Markets Association (SIFMA) swap decreases, the University's net payment on the swap increases.

Basis risk – The University is exposed to basis risk on its LIBOR-based interest rate swaps due to variable-rate payments received on these instruments based on a rate or index other than interest rates the University pays on its variable-rate debt, which, depending on the series, is remarketed every 30 or 35 days.

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**NOTE 8 INTEREST RATE SWAPS (CONTINUED)**

Termination risk – The University or its counterparties may terminate a derivative instrument if the other party fails to perform under the terms of the contract.

Rollover risk – The University is exposed to rollover risk on its LIBOR-based interest rate swaps that mature or may be terminated prior to the maturity of the hedged debt. When these hedging interest rate swaps terminate, or in the case of a termination option, if the counterparty exercises its option, the University will be re-exposed to the risks being hedged by the interest rate swaps. The University is exposed to rollover risk on portions of the receive-variable, pay-fixed interest rate swap scheduled to mature on June 1, 2020, which is matched with variable rate debt maturing June 1, 2032.

**NOTE 9 RETIREMENT BENEFITS**

The University participates in the State Teachers Retirement System of Ohio (STRS) and the Ohio Public Employees Retirement System (OPERS). Each is a statewide, cost sharing, multiple-employer public employee retirement system governed by the Ohio Revised Code (ORC) that covers substantially all employees of the University. Each system has three retirement plan options available and provides retirement, survivor, and disability benefits to plan members and their beneficiaries. The systems also provide postemployment healthcare benefits to retirees and beneficiaries. Employees may opt out of STRS or OPERS and participate in the Alternative Retirement Plan (ARP) if they meet certain eligibility requirements. The ARP is a defined contribution plan using state approved investment providers and does not include disability, health care, or death benefits.

Each retirement system issues a publicly available financial report that includes financial statements and required supplementary information for the pension and postemployment health care plans. The reports may be obtained by contacting:

State Teachers Retirement System of Ohio  
275 E. Broad Street  
Columbus, OH 43215  
(888) 227-7877  
[www.strsoh.org](http://www.strsoh.org)

Ohio Public Employees Retirement System  
277 East Town Street  
Columbus, OH 43215  
(800) 222-7377  
[www.opers.org](http://www.opers.org)

**Contributions**

STRS – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2016, the employer rate was 14% and the member rate was 13% of covered payroll. The statutory employer rate for fiscal year 2017 and subsequent years is 14%. The statutory member contribution rate increased to 14% on July 1, 2016.

**THE UNIVERSITY OF TOLEDO**  
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**NOTE 9 RETIREMENT BENEFITS (CONTINUED)**

**Contributions (Continued)**

OPERS – The ORC provides statutory authority for member and employer contributions. Member contribution rates for the plan years ended December 31, 2016 and 2015 were 10% for the state and local division, 12% for the public safety division, and 13% for the law enforcement division. Employer contribution rates for plan years 2016 and 2015 were 14% of covered payroll for the state and local division, and 18.1% of covered payroll for the law enforcement and public safety divisions. For the Traditional and Combined Plans, 2% of each employer’s contribution is set aside for the funding of postemployment health care coverage.

ARP – The ORC provides statutory authority for member and employer contributions. Member contribution rates are the same as those required by the respective state retirement systems. For STRS-eligible employees who elect an ARP, the University contributes 9.5% of covered payroll to the selected investment provider and 4.5% to STRS. For OPERS-eligible employees who elect an ARP, the University contributes 13.23% of covered payroll to the selected investment provider and 0.77% to OPERS.

University contributions to the retirement plans for the year ended June 30 are summarized below.

| Plan  | 2017      | 2016      |
|-------|-----------|-----------|
| STRS  | \$ 13,431 | \$ 13,162 |
| OPERS | 26,899    | 26,666    |
| ARP   | 7,630     | 7,451     |
| Total | \$ 47,960 | \$ 47,279 |

**Benefits**

STRS – Plan benefits are established under Chapter 3307 of the ORC, as amended by Substitute Senate Bill 342 in 2012, which gives the Retirement Board the authority to make future adjustments to the member contribution rate, retirement age and service requirements, and the cost of living adjustments as the need or opportunity arises, depending on the retirement system’s funding progress. STRS members have a choice of three retirement plans: a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan.

The Defined Benefit (DB) Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective Aug. 1, 2015, the calculation will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by 2% of the original base benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or at age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 and five years of service on August 1, 2026.

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**NOTE 9 RETIREMENT BENEFITS (CONTINUED)**

**Benefits (Continued)**

The Defined Contribution (DC) Plan allows members to place all their member contributions and the 9.5% portion of the 14% employer contribution into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5% portion of the 14% employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service.

DB and Combined Plan members are eligible for disability and death benefits based on specified criteria in the plan.

OPERS – Authority to establish and amend benefits is provided by Chapter 145 of the ORC. OPERS members have a choice of three retirement plans: the Traditional Pension Plan, a defined benefit plan; the Combined Plan, a combination defined benefit/defined contribution plan; and the Member-Directed Plan, a defined contribution plan. All state and local governmental employees in Ohio, except those covered by one of the other state or local retirement systems in Ohio, are members of OPERS.

Retirement benefits in the Traditional Pension Plan are calculated on a formula that considers age, years of service and final average salary. Depending on when they joined the plan, members with five years of service are eligible for retirement at either age 60 or 62, and members with 25 years of service are eligible for retirement at either age 55 or 57. The annual benefit is 2.2% of final average salary for the first 30 or 35 years of service, depending on when the member joined, and 2.5% for years of service in excess. Final average salary is based on the highest three or five years of earnings, depending on when the member joined. Members who retire before meeting the age and service requirements receive a percentage reduction in the benefit amount.

Law Enforcement and Public Safety members, as defined in ORC Chapter 145, are eligible for special retirement options under the Traditional Pension Plan and are not eligible to participate in the Member-Directed or Combined Plans.

For the Member-Directed Plan, the amount available for benefits consists of the member's contributions, vested employer contributions, and investment gains or losses resulting from the members' investment selections.



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**NOTE 9 RETIREMENT BENEFITS (CONTINUED)**

**Benefits (Continued)**

Benefits in the Combined Plan consist of both an age-and-service formula and a defined contribution element. The defined benefit element is calculated on the basis of age, final average salary, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Plan. The annual benefit is 1% of final average salary for the first 30 or 35 years of service, depending on when the member joined, and 1.25% for years of service in excess.

Members in the Traditional Pension Plan and Combined Plan are eligible for Disability, Survivor, and Death benefits, based on age and/or service criteria. Members of the Member-Directed Plan do not qualify for these ancillary benefits. A 3% cost of living adjustment is provided for retirement benefits under the Traditional Plan and the defined benefit portion of the Combined Plan.

**Net Pension Liability, Deferrals, and Pension Expense** – At June 30, 2017 and 2016, the University reported a liability for its proportionate share of the net pension liability of STRS and the OPERS traditional plan, as well as an asset for its proportionate share of the net pension asset of the OPERS combined plan and member-directed plan. The net pension liability and asset were measured as of July 1, 2016 and July 1, 2015, respectively, for STRS and December 31, 2016 and December 31, 2015, respectively, for the OPERS plans. The total pension liability used to calculate the net pension liability or asset was determined by an actuarial valuation as of those dates. The University's proportion of the net pension liability or asset was based on a projection of its long-term share of contributions to the pension plan relative to the projected contributions of all participating reporting units, actuarially determined.

| Plan                               | Measurement Date | Net Pension Liability/(Asset) |            | Proportionate Share |       | Change |
|------------------------------------|------------------|-------------------------------|------------|---------------------|-------|--------|
|                                    |                  | 2017                          | 2016       | 2017                | 2016  |        |
| STRS                               | July 1           | \$ 297,264                    | \$ 251,992 | 0.89%               | 0.91% | 0.02%  |
| OPERS Traditional                  | December 31      | 305,904                       | 239,992    | 1.35%               | 1.39% | 0.04%  |
| OPERS Combined and Member-Directed | December 31      | (960)                         | (868)      | 1.60%               | 1.72% | 0.12%  |

For the years ended June 30, 2017 and 2016, the University recognized pension expense of \$100,225 and \$61,435, respectively.

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**NOTE 9 RETIREMENT BENEFITS (CONTINUED)**

At June 30, 2017 and 2016, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | 2017                           |                               | 2016                           |                               |
|---|--------------------------------|-------------------------------|--------------------------------|-------------------------------|
|   | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between projected and actual experience   | \$ 12,494                      | \$ 2,377                      | \$ 11,533                      | \$ 4,991                      |
| Changes of assumptions  | 48,760                         | -                             | -                              | -                             |
| Difference between projected and actual investment earnings   | 71,783                         | -                             | 70,693                         | 18,122                        |
| Changes in proportion and differences between University contributions and proportionate share of contributions | 4,746                          | 9,745                         | 7,415                          | 46                            |
| Contributions after the measurement date  | 26,544                         | -                             | 26,206                         | -                             |
| <b>Total</b>  | <b>\$ 164,327</b>              | <b>\$ 12,122</b>              | <b>\$ 115,847</b>              | <b>\$ 23,159</b>              |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended June 30 | Amount    |
|--------------------|-----------|
| 2018               | \$ 45,342 |
| 2019               | 45,197    |
| 2020               | 27,690    |
| 2021               | 7,475     |
| 2022               | (24)      |
| Thereafter         | (19)      |

In addition, the contributions subsequent to the measurement date will be included as a reduction of the net pension liability in the next year (2018).

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**NOTE 9 RETIREMENT BENEFITS (CONTINUED)**

**Actuarial Assumptions** – The total pension liability is based on the results of an actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement:

|                           | STRS - as of 6/30/16   | OPERS - as of 12/31/16   |
|---------------------------|--|--|
| Valuation date            | July 1, 2016   | December 31, 2016  |
| Actuarial cost method     | Entry age normal   | Individual entry age   |
| Cost of living            | 2.0 percent  | Pre 1/7/2013 retirees 3.0 percent,<br>post 1/7/2013 retirees 3.0 percent<br>through 2018 then 2.15 percent |
| Salary increases          | 2.75 percent - 12.25 percent<br>including inflation            | 3.25 percent - 10.75 percent<br>including inflation  |
| Price inflation           | 2.75 percent   | 2.5 percent  |
| Investment rate of return | 7.75 percent, net of investment<br>expense                     | 7.50 percent, net of investment<br>expense   |
| Experience study rate     | Period of 5 years ended July 1,<br>2012                        | Period of 5 years ended<br>December 31, 2015   |
| Mortality basis           | RP-2000 Combined Mortality<br>Table (Projection 2022-Scale AA) | RP-2014 Healthy Annuitant<br>mortality table   |

|                           | STRS - as of 6/30/15   | OPERS - as of 12/31/15   |
|---------------------------|--|--|
| Valuation date            | July 1, 2015   | December 31, 2015  |
| Actuarial cost method     | Entry age normal   | Individual entry age   |
| Cost of living            | 2.0 percent  | 3.0 percent  |
| Salary increases          | 2.75 percent - 12.25 percent<br>including inflation            | 4.25 percent - 10.05 percent<br>including inflation                      |
| Price inflation           | 2.75 percent   | 3.0 percent  |
| Investment rate of return | 7.75 percent, net of investment<br>expense                     | 8.00 percent, net of investment<br>expense                               |
| Experience study rate     | Period of 5 years ended July 1,<br>2012                        | Period of 5 years ended<br>December 31, 2010                             |
| Mortality basis           | RP-2000 Combined Mortality<br>Table (Projection 2022-Scale AA) | RP-2000 Combined Mortality<br>Table projected 20 years using<br>Scale AA |

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**NOTE 9 RETIREMENT BENEFITS (CONTINUED)**

**Discount Rate** – The discount rate used to measure the total pension liability was 7.75% for STRS and 7.50% for OPERS. 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 employer contributions will be made at contractually required rates for all plans. Based on those assumptions, each pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments for 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 long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are 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 asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| STRS as of 6/30/2016 |                   |                     | OPERS as of 12/31/2016 |                   |                     |
|----------------------|-------------------|---------------------|------------------------|-------------------|---------------------|
| Investment Category  | Target Allocation | Long-term Expected  | Investment Category    | Target Allocation | Long-term Expected  |
|                      |                   | Real Rate of Return |                        |                   | Real Rate of Return |
| Domestic Equity      | 31.00%            | 5.50%               | Fixed Income           | 23.00%            | 2.75%               |
| International Equity | 26.00%            | 5.35%               | Domestic Equity        | 20.70%            | 6.34%               |
| Alternatives         | 14.00%            | 5.50%               | Real Estate            | 10.00%            | 4.75%               |
| Fixed Income         | 18.00%            | 1.25%               | Private Equity         | 10.00%            | 8.97%               |
| Real Estate          | 10.00%            | 4.25%               | International Equity   | 18.30%            | 7.95%               |
| Liquidity Reserves   | 1.00%             | 0.50%               | Other Investments      | 18.00%            | 4.92%               |
| Total                | 100.00%           |                     | Total                  | 100.00%           |                     |

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**NOTE 9 RETIREMENT BENEFITS (CONTINUED)**

| STRS as of 6/30/2015 |                   |  | OPERS as of 12/31/2015 |                   |  |
|----------------------|-------------------|--|------------------------|-------------------|--|
| Investment Category  | Target Allocation | Long-term Expected Real Rate of Return | Investment Category    | Target Allocation | Long-term Expected Real Rate of Return |
| Domestic Equity      | 31.00%            | 5.50%                                  | Fixed Income           | 23.00%            | 2.31%                                  |
| International Equity | 26.00%            | 5.35%                                  | Domestic Equity        | 20.70%            | 5.84%                                  |
| Alternatives         | 14.00%            | 5.50%                                  | Real Estate            | 10.00%            | 4.25%                                  |
| Fixed Income         | 18.00%            | 1.25%                                  | Private Equity         | 10.00%            | 9.25%                                  |
| Real Estate          | 10.00%            | 4.25%                                  | International Equity   | 18.30%            | 7.40%                                  |
| Liquidity Reserves   | 1.00%             | 0.50%                                  | Other Investments      | 18.00%            | 4.59%                                  |
| Total                | 100.00%           |  | Total                  | 100.00%           |  |

**Sensitivity of the net pension liability to changes in the discount rate** – The following presents the net pension liability of the University, calculated using the discount rate listed below, as well as what the University’s net pension liability would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current rate:

| Plan             | 1.00 percent decrease | Current discount rate | 1.00 percent increase |
|------------------|-----------------------|-----------------------|-----------------------|
| STRS 6/30/2016   | 6.75% \$ 395,039      | 7.75% \$ 297,264      | 8.75% \$ 214,784      |
| OPERS 12/31/2016 | 6.50% 467,420         | 7.50% 304,944         | 8.50% 169,615         |
| Total            | \$ 862,459            | \$ 602,208            | \$ 384,399            |

  

| Plan             | 1.00 percent decrease | Current discount rate | 1.00 percent increase |
|------------------|-----------------------|-----------------------|-----------------------|
| STRS 6/30/2015   | 6.75% \$ 350,036      | 7.75% \$ 251,992      | 8.75% \$ 169,081      |
| OPERS 12/31/2015 | 7.00% 382,367         | 8.00% 239,124         | 9.00% 118,346         |
| Total            | \$ 732,403            | \$ 491,116            | \$ 287,427            |

**Pension plan fiduciary net position** – Detailed information about the pension plan’s fiduciary net position is available in the separately issued STRS and OPERS financial report.

**Payable to the Pension Plan** – The University reported a payable of \$2,221 and \$2,070 to OPERS at June 30, 2017 and 2016, respectively, for the outstanding amount of contributions required for the years then ended.

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**NOTE 10 OTHER POSTEMPLOYMENT BENEFITS**

Ohio law authorizes the STRS board to offer a cost-sharing, multiple-employer health care plan. STRS provides access to health care coverage to eligible retirees who participated in the DB or Combined Plans and their eligible dependents. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare Part B premiums. Pursuant to the ORC, the Retirement Board has discretionary authority over how much, if any, of the associated health care costs will be absorbed by the plan. Under Ohio law, the funds to pay health care costs may be deducted from employer contributions. For fiscal years 2016 and 2015, no employer allocation was made to health care.

The ORC permits, but does not require, OPERS to offer postemployment health care coverage. The ORC allows a portion of the employers' contributions to be used to fund health care coverage. 2% of employer contributions were allocated to health care for calendar years 2016 and 2015. Prior to January 1, 2015, the System provided comprehensive health care coverage to retirees in the Traditional and Combined Plans with 10 or more years of qualifying service credit and offered coverage to their dependents on a premium deduction or direct bill basis. Beginning January 1, 2015, the service eligibility criteria for health care coverage increased from 10 years to 20 years with a minimum age of 60, or 30 years of qualifying service at any age. Beginning with January 2016 premiums, Medicare-eligible retirees could select supplemental coverage through the OPERS Medicare Connector, a vendor selected by OPERS to assist eligible retirees in the selection and purchase of supplemental coverage through the Medicare market. Retirees utilizing the Connector may be eligible for monthly allowances deposited to an HRA to be used for reimbursement of eligible health care expenses. Coverage for non-Medicare retirees includes hospitalization, medical expenses, and prescription drugs. Participants in the Member-Directed Plan are not eligible for the health care coverage offered to benefit recipients in the Traditional and Combined Plans. A portion of employer contributions for these participants is allocated to a retiree medical account.

**NOTE 11 CONTINGENCIES AND COMMITMENTS**

In the normal course of its activities, the University is a party to various legal actions. The University intends to vigorously defend itself against all claims and is of the opinion that the outcome of current legal actions will not have a material effect on the University's financial position.

The University participates in the Inter-University Council Insurance Consortium (IUC-IC). Since 1994, the IUC-IC Universities have purchased their property and casualty insurance on a group basis. The IUC-IC formalized their pooling in 2006 and created the Board of Governors. The Board of Governors is comprised of representatives from each University and is the decision making body for insurance issues of the group programs. There are three committees related to the insurance program that report to the Board of Governors: Underwriting, Loss Control, and Audit. Underwriting and Loss Control have representation from each University. In 2009, a director was hired to coordinate the activities of the IUC-IC and act as a facilitator to other IUC committees and university departments to address insurance and risk related issues.

**THE UNIVERSITY OF TOLEDO**  
**NOTES TO FINANCIAL STATEMENTS**  
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**(DOLLARS IN THOUSANDS)**

**NOTE 11 CONTINGENCIES AND COMMITMENTS (CONTINUED)**

Through the IUC-IC group, the University maintains property insurance with a \$100 deductible and a pre-funded group pool deductible of \$350 per occurrence; with an annual group aggregate stop-loss of \$700. Total insurable value for the University of Toledo is approximately \$3,138,000.

The casualty portion of the IUC-IC program provides educator's legal liability, general liability and other miscellaneous coverage, and includes a \$100 deductible. There is also a casualty group pool fund with dedicated limits for each member totaling \$10,000 which consists of \$1,000 by the members and \$9,000 from reinsurance. Finally, there are general liability shared excess limits totaling \$40,000. The educator's legal liability coverage has shared excess limits totaling \$15,000 in excess of the pool. The University's contributions to IUC for property and casualty coverage totaled \$1,121 and \$944 for 2017 and 2016, respectively.

The University participates in a state pool of agencies and universities that pays workers' compensation premiums into the State Insurance Fund (the Plan), which pays workers' compensation benefits to beneficiaries who have been injured on the job. Losses from asserted and unasserted claims for the participating state agencies and universities in the Plan are accrued by the Ohio Bureau of Workers' Compensation (the Bureau) based on estimates that incorporate the preceding five-year experience, as well as other considerations including the nature of each claim or incident and relevant trend factors. Participants in the Plan annually fund the workers' compensation liability based on rates set by the Bureau to collect the cash needed in subsequent fiscal years to pay the workers' compensation claims of participating state agencies and universities.

The University is also self-insured for unemployment compensation and substantially all employee health benefits. Liabilities for estimates of losses retained by the University for outstanding claims and claims incurred but not reported under self-insurance programs have been based on the University's experience and actuarial valuation. The estimated value of these claims was \$5,951 and \$4,927 as of June 30, 2017 and 2016, respectively. Settlements have not exceeded insurance coverage in each of the past three years.

**Academic Affiliation Agreement**

On August 26, 2015, the University and ProMedica Health System (ProMedica) entered into an academic affiliation agreement for a period of 50 years. ProMedica is a nonprofit health system located in Toledo, Ohio, with facility locations in northwest Ohio and southeast Michigan. The agreement aligns the University's College of Medicine and Life Sciences with ProMedica to collaborate and support training of physicians and other healthcare professionals; achieve physician synergies; train the next generation of healthcare providers; extend academic and research capabilities to the community; and support the academic, training, and research missions of the University and its faculty.

**THE UNIVERSITY OF TOLEDO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**  
**(DOLLARS IN THOUSANDS)**

**NOTE 11 CONTINGENCIES AND COMMITMENTS (CONTINUED)**

**Academic Affiliation Agreement (Continued)**

As part of the agreement, ProMedica committed to a \$40 million initial investment in the College of Medicine and Life Sciences which was paid in three installments. ProMedica will also make annual academic affiliation investments to support the academic mission of the College of Medicine and Life Sciences that will range from \$12.5 million to \$50 million over a five-year transition period beginning on July 1, 2016. After the transition period, annual academic affiliation payments will be based on ProMedica's annualized patient service revenue and is expected to be at least \$50 million. ProMedica is also committing \$250 million in capital spending to enhance the academic mission of the College of Medicine and Life Sciences.

**NOTE 12 MEDICAL PROFESSIONAL LIABILITY**

In August 2005, the University created a captive insurance company, the University of Toledo Medical Assurance Company SPC (UTMAC SPC), through a trust controlled by the University's board. UTMAC SPC was incorporated in the Cayman Islands and provided insurance services exclusively to the University, its staff, and affiliated physicians. In November 2016, the company passed resolutions to effectuate the transfer of all assets and liabilities to a newly formed company based in Vermont. The new company, the University of Toledo Medical Assurance Company LLC (UTMAC LLC), is a wholly owned subsidiary of UTP-CF and commenced operations on December 27, 2016. See Note 13 for additional details. UTMAC LLC provides insurance services exclusively to the University, its staff, and affiliated physicians. UTMAC SPC is blended with the University's results and UTMAC LLC is blended with UTP-CF.

UTMAC LLC provides professional liability coverage to the University and the University of Toledo Physicians, LLC (UTP) with limits of \$2,000 per occurrence and \$5,000 in aggregate as well as an umbrella policy with limits of \$25,000 per occurrence and \$25,000 in aggregate. Tail coverage is provided to physicians leaving UTP employment.

At June 30, 2017 and 2016, the University has accrued \$8,468 discounted at 3.5%, and \$9,389 discounted at 3.5%, respectively, for asserted and unasserted claims based on the University's experience and studies performed by a consulting actuary. With respect to pending malpractice claims and legal action where the University is a defendant, it is the opinion of management that any potential liability in such actions will not materially affect the financial position of the University. Settlements have not exceeded insurance coverage in each of the past three years.



**THE UNIVERSITY OF TOLEDO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**  
(DOLLARS IN THOUSANDS)

**NOTE 12 MEDICAL PROFESSIONAL LIABILITY (CONTINUED)**

|                                 | 2017            | 2016            |
|---------------------------------|-----------------|-----------------|
| Medical Professional Liability: |                 |                 |
| Beginning balance               | \$ 9,389        | \$ 14,023       |
| Provision for incurred claims   | 170             | (2,989)         |
| Payments for claims             | (1,091)         | (1,645)         |
| Ending Balance                  | <u>\$ 8,468</u> | <u>\$ 9,389</u> |

The above liability includes insurance coverage for UTP and has been funded by premiums paid by UTP to UTMAC LLC and UTMAC SPC.

**NOTE 13 TRANSFER OF OPERATIONS**

During the fiscal year ended June 30, 2017, the University transferred operations related to its self-insurance for hospital and medical professional liability from its captive insurance company domiciled in the Cayman Islands (University of Toledo Medical Assurance Company SPC, or UTMAC SPC) to a captive insurance entity domiciled in Vermont (University of Toledo Medical Assurance Company LLC, or UTMAC LLC). The financial position and operations of both UTMAC SPC and UTMAC LLC are included within the primary government's business-type activities.

Under a Novation, Substitution, and Assumption Agreement dated December 27, 2016 between UTMAC SPC and UTMAC LLC, each wholly-owned subsidiaries of the University, UTMAC LLC assumed all of the rights, interest, duties, liabilities, obligations, and responsibilities of UTMAC SPC's reinsurance agreements and the policies issued to the University for the (i) Primary Hospital Professional Liability, (ii) Medical Stop Loss Indemnity Insurance, and (iii) Excess Healthcare Provider's Medical Professional Liability for consideration of \$11,105 transferred from UTMAC SPC to UTMAC LLC. The effective date for the Novation, Substitution, and Assumption Agreement was December 31, 2016.

UTMAC SPC was officially liquidated on March 13, 2017, with \$4,650 of paid-in-capital and \$21,728 in dividend payments transferred to the University.

UTMAC LLC commenced operations on December 27, 2016, with a capital contribution of \$26,359 received from the University of Toledo Physician's Clinical Faculty, Inc., which is a wholly owned subsidiary of the University.

**THE UNIVERSITY OF TOLEDO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**  
**(DOLLARS IN THOUSANDS)**

**NOTE 14 RELATED PARTY TRANSACTIONS**

During fiscal year 2017, the Foundation transferred land to the University in the amount of \$253.

During fiscal year 2016, the University transferred an endowment fund, as requested by the fund originators, to the Foundation in the amount of \$207.

At its March 2016 meeting, the Foundation board of trustees approved funding by the pooled investment portfolio of up to \$6 million for University capital projects. This 10-year loan was approved by the University in July 2016 with the first draw in August 2016. The current balance owed to the pool as of June 30, 2017 is \$5,798. Of the total outstanding, \$2,631 represents the University's share of the loan and this amount has been eliminated in the presentation of the University's financial statements. The remaining \$3,167 represents the portion of the loan effectively owed to the Foundation.

On March 30, 2016, The University of Toledo entered into a Grantor Trust Agreement with the Foundation to allow the Foundation to hold title to 8,554.8 shares of VHA-VHC Alliance Newco, Inc. (now known as Vizient Inc.). The purpose for this trust rests in the fact that Vizient, Inc. is a for-profit entity and Ohio law does not permit state entities to hold title or ownership interests in for-profit entities. The initial gift was recorded based on a valuation analysis of the common stock at \$2,000 as of June 30, 2016, and a corresponding receivable was recorded by the University. The value at June 30, 2017 is \$2,013.

During 2015, the University of Toledo Foundation Real Estate Corporation, a wholly owned subsidiary of the Foundation, purchased a residence for \$922 and entered into a contract to renovate the residential property. Immediately following renovations, the University of Toledo Foundation Real Estate Corporation and the University entered into a 20-year lease agreement commencing on July 1, 2015 and terminating on June 30, 2035, with four additional five-year renewal options. The lease agreement was amended and restated on January 1, 2016 and the annual lease income was restated to one dollar per year.

The University leases office space to the Foundation for \$58 annually during the 10-year renewal option period which commenced in April 2008.

During the years ending June 30, 2017 and 2016, the University paid \$19,589 and \$17,936, respectively, to UTP-CF primarily for wage expense where the University utilized UTP-CF employees.

During the years ending June 30, 2017 and 2016, the University received \$2,081 and \$1,659, respectively, from UTP-CF for the hospital facility fee charged to patients in connection with professional services rendered in hospital-based clinics.

Accounts receivable from UTP-CF were \$1,014 and \$967 as of June 30, 2017 and 2016, respectively. Accounts payable to UTP-CF were \$3,456 and \$1,568 as of June 30, 2017 and 2016, respectively.

**THE UNIVERSITY OF TOLEDO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**  
(DOLLARS IN THOUSANDS)

**NOTE 14 RELATED PARTY TRANSACTIONS (CONTINUED)**

During the years ending June 30, 2017 and 2016, the University paid \$910 and \$548, respectively, to UTMAC SP and UTMAC LLC for professional liability and medical stop-loss insurance.

During the years ending June 30, 2017 and 2016, the UTP-CF paid \$2,157 and \$2,618, respectively, to UTMAC SP and UTMAC LLC for professional liability insurance.

**NOTE 15 FUNCTIONAL CLASSIFICATION OF EXPENSES**

Operating expenses by functional classification for the year ended June 30, 2017 are summarized as follows:

|                                    | Payroll           | Supplies          | Services         | Other            | Total             |
|------------------------------------|-------------------|-------------------|------------------|------------------|-------------------|
| Patient Services                   | \$ 237,273        | \$ 86,018         | \$ 18,702        | \$ 16,067        | \$ 358,060        |
| Instruction                        | 192,475           | 4,758             | 2,304            | 6,496            | 206,033           |
| Research                           | 18,993            | 6,186             | 4,297            | 7,926            | 37,402            |
| Public Service                     | 4,767             | 197               | 3,383            | 1,065            | 9,412             |
| Academic Support                   | 18,305            | 2,549             | 16,114           | 4,365            | 41,333            |
| Student Services                   | 18,217            | 542               | 809              | 3,852            | 23,420            |
| Institutional Support              | 101,602           | (86)              | 14,112           | (3,145)          | 112,483           |
| Operation and Maintenance of Plant | 14,294            | 2,295             | 1,211            | 18,937           | 36,737            |
| Auxiliary Enterprises              | 20,119            | 3,538             | 19,434           | 16,591           | 59,682            |
|                                    | <u>\$ 626,045</u> | <u>\$ 105,997</u> | <u>\$ 80,366</u> | <u>\$ 72,154</u> | <u>884,562</u>    |
| Student Aid                        |                   |                   |                  |                  | 22,565            |
| Depreciation                       |                   |                   |                  |                  | 57,987            |
| Provision for Bad Debts            |                   |                   |                  |                  | 2,513             |
| Total Operating Expenses           |                   |                   |                  |                  | <u>\$ 967,627</u> |

Operating expenses by functional classification for the year ended June 30, 2016 are summarized as follows:

|                                    | Payroll           | Supplies          | Services         | Other            | Total             |
|------------------------------------|-------------------|-------------------|------------------|------------------|-------------------|
| Patient Services                   | \$ 226,952        | \$ 85,814         | \$ 21,334        | \$ 11,326        | \$ 345,426        |
| Instruction                        | 188,747           | 5,269             | 2,602            | 6,337            | 202,955           |
| Research                           | 19,821            | 5,795             | 4,009            | 8,890            | 38,515            |
| Public Service                     | 5,786             | 287               | 2,342            | 1,039            | 9,454             |
| Academic Support                   | 16,350            | 1,857             | 13,637           | 2,992            | 34,836            |
| Student Services                   | 17,338            | 675               | 807              | 4,381            | 23,201            |
| Institutional Support              | 62,101            | 1,567             | 9,256            | (2,736)          | 70,188            |
| Operation and Maintenance of Plant | 14,788            | 3,190             | 1,921            | 18,872           | 38,771            |
| Auxiliary Enterprises              | 19,767            | 3,620             | 24,341           | 16,468           | 64,196            |
|                                    | <u>\$ 571,650</u> | <u>\$ 108,074</u> | <u>\$ 80,249</u> | <u>\$ 67,569</u> | <u>827,542</u>    |
| Student Aid                        |                   |                   |                  |                  | 21,865            |
| Depreciation                       |                   |                   |                  |                  | 58,231            |
| Provision for Bad Debts            |                   |                   |                  |                  | 2,717             |
| Total Operating Expenses           |                   |                   |                  |                  | <u>\$ 910,355</u> |

**THE UNIVERSITY OF TOLEDO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**  
**(DOLLARS IN THOUSANDS)**

**NOTE 16 UPCOMING PRONOUNCEMENTS**

GASB Statement No. 75 – The GASB has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is effective for fiscal years beginning after June 15, 2017. This statement establishes standards of accounting and financial reporting for defined benefit other postemployment benefits and defined contribution other postemployment benefits that are provided to the employees of state and local governmental employers through other postemployment benefit plans that are administered through trusts or equivalent arrangements that meet certain criteria. This statement also establishes standards of accounting and financial reporting for defined benefit other postemployment benefits and defined contribution other postemployment benefits that are provided to the employees of state and local governmental employers through other postemployment benefit plans that are not administered through trusts that meet certain criteria. The University has not yet determined the effect that the adoption of GASB Statement No. 75 may have on its financial statements.

GASB Statement No. 81 – The GASB has issued Statement No. 81, *Irrevocable Split-Interest Agreements*, which is effective for fiscal years beginning after December 15, 2016. This statement establishes recognition and measurement requirements for irrevocable split-interest agreements created through trusts – or other legally enforceable agreements with characteristics that are equivalent to irrevocable split-interest agreements – in which a donor irrevocably transfers resources to an intermediary. The intermediary administers these resources for the unconditional benefit of a government or at least one other beneficiary. The University has not yet determined the effect that the adoption of GASB Statement No. 81 may have on its financial statements.

GASB Statement No. 82 – The GASB has issued Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*, which is effective for reporting period beginning after June 15, 2016. This statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The University has not yet determined the effect that the adoption of GASB Statement No. 82 may have on its financial statements.

GASB Statement No. 83 – The GASB has issued Statement No. 83, *Certain Asset Retirement Obligations*, which is effective for fiscal years beginning after June 15, 2018. Statement No. 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for legally enforceable liabilities associated with the retirement of tangible capital assets. Examples of asset retirements covered under this standard are the decommissioning of a nuclear reactor or the dismantling and removal of sewage treatment plants as required by law. The University has not yet determined the effect that the adoption of GASB Statement No. 83 may have on its financial statements.

**THE UNIVERSITY OF TOLEDO**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**  
**(DOLLARS IN THOUSANDS)**

**NOTE 16 UPCOMING PRONOUNCEMENTS (CONTINUED)**

GASB Statement No. 84 – The GASB has issued Statement No. 84, *Fiduciary Activities*, which is effective for fiscal years beginning after December 15, 2018. Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments to determine whether an activity should be reported in a fiduciary fund in the financial statements. The University has not yet determined the effect that the adoption of GASB Statement No. 84 may have on its financial statements.

GASB Statement No. 85 – The GASB has issued Statement No. 85, *Omnibus 2017*, which is effective for fiscal years beginning after June 15, 2017. Statement No. 85 addresses practice issues that have been identified during implementation of certain GASB statements. The University has not yet determined the effect that the adoption of GASB Statement No. 85 may have on its financial statements.

GASB Statement No. 86 – The GASB has issued Statement No. 86, *Certain Debt Extinguishment Issues*, which is effective for fiscal years beginning after June 15, 2017. Statement No. 86 provides guidance for transactions in which cash and other monetary assets acquired with existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. The University has not yet determined the effect that the adoption of GASB Statement No. 86 may have on its financial statements.

GASB Statement No. 87 – The GASB has issued Statement No. 87, *Leases*, which is effective for fiscal years beginning after December 15, 2019. Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. In other words, most leases currently classified as operating leases will be accounted for and reported in the same manner as capital leases. The University has not yet determined the effect that the adoption of GASB Statement No. 87 may have on its financial statements.

**THE UNIVERSITY OF TOLEDO**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**YEARS ENDED JUNE 30, 2017 AND 2016**  
(DOLLARS IN THOUSANDS)

| <u>Schedule of Funding Progress</u>  | 2017         |              | 2016         |              |
|--|--------------|--------------|--------------|--------------|
|  | STRS         | OPERS        | STRS         | OPERS        |
| Plan year end  | Jun 30, 2016 | Dec 31, 2016 | Jun 30, 2015 | Dec 31, 2015 |
| University's proportion of the collective net pension liability:   |              |              |              |              |
| Percentage   | 0.89%        | 1.35%        | 0.91%        | 1.38%        |
| Amount   | \$ 297,264   | \$ 304,944   | \$ 251,992   | \$ 239,124   |
| University's covered-employee payroll  | \$ 83,626    | \$ 186,245   | \$ 85,398    | \$ 185,470   |
| University's proportionate share of the collective pension liability as a percentage of covered-employee payroll | 355.47%      | 163.73%      | 295.08%      | 128.93%      |
| Plan fiduciary net position as a percentage of the total pension liability                                       | 66.78%       | 77.39%       | 72.09%       | 81.19%       |

| <u>Schedule of Contributions</u>  | 2017      |            | 2016      |            |
|---|-----------|------------|-----------|------------|
|   | STRS      | OPERS      | STRS      | OPERS      |
| Statutorily required contribution   | \$ 13,431 | \$ 26,899  | \$ 13,162 | \$ 26,666  |
| Contributions in relation to the actuarially determined contractually required contribution | \$ 13,431 | \$ 26,899  | \$ 13,162 | \$ 26,666  |
| Covered employee payroll  | \$ 85,062 | \$ 190,184 | \$ 83,566 | \$ 188,684 |
| Contributions as a percentage of covered employee payroll                                   | 15.79%    | 14.14%     | 15.75%    | 14.13%     |



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees  
The University of Toledo  
Toledo, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of The University of Toledo (the University) and its discretely presented component unit, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated November 8, 2017. Our report includes a reference to other auditors who audited the financial statements of The University of Toledo Physicians, Clinical Faculty, Inc. (UTP-CF), as described in our report on the University's financial statements. This report includes our consideration of the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors. The University is a component unit of the state of Ohio. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we and the other auditors did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We and the other auditors did identify certain deficiencies in internal control, described in the accompanying schedule of findings as item 2017-001 that we consider to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests and those of the other auditors disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **The University of Toledo's Response to Findings**

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

### **Purpose of this Report**

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



**CliftonLarsonAllen LLP**

Toledo, Ohio  
November 8, 2017





**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

Board of Trustees  
The University of Toledo  
Toledo, Ohio

**Report on Compliance for Each Major Federal Program**

We have audited The University of Toledo's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of The University of Toledo's major federal programs for the year ended June 30, 2017. The University of Toledo's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of The University of Toledo's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The University of Toledo's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion on Each Major Federal Program**

In our opinion, The University of Toledo complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

**Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2017-002. Our opinion on each major federal program is not modified with respect to these matters.

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

**Report on Internal Control Over Compliance**

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2017-001, that we consider to be significant deficiencies.

Board of Trustees  
The University of Toledo

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

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

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Toledo, Ohio  
November 8, 2017

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**THE UNIVERSITY OF TOLEDO  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2017**

| Agency  | CFDA #                | Agency Number  | Passed-Through<br>to Subrecipients | Fiscal year 2017 |
|---|-----------------------|----------------|------------------------------------|------------------|
| <b>STUDENT FINANCIAL AID CLUSTER</b>  |                       |                |                                    |                  |
| <b>U.S. Department of Education</b>   |                       |                |                                    |                  |
| FSEOG   | 84.007                |                |                                    | 499,551          |
| Pell  | 84.063                |                |                                    | 20,802,681       |
| TEACH   | 84.379                |                |                                    | 181,164          |
| Federal Workstudy   | 84.033                |                |                                    | 1,124,491        |
| Federal Direct Loans advances during fiscal year  | 84.268                |                |                                    | 130,806,913      |
| Federal Perkins Loans outstanding balance at 07/01/2016   | 94.038                |                |                                    | 14,832,465       |
| Federal Perkins Loans advances during fiscal year   | 94.038                |                |                                    | 1,600,577        |
|   |                       |                |                                    | 169,847,842      |
| <b>U.S. Department of Health and Human Services</b>   |                       |                |                                    |                  |
| Disadvantaged Student Loans outstanding balance at 07/01/2016   | 93.342                |                |                                    | 164,003          |
| Primary Care Loans outstanding balance at 07/01/2016  | 93.342                |                |                                    | 504,912          |
| Primary Care Loans advances during the fiscal year  | 93.342                |                |                                    | 62,500           |
| Nurse Faculty Loans outstanding balance at 07/01/2016   | 93.264 2 - E01HP12956 |                |                                    | 291,068          |
| Nurse Faculty Loans advances during fiscal year   | 93.264 2 - E01HP12956 |                |                                    | 51,270           |
|   |                       |                |                                    | 1,073,753        |
|   |                       |                |                                    | 170,921,595      |
| <b>TOTAL STUDENT FINANCIAL AID CLUSTER</b>  |                       |                |                                    |                  |
| <b>RESEARCH AND DEVELOPMENT CLUSTER</b>   |                       |                |                                    |                  |
| <b>U.S. Department of Agriculture</b>   |                       |                |                                    |                  |
| Biomonitoring of Nutritional and Environmental Stress in Plants   | 10.001                | 58-3607-4-026  |                                    | 61,193           |
| Research Support Agreement-Acquisition of Goods and Services  | 10.001                | 58-5082-5-014  |                                    | 1,436            |
| Research Support Agreement-Acquisition of Goods and Services  | 10.001                | 58-5082-5-014  |                                    | 7,311            |
| Examination of Factors Influencing Virus Disease in Floriculture Crops  | 10.001                | 58-3607-1-737  |                                    | 60,335           |
| Analysis of mechanisms involved in induction of abiotic and biotic stress tolerance through nutrition and temperature   | 10.001                | 58-5082-6-012  |                                    | 158,360          |
| Immune Evasion in Aquatic Rhabdoviral Pathogens   | 10.001                | 58-5090-6-057  |                                    | 97,867           |
| Combating Viral Pathogens in the Great Lakes Region   | 10.001                | 58-5090-5-069  |                                    | 54,763           |
| <b>Total U.S. Department of Agriculture</b>   |                       |                |                                    | 441,265          |
| <b>National Oceanic and Atmospheric Administration</b>  |                       |                |                                    |                  |
| Characterization of Millimeterwave Ink Jet Printed Components on Flexible Substrates Pass Through From National Institute of Standards and Technology         | 11.013                | 70NANB16H217   |                                    | 4,314            |
| Mapping Drain Tile and Modeling Agricultural Contribution to Nonpoint Source Pollution in the Western Lake Erie Basin Pass Through From Ohio State University | 11.417                | NA14OAR4170067 |                                    | 317              |
| Effects of Harmful Algal Blooms on Wildlife Health Pass Through From Ohio State University  | 11.417                | NA14OAR4170067 |                                    | 9,857            |
| Determining the Role of Urban Runoff in Harmful Algal Bloom Formation in the Western Lake Erie Basin Pass Through From Ohio State University                  | 11.417                | NA14OAR4170067 | 7,297                              | 54,585           |

**THE UNIVERSITY OF TOLEDO  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2017**

| Agency   | CFDA # | Agency Number        | Passed-Through<br>to Subrecipients | Fiscal year 2017 |
|--|--------|----------------------|------------------------------------|------------------|
| Phase 1 Pass Through From Ohio Department of Natural Resources   | 11.419 | NA13NOS4190057       | 9,897                              | 9,451            |
| Building Resilient Shorelines: Phase 2 Pass Through From Ohio Department of Natural Resources  | 11.419 | NA14NOS490072        | 63,345                             | 111,831          |
| Building Resilient Shorelines: Phase 3 - Research and Development Collection Pass Through From Ohio Department of Natural Resources  | 11.419 |                      |                                    | 16,026           |
| Building Resilient Shorelines: Phase 3 Pass Through From Ohio Department of Natural Resources  | 11.419 |                      |                                    | 18,123           |
| Model Development for Supporting Mitigating Western Lake Erie Harmful and Nuisance Algal Blooms Pass Through From University of Michigan                                       | 11.432 | NA12OAR4320071       |                                    | 16,809           |
| <b>Total National Oceanic and Atmospheric Administration</b>   |        |                      |                                    | 241,313          |
| <b>U.S. Department of Defense</b>  |        |                      |                                    |                  |
| MPS Aerodynamic Configuration Refinements and Interaction Characteristics Tasks Pass Through From AVX Aircraft Company   | 12.000 | W911W6-13-2-0004     |                                    | 75,240           |
| Development of Wave Bearings for High Speed Rotors Pass Through From Teledyne  | 12.000 | FA8650-09-D-2929-000 |                                    | 30,662           |
| Development of Wave Bearings for High Speed Rotors Pass Through From Teledyne  | 12.000 | FA8650-09-D-2929-000 |                                    | 16,392           |
| Great Lakes Hydrilla Risk Assessment Pass Through From Ecology and Environment, Inc.   | 12.000 | 1003025.0025         |                                    | 13,744           |
| IDADSS II: Intelligent and Directed Antibiotic Decision Support System Pass Through From Aptima, Inc   | 12     | #W81XWH-16-C-003     |                                    | 1,829            |
| Development of a Wearable Biomarker Sensing Platform Pass Through From Office of Naval Research  | 12.300 | FA8650-15-2-6623     |                                    | 148,668          |
| New experiments towards understanding shock sensitivity of energetic materials   | 12.300 | N00014-16-1-2058     |                                    | 158,071          |
| Hybrid Solid and Gas Phase Deposition of Hydrogenated Silicon for Photovoltaics  | 12.300 | N00014-15-1-0066     | 50,000                             | 153,288          |
| In Situ Investigations and Strategies for Addressing Extrinsic and Intrinsic Degradation Mechanisms in Perovskite Solar Cell Materials and Devices                             | 12.300 | N00014-17-1-2223     |                                    | 25,131           |
| Development of Next Generation Physics and Circuit Simulation Gallium Nitride Power Transistor Models with Added Gate Reliability Analysis for Improved Normally Off Operation | 12.300 | N00016-1-310414-     |                                    | 72,319           |
| Computational Fluid Dynamic Analysis of Fan-In-Wing Configuration  | 12.300 | N00014-14-1-0263     |                                    | 26,253           |
| Notched Fatigue Behavior of Aluminum under Constant and Variable Amplitude Multiaxial Loads Pass Through From Integrated Systems Solutions, Inc.                               | 12.300 |                      |                                    | (2,777)          |
| Shear Fatigue Properties for Aerospace Materials Pass Through From Technical Data Analysis   | 12.300 | N68335-11-G-0033     |                                    | 49,855           |

**THE UNIVERSITY OF TOLEDO  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2017**

| Agency   | CFDA # | Agency Number    | Passed-Through<br>to Subrecipients | Fiscal year 2017 |
|--|--------|------------------|------------------------------------|------------------|
| Early Intervention to Reduce Alcohol Misuse and Abuse in the Ohio Army National Guard Pass Through From University Hospitals of Cleveland  | 12.420 | W81XWH-14-2-0007 |                                    | 110,338          |
| Pre-, Peri-, and Post-deployment Trajectories and Mechanisms of Psychopathology, Psychological Health and Resilience over 9 Years of Prospective Follow-up in the Reserves Pass Through From University Hospitals of Cleveland | 12.420 | W81XWH-15-1-0080 |                                    | 71,003           |
| A Novel Nuclear Interaction between Androgen Receptor and TM4SF3   | 12.420 | W81XWH-17-1-0263 |                                    | 1,404            |
| MURI: An Integrated Multi-Scale Approach for Understanding Ion Transport in Complex Heterogeneous Organic Material   | 12.431 | W911NF-10-1-0520 |                                    | 74,518           |
| Microcompounding equipment for creating thin, robust anion exchange membranes  | 12.431 | W911NF-15-1-0404 |                                    | 573              |
| Salivary Biomarkers of Fatigue   | 12.800 | FA9550-13-1-0187 |                                    | 34,106           |
| Salivary Biomarkers of Fatigue   | 12.800 | FA9550-13-1-0187 |                                    | 7,255            |
| Salivary Biomarkers of Fatigue   | 12.800 | FA9550-13-1-0187 |                                    | 6,432            |
| High-resolution mass spectrometer for biomarker discovery  | 12.800 | FA2386-14-1-3025 |                                    | 11,066           |
| Salivary Biomarkers of Fatigue   | 12.800 | FA9550-13-1-0187 |                                    | 13,736           |
| Lightweight Flexible Solar Cells   | 12.800 | FA9453-11-C-0253 | 2,026                              | 70,165           |
| Multifunctional Oxide Heterostructures for RF and Memory Devices Pass Through From Dayton Area Graduate Studies Institute  | 12.800 |                  |                                    | 46,042           |
| Episodic Memory Reconstruction for UAV Behavior Explanation Pass Through From Soar Technology  | 12.800 |                  |                                    | 47,611           |
| TRACR-T: Tool for Rapid Assessment of Cognitive Readiness in Teams Pass Through From Aptima, Inc   | 12.800 | 1151-1996        |                                    | 35,258           |
| Lightweight Flexible Solar Cells   | 12.800 | FA9453-11-C-0253 |                                    | (430)            |
| Application of Wave Bearing Technology To Helicopter Transmissions Pass Through From Bell Helicopter   | 12.910 |                  |                                    | 15,726           |
| Application of Wave Bearing Technology To Helicopter Transmissions Pass Through From Bell Helicopter   | 12.910 |                  |                                    | 43,664           |
| <b>Total U.S. Department of Defense</b>  |        |                  |                                    | <b>1,357,142</b> |
| <b>U.S. Department of the Interior</b>   |        |                  |                                    |                  |
| Development of a 3 to 4 year Controlled Release PZP Contraceptive Vaccine For Wild Horses  | 15.229 | L10AC20431       |                                    | 280,232          |
| Maumee River Lake Sturgeon Restoration Plan  | 15.650 | F14AC00831       |                                    | 17,735           |
| Determining the contribution of Maumee River fisheries production to western Lake Erie stocks  | 15.808 | G14AC00030       |                                    | 128,734          |
| Food web structure and trophic transfer across Lake Erie's productivity gradient   | 15.808 | G14AC00271       |                                    | 24,189           |
| Food-web linkages between nearshore and offshore Lake Michigan (CSMI 2015)   | 15.808 | G15AC00010       |                                    | 75,496           |
| Grass carp spawning potential in the Sandusky River basin  | 15.808 | G15AC00148       |                                    | 56,083           |

**THE UNIVERSITY OF TOLEDO  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2017**

| Agency  | CFDA # | Agency Number      | Passed-Through<br>to Subrecipients | Fiscal year 2017 |
|---|--------|--------------------|------------------------------------|------------------|
| Assessment of Riverine Habitat Restoration in the St. Clair-Detroit Rivers System   | 15.808 | G15AC000420        |                                    | 165,152          |
| Vegetation Surveying in Support of Grass Carp Spawning Potential in the Sandusky River Basin  | 15.808 | G15AC00310         |                                    | 51,166           |
| Examination of Factors Influencing Lake Whitefish Recruitment in the Detroit River and Western Lake Erie                                      | 15.808 | G16AC00345         |                                    | 35,680           |
| Linking Fish to Lower Trophic Level Variability in Lake Huron (CSMI 2017)   | 15.808 |                    |                                    | 6,332            |
| Mapping the Burnside, MI 7.5' Quadrangle  | 15.810 | G17AC00132         |                                    | 286              |
| <b>Total U.S. Department of the Interior</b>  |        |                    |                                    | 841,085          |
| <b>U.S. Department of Justice</b>   |        |                    |                                    |                  |
| Center for Student Advocacy & Wellness Pass Through From Ohio Attorney General  | 16.575 | 2017-VOCA-43555956 |                                    | 125,141          |
| Center for Student Advocacy & Wellness Pass Through From Ohio Attorney General  | 16.575 | 2016-VOCA-22895871 |                                    | 44,706           |
| Lucas County Reentry Data Analysis and Evaluation Pass Through From Criminal Justice Coordinating Council                                     | 16.812 | 2013-BJ-SCA-1403   |                                    | 11,332           |
| <b>Total U.S. Department of Justice</b>   |        |                    |                                    | 181,179          |
| <b>National Aeronautic Space Administration</b>   |        |                    |                                    |                  |
| A Snapshot WFC3 IR Survey of Spitzer/Herschel-Identified Protostars in Nearby Molecular Clouds  | 43.000 |                    |                                    | 41,587           |
| W014- TBD Pass Through From Vantage Partners, LLC   | 43.000 | W014 VPL-15-018    |                                    | 56,314           |
| W339-TDB Pass Through From Vantage Partners, LLC  | 43.000 |                    |                                    | (58)             |
| Additive Manufacturing of NiTiHf High Temperature Shape Memory Alloys   | 43.000 | NNC16VA75P         |                                    | 5,288            |
| H-alpha LEGUS: Unveiling the Interplay Between Stars, Star Clusters, and Ionized Gas  | 43.001 | HST-GO-13773.001-A |                                    | (4,627)          |
| WFC3 Spectroscopy of Faint Young Companions to Orion Young Stellar Objects  | 43.001 | HST-GO-13763.001-A |                                    | 11,497           |
| Analysis and Testing of Advanced Materials and Structures (85T.08) Pass Through From Universities Space Research Association                  | 43.001 | NNC13BA10B         |                                    | (18,975)         |
| Analysis and Testing of Advanced Materials and Structures (85T.08) Pass Through From Universities Space Research Association                  | 43.001 | NNC13BA10B         |                                    | 58,656           |
| Analysis and Testing of Advanced Materials and Structures (85T.08) Pass Through From Universities Space Research Association                  | 43.001 | NNC13BA10B         |                                    | 168,611          |
| The Next Generation of Numerical Modeling in Mergers- Constraining the Star Formation Law Pass Through From Space Telescope Science Institute | 43.001 | HST-AR-12120.005-A |                                    | 19,966           |
| Are Runaway O-Star Bow Shocks Able to Accelerate Cosmic Rays? Pass Through From Smithsonian Astrophysical Observatory                         | 43.001 | NAS8-03060         |                                    | 6,602            |



**THE UNIVERSITY OF TOLEDO  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2017**

| Agency  | CFDA # | Agency Number                      | Passed-Through<br>to Subrecipients | Fiscal year 2017 |
|---|--------|------------------------------------|------------------------------------|------------------|
| Observing the Formation of Disks: ALMA and HST observations of Edge-On Protostars   | 43.001 | NNX14AD23G                         |                                    | 137,519          |
| Mission Earth: Fusing GLOBE with NASA Assets to Build Systemic Innovation in STEM Education   | 43.001 |                                    | 738,183                            | 1,223,598        |
| Mission Earth: Fusing GLOBE with NASA Assets to Build Systemic Innovation in STEM Education   | 43.001 |                                    |                                    | 17,305           |
| Smart Unmanned Aerial Vehicle for Exploration (SUAVE)   | 43.001 |                                    |                                    | (969)            |
| Planet Occurrence around Mid-M Dwarfs in the Kepler Field   | 43.002 | RSA 1546069                        |                                    | 1,300            |
| HST/WFC3 Spectroscopy of < 400 AU Companions to Orion Young Stellar Objects   | 43.002 | HST-GO-14709.003-A                 |                                    | 2,812            |
| Advanced Aerospace Seals Research for Reimbursements Interagency Agreement With DARPA-OYr3  |        |                                    |                                    | 28,525           |
| Completing the Census of Ultracool Brown Dwarfs in the Solar Neighborhood using HST/WFC3  | 43.002 | HST-GO-12970.02-A                  |                                    | 21,524           |
| Taming the Tepid Three  | 43.002 |                                    |                                    | 11,667           |
| Herschel OT2 Combined: After the Fall: Probing Dust and Gas...; The Mass and Structure of Molecular Gas in the Small Magellanic Cloud...                          | 43.002 | 1454672                            |                                    | 53,601           |
| Origin of massive outer gas reservoirs in early-type galaxies   | 43.002 | 1476005                            |                                    | 2,169            |
| A Spitzer/HST Case Study of Weather on a Y Dwarf  | 43.002 | 1530668                            |                                    | 983              |
| Planet Occurrence around Mid-M Dwarfs in the Kepler Field   | 43.002 | RSA 1532435 - 15B-0280/85, RSA 153 |                                    | 15,420           |
| Broad (OI) in Outflows: The GREAT Observations of Orion Protostars Pass Through From Universities Space Research Association                                      | 43.002 | NAS2-97001                         |                                    | 1,456            |
| A Hard Look at the Colliding Winds in the gamma Velorum system  | 43.002 | 78249                              |                                    | 41,475           |
| Hyperspectral Imager Atmospheric Correction   | 43.002 | NNC15MF73P                         |                                    | 7,989            |
| Extended Durability of Materials in Advanced Propulsion and Power Systems for Aeronautic and Space Exploration  | 43.002 | NNC07TA62T                         |                                    | (204)            |
| Development of Advanced Computational Tools for the Simulation of Multistage Turbomachinery in Support of Aero-propulsion Pass Through From Vantage Partners, LLC | 43.002 | VPL-12-010-W141                    |                                    | 351,075          |
| Turbomachinery Computational Aero-Acoustics (CAA) Pass Through From Vantage Partners, LLC   | 43.002 | NNC12BA01B VPL-12-05               |                                    | 55,732           |
| Turbomachinery Computational Aero-Acoustics (CAA) Pass Through From Vantage Partners, LLC   | 43.002 | NNC12BA01B VPL-12-05               |                                    | 79,447           |
| Development and Application of Computational Tools for Turbomachinery Geometries Pass Through From Universities Space Research Association                        | 43.002 | NNC13BA10B                         |                                    | 59,089           |
| Advanced Aerospace Seals Research Pass Through From Universities Space Research Association   | 43.002 | NNC13BA10B                         |                                    | 48,447           |
| Aeroelastic Analysis for Boundary Layer Ingesting Inlet-Fan Pass Through From Universities Space Research Association   | 43.002 | NNC13BA10B                         |                                    | 50,438           |
| Development of Ceramic Processing Methods for Aerospace Applications Pass Through From Universities Space Research Association                                    | 43.002 |                                    |                                    | 42,943           |

**THE UNIVERSITY OF TOLEDO  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2017**

| Agency   | CFDA # | Agency Number        | Passed-Through<br>to Subrecipients | Fiscal year 2017 |
|--|--------|----------------------|------------------------------------|------------------|
| Advanced Aerospace Seals Research Pass Through From Universities Space Research Association  | 43.002 | NNC13BA10B           |                                    | 128,030          |
| Aeroelastic Analysis for Boundary Layer Ingesting Inlet-Fan Pass Through From Universities Space Research Association  | 43.002 | NNC13BA10B           |                                    | 189,187          |
| Advanced Aerospace Seals Research for Reimbursable Space Act Agreement with U.S. Army Pass Through From Universities Space Research Association  | 43.002 | NNC13BA10B           |                                    | 74,834           |
| Development of Ceramic Processing Methods for Aerospace Applications Pass Through From Universities Space Research Association   | 43.002 |                      |                                    | 129,343          |
| Brown Dwarf and Exoplanet Weather Forecasts: Are Y Dwarfs Partly Cloudy? Pass Through From Jet Propulsion Laboratory   | 43.002 | 1472480              |                                    | 34,662           |
| Ohio Space Grant Consortium (OSGC) Scholarships and Fellowships for Fellowships for 2006-2007 to University of Toledo  | 43.002 |                      |                                    | 226              |
| Optimization of Protein Crystal Growth for Determination of Enzyme Mechanisms through Advanced Diffraction Techniques Pass Through From Center for the Advancement of Science in Space | 43.002 | NNH11CD70A           |                                    | (250)            |
| Analysis for Future Aircraft Propulsion Systems Pass Through From Universities Space Research Association  | 43.002 | NNC13BA10B 04555.13T |                                    | 134              |
| Microstructural Analysis and Structure-Property Relationships in Advanced Metallic Materials Pass Through From Universities Space Research Association                                 | 43.002 | NNC13BA10B 04555.13T |                                    | 72,179           |
| Extended Durability of Materials in Aerospace Propulsion and Power Systems Pass Through From Universities Space Research Association   | 43.002 | NNC13BA10B           |                                    | 60,334           |
| Analysis for Future Aircraft Propulsion Systems Pass Through From Universities Space Research Association  | 43.002 | NNC13BA10B 04555.13T |                                    | 36,204           |
| Development of Computer Tomography and Digital Radiography for Aerospace Materials and Facilities Operations Pass Through From Universities Space Research Association                 | 43.002 | NNC13BA10B           |                                    | 60,875           |
| Advanced Aerospace Seals Research for Reimbursable SAA with COI Ceramics Pass Through From Universities Space Research Association   | 43.002 |                      |                                    | 23,098           |
| Advanced Aerospace Seals Research for Reimbursable SAA with Boeing Pass Through From Universities Space Research Association   | 43.002 | 91T.24               |                                    | 10,609           |
| Advanced Aerospace Seals Research for Reimbursable SAA with Boeing Pass Through From Universities Space Research Association   | 43.002 | 91T.24               |                                    | 18,260           |
| Analysis for Future Aircraft Propulsion Systems Pass Through From Universities Space Research Association  | 43.002 | NNC13BA10B 04555.13T |                                    | 99,831           |

**THE UNIVERSITY OF TOLEDO  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2017**

| Agency   | CFDA # | Agency Number        | Passed-Through<br>to Subrecipients | Fiscal year 2017 |
|--|--------|----------------------|------------------------------------|------------------|
| Microstructural Analysis and Structure-Property Relationships in<br>Advanced Metallic Materials Pass Through From Universities<br>Space Research Association                             | 43.002 | NNC13BA10B 04555.13T |                                    | 215,828          |
| Extended Durability of Materials in Aerospace Propulsion and<br>Power Systems Pass Through From Universities Space Research<br>Association   | 43.002 | NNC13BA10B           |                                    | 181,823          |
| Development of Computer Tomography and Digital Radiography<br>for Aerospace Materials and Facilities Operations Pass Through<br>From Universities Space Research Association             | 43.002 | NNC13BA10B           |                                    | 113,698          |
| A Spitzer/HST Case Study of Weather on a Y Dwarf   | 43.003 | HST-GO-14052.001-A   |                                    | 7,366            |
| A Multiwavelength Study of the Nature of Diffuse Atomic and<br>Molecular Gas Pass Through From Space Telescope Science<br>Institute  | 43.003 | HST-GO-14173.001-A   |                                    | 16,982           |
| Microgravity Crystal Growth for Improvement in Neutron Diffraction<br>and the Analysis of Protein Complexes Pass Through From Center<br>for the Advancement of Science in Space          | 43.007 | GA-2017-251          |                                    | 60,311           |
| HICO Identification of Harmful Algal Blooms Pass Through From<br>Center for the Advancement of Science in Space  | 43.010 | NNH11CD70A           |                                    | 8                |
| <b>Total National Aeronautic Space Administration</b>  |        |                      |                                    | 4,131,774        |
| <b>National Science Foundation</b>   |        |                      |                                    |                  |
| I-Corps: Quantitative Diagnosis of Sperm Quality   | 47.041 | IIP 1640274          |                                    | 11,597           |
| NSF I-Corps: New Catalysts for Chemicals Production  | 47.041 | IIP 1654932          |                                    | 26,822           |
| DMREF: Collaborative Research: Nitride Discovery - Creating the<br>Knowledge Base for Hard Coating Design  | 47.041 | CMMI-1234777         |                                    | 15,182           |
| NSF/DOE Solar Hydrogen Fuel: New metal oxides for efficient<br>hydrogen production via solar water splitting   | 47.041 | CBET-1433401         |                                    | 127,565          |
| Market Interest in Perovskite Solar Cells  | 47.041 | IIP1639790           |                                    | 28,180           |
| DMREF: Collaborative Research: Hard Coating Synthesis  | 47.041 | 1629239              |                                    | 20,077           |
| EAGER: TDM Solar Cells: Exploration of high open-circuit voltage<br>and stable wide-bandgap Cu <sub>2</sub> BaSnS <sub>4</sub> top cell for monolithic<br>tandem cell applications       | 47.041 | 1665028              |                                    | 18,929           |
| EAGER TDM Solar Cells: Towards Low Cost Manufacturing of 30%<br>Monolithic Perovskite/CuInSe <sub>2</sub> Tandems with Solution Processing<br>and Novel Carbon Nanotube Tunnel Junctions | 47.041 | 1665172              |                                    | 10,940           |
| Extreme Events Impacts on Water Quality in the Great Lakes:<br>Prediction and Management of Nutrient Loading in a Changing<br>Climate Pass Through From University of Michigan           | 47.041 | CBET-1313897         |                                    | 1,324            |
| I-Corps: Beneficial reuse of water treatment spent lime  | 47.041 | IIP1663255           |                                    | 25,593           |
| Mechanistic Analysis of Polyelectrolyte-Based Colloidal Drug<br>Carriers   | 47.041 | CBET-1133795         |                                    | 3,726            |
| CAREER: Photodirected Assembly of Custom-Designed<br>Polyelectrolyte Complexes   | 47.041 | CBET-1150908         |                                    | 57,104           |

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|--|--------|----------------|------------------------------------|------------------|
| Simultaneous Isomerization and Reactive Extraction of Biomass Sugars for High Yield Production of Ketone Sugars  | 47.041 | CBET-1236708   |                                    | 47,956           |
| Simultaneous Isomerization and Reactive Extraction of Biomass Sugars for High Yield Production of Ketone Sugars  | 47.041 | CBET-1236708   |                                    | 24,440           |
| PFI:AIR - TT: Low Cost Method for Harvesting Algal Biomass from Dilute Cultures  | 47.041 | 1500256        |                                    | 42,026           |
| PFI:AIR - TT: High Yield Production of Furans from Biomass Hydrolysates using a Hybrid Enzyme- and Chemo-catalytic Technology                                  | 47.041 | 1500273        |                                    | 26,900           |
| PFI:AIR - TT: High Yield Production of Furans from Biomass Hydrolysates using a Hybrid Enzyme- and Chemo-catalytic Technology                                  | 47.041 | 1500273        |                                    | 4,800            |
| PFI:AIR - TT: High Yield Production of Furans from Biomass Hydrolysates using a Hybrid Enzyme- and Chemo-catalytic Technology                                  | 47.041 | 1500273        |                                    | 8,000            |
| Understanding the Role of Biofilm on Disinfection By-Product Formation and Fate in the Water Distribution System   | 47.041 | CBET - 1236433 |                                    | 91,194           |
| Collaborative Research: Analysis of Decentralized Harvested Rainwater Systems using the Urban Water Infrastructure Sustainability Evaluation (uWISE) Framework | 47.041 | CBET-1236660   |                                    | 12,612           |
| Understanding the Role of Biofilm on Disinfection By-Product Formation and Fate in the Water Distribution System   | 47.041 | CBET - 1236433 |                                    | 1,850            |
| Collaborative Research: Analysis of Decentralized Harvested Rainwater Systems using the Urban Water Infrastructure Sustainability Evaluation (uWISE) Framework | 47.041 | CBET-1236660   |                                    | 1,661            |
| GOALI/Collaborative: Engineering Biofilm Dynamics for Cyanotoxins in Biological Water Treatment  | 47.041 | CBET1605185    |                                    | 10,080           |
| Collaborative Research: Enhancing Spectral Access via Directional Spectrum Sensing Employing 3D Cone Filterbanks: Interdisciplinary Algorithms and Prototypes  | 47.041 | ECCS-1247946   |                                    | (1,666)          |
| Collaborative Research: Enhancing Spectral Access via Directional Spectrum Sensing Employing 3D Cone Filterbanks: Interdisciplinary Algorithms and Prototypes  | 47.041 | ECCS-1247946   |                                    | 7,590            |
| I-Corps Teams: Wireless Sensor Network Based Localization and Navigation for Precision Agriculture   | 47.041 | 1638927        |                                    | 23,913           |
| CM/Collaborative Research: Cloud MEMS: Cybermanufacturing of Micro-Electro-Mechanical Systems  | 47.041 | CMMI 1643941   |                                    | 5,608            |
| I-CORPS: Bio-Inspired Predictive Engineering Analysis Tool   | 47.041 | 1737815        |                                    | 29,206           |
| I-Corps: Addressing Pulmonary Embolism with QuickFlow PE   | 47.041 | 1612607        |                                    | 17,406           |
| I-Corps Teams: MEMS based Gas Sensor System for Industrial and Military Applications   | 47.041 | 1644894        |                                    | 35,163           |

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| Agency  | CFDA # | Agency Number | Passed-Through<br>to Subrecipients | Fiscal year 2017 |
|---|--------|---------------|------------------------------------|------------------|
| I-Corps Teams: Auxetic Structures for Practical Applications  | 47.041 | IIP 1648690   |                                    | 30,985           |
| Collaborative Research: Research Initiation: Factors Affecting Underrepresented Minority Student Success and Pathways to Engineering Careers at Majority and Minority Institutions. | 47.041 | 1640553       |                                    | 25,659           |
| I-Corps Teams: Addressing Information Security with Channel Codes   | 47.041 | IIP 1646653   |                                    | 31,383           |
| I-CORPS: Diagnostic Tool and Mechanism for Evaluating Performance and Productivity  | 47.041 | 1719463       |                                    | 31,502           |
| I-Corps Teams: Novel Smart Meters with Built-in Self-Test and Hardware Security   | 47.041 | IIP1646723    |                                    | 31,194           |
| I:/URC: Technolgy Innovation for Novel Cost-reducing and Quality Enhancing Muscelskeletal Therapies   | 47.041 | IIP-1361977   |                                    | 56,540           |
| I:/URC: Technolgy Innovation for Novel Cost-reducing and Quality Enhancing Muscelskeletal Therapies   | 47.041 | IIP-1361977   |                                    | 4,603            |
| I-Corps Teams: Dynamic Tissue Culture Platform for in vitro Drug Screening  | 47.041 |               |                                    | 46,554           |
| I-Corps: Decision Support System For Risk Reduction in Health Care Facilities   | 47.041 | 1735683       |                                    | 42,464           |
| Midwest I-Corps Network Pass Through From University of Michigan  | 47.041 |               |                                    | 29,904           |
| I Corps Phase State Water Sensor  | 47.041 |               |                                    | 5,041            |
| Topic II: NSF I-Corps Site at The University of Toledo  | 47.041 | 1644631       |                                    | 1,600            |
| Networking Urban Resources with Teachers and University to enRich Early Childhood Science   | 47.046 | DUE-1102808   | 8,000                              | 977,443          |
| Networking Urban Resources with Teachers and University to enRich Early Childhood Science   | 47.046 | DUE-1102808   |                                    | 438,489          |
| Creation of Tools for the Study of Oxidative Damage to Nucleic Acids  | 47.049 | CHE 1309135   |                                    | 31,210           |
| The CepOB3b Young Cluster: A New Laboratory for Studying the Role of Environment...   | 47.049 | AST-1009564   |                                    | 14,081           |
| Collaborative Research: A Data Reduction Tool for iSHELL  | 47.049 | AST-1407464   |                                    | 11,439           |
| Collaborative Research: Variable Circumstellar Disks: Prevalence, Timescales, and Physical Mechanisms   | 47.049 | AST-1412135   |                                    | 52,297           |
| The Birth and Death of Stellar Clusters: Uncloaking the Roles of Stars, Gas, and Physical Environment in Nearby Galaxies  | 47.049 | 1517819       |                                    | 58,627           |
| NRAO Student Observing Support Award for Nicole Karnath Pass Through From National Radio Astronomy Observatory  | 47.049 | AST-0836064   |                                    | 28,263           |
| Umpolung Reactivity in Stereoselective Synthesis of 2-Deoxy Glycosides and Thioglycosides   | 47.049 | CHE-1213352   |                                    | 206              |
| Quantitative characterization of weak interactions  | 47.049 | CHE-1213329   |                                    | 1,467            |
| Stereoselective Construction of Difficult Glycosidic Linkages   | 47.049 | 1464787       | 20,347                             | 117,882          |
| SEP: Earth-abundant solar cells as a sustainable solar energy pathway   | 47.049 | CHE-1230246   | 73,548                             | 223,189          |

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|---|--------|---------------|------------------------------------|------------------|
| REU Site: Research Experiences for Undergraduates in Physics and Astronomy at The University of Toledo  | 47.049 | PHY-1262810   |                                    | 7,865            |
| REU Site: Research Experiences for Undergraduates in Physics and Astronomy at The University of Toledo  | 47.049 | PHY-1262810   |                                    | 41,747           |
| Quantum theories of fundamental atomic and molecular processes and their applications   | 47.049 | PHY-1306407   |                                    | 27,294           |
| Simulating Non-equilibrium Processes over Extended Time- and Length-Scales using Parallel Accelerated Dynamics                                | 47.049 | DMR-1410840   |                                    | 90,495           |
| DMREF: SusChEM: Collaborative Research: Rapid Design of Earth Abundant Inorganic Materials for Future PV's                                    | 47.049 | 1534686       |                                    | 83,552           |
| Quantum Theories of Fundamental Atomic and Molecular Interactions and their applications  | 47.049 | PHY 1607256   |                                    | 39,238           |
| SEP Collaborative: Alkaliphilic microalgae-based sustainable & scalable processes for renewable fuels and products                            | 47.049 | CHE-1230609   |                                    | 178,959          |
| PIC Math Pass Through From Mathematical Association of America  | 47.049 | DMS-1345499   |                                    | 761              |
| Midwest Several Complex Variables Conference  | 47.049 | 1600121       |                                    | 801              |
| Collaborative Research: Winter snow depth as a driver of microbial activity, nutrient cycling, tree growth and treeline advance in the Arctic | 47.050 | 1503939       |                                    | 52,285           |
| Collaborative Research: Winter snow depth as a driver of microbial activity, nutrient cycling, tree growth and treeline advance in the Arctic | 47.050 | 1503939       |                                    | 46,430           |
| GEPR: Systems Approaches to Identify Gene Regulatory Networks in the Grasses Pass Through From Ohio State University                          | 47.074 | IOS-1125620   |                                    | 20,172           |
| Collaborative Research: Gene Diversity of the VHS Fish Virus: Evolution of Cellular Immune Response and Pathogenesis                          | 47.074 | IOS-1354806   |                                    | 152,990          |
| I-Corps: Wormbusters: Improving Agricultural Yields   | 47.074 | 1640102       |                                    | 27,158           |
| REU Site: Undergraduate Research and Mentoring-Using the Lake Erie Sensor Network to Study Land-Lake Ecological Linkages                      | 47.074 | 1461124       |                                    | 47,142           |
| REU Site: Undergraduate Research and Mentoring-Using the Lake Erie Sensor Network to Study Land-Lake Ecological Linkages                      | 47.074 | 1461124       |                                    | 89,611           |
| CAREER: Teaching Practices That Support Fraction-Based Algorithmic Thinking   | 47.076 | DRL-0952661   |                                    | 22,106           |
| UT3 Noyce Scholarship Plus  | 47.076 | DUE-1339954   | 74,932                             | 82,209           |
| The Northern Ohio Alliance for Advancing Graduate Education in the Professoriate  | 47.076 | 1432878       |                                    | 22,338           |
| The Northern Ohio Alliance for Advancing Graduate Education in the Professoriate  | 47.076 | 1432878       |                                    | 23,797           |
| Collaborative Research: IRES: Life Cycle Management and Ecosystem Services Applied to Urban Agriculture                                       | 47.079 | OISE 1559394  |                                    | 15,335           |
| Collaborative Research: IRES: Life Cycle Management and Ecosystem Services Applied to Urban Agriculture                                       | 47.079 | OISE 1559394  |                                    | 7,965            |
| <b>Total National Science Foundation</b>  |        |               |                                    | 4,108,050        |

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| <b>U.S. Environmental Protection Agency</b>  |        |                     |                                    |                   |
| Radon Web Site Pass Through From Ohio Department of Health   | 66.032 |                     |                                    | 14,380            |
| Stormwater Management at Multi-Family Housing Sites in Urban Toledo  | 66.440 | UW00E01997-0        |                                    | 30,800            |
| Reduction of Sediment and Bacteria Loadings to Public Beaches at Maumee Bay State Park via Enhanced Riparian Habitat                   | 66.469 | GL-00E01148-0       |                                    | 8,474             |
| Maumee AOC, Wolf Creek: Passive Treatment Wetland to Improve Nearshore Health and Reduce Nonpoint Source Pollutants                    | 66.469 | GL-00E00823-0       |                                    | 15,357            |
| Reduction of Sediment and Bacteria Loadings to Public Beaches at Maumee Bay State Park via Enhanced Riparian Habitat                   | 66.469 | GL-00E01148-0       |                                    | 34,989            |
| Early Detection DNA Technology for High Risk Invasive Fish Species   | 66.469 | GL-00E01149-1       |                                    | 36,876            |
| Invasive Invertebrate Species Prevention, Detection, and Control: A New Next Generation Sequencing Assay                               | 66.469 | GL-00E01289-0       |                                    | 85,094            |
| Oak Openings Regional Invasive Species Strategy Pass Through From Nature Conservancy   | 66.469 | GL-00E01444         |                                    | 36,196            |
| Invasive Species Prevention from Retailers via Metagenetics, Supply Chains, and Public/Stakeholder Engagement                          | 66.469 | GL 00E01898         | 58,562                             | 123,497           |
| Lake Erie Bathing Beach Monitoring Pass Through From Ohio Department of Health   | 66.472 | CU-00E52606         |                                    | 15,985            |
| The University of Toledo Pollution Prevention Grant Proposal   | 66.708 | NP-00E01509-0       | 1,220                              | 36,813            |
| The University of Toledo Pollution Prevention Grant Proposal   | 66.708 | NP-00E01509-0       | 14,543                             | 19,862            |
| The University of Toledo Pollution Prevention Grant Proposal 9-Element Watershed Plan Update Pass Through From City of Toledo          | 66.708 | NP00E02052          |                                    | 14,373            |
| <b>Total U.S. Environmental Protection Agency</b>  |        |                     |                                    | 21,989<br>494,685 |
| <b>Nuclear Regulatory Commission</b>   |        |                     |                                    |                   |
| Joint Initiative in a New Type of Nuclear Radiation Detector   | 77.009 | NRC-HQ-12-G-38-0042 |                                    | 3,745             |
| <b>Total Nuclear Regulatory Commission</b>   |        |                     |                                    | 3,745             |
| <b>U.S. Department of Energy</b>   |        |                     |                                    |                   |
| Neutron Diffraction Studies of PLP Dependent Enzymes Pass Through From Battelle  | 81.000 | DE-AC05-00OR22725   |                                    | 40,549            |
| Ultra high-efficiency and low-cost halide perovskite-based thin-film solar cells Pass Through From Alliance for Sustainable Energy LLC | 81.000 | DE-AC36-08GO28308   |                                    | 96,361            |
| Optical Evaluation of Photovoltaic Module Materials for Thermal Management Pass Through From Alliance for Sustainable Energy LLC       | 81.000 | DE-AC36-08GO28308   |                                    | 85,041            |

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| Experimental Electron Density Distribution in Actinide Compounds -<br>an Experimental Atoms in Molecules Approach   | 81.049  | DE-SC0012403      |                                    | 128,844          |
| Topic Area of Interest (C - Materials Processing): Fabrication and<br>Processing of Next Generation Oxygen Carrier Materials for<br>Chemical Looping Combustion   | 81.057  | DE-FE008774       |                                    | 18,042           |
| UT Expertise for SRI/DOE Solar Energy Evolution and Diffusion<br>Studies (SEED) Project Pass Through From SRI International   | 81.087  | DE-EE006130       |                                    | 10,718           |
| High-Performance Perovskite-Based Solar Cells Pass Through<br>From Duke University  | 81.087  | 15-DOE-1047       |                                    | 132,474          |
| High Sensibility Mapping of Stress via Anisotropic Optics for<br>Improved PV Manufacturing Pass Through From Stanford<br>University   | 81.087  | DE-EE0004946      |                                    | (1,399)          |
| Crosscutting Recombination Metrology for Expediting VOC<br>Engineering Pass Through From Texas State University   | 81.087  | 17003-82647-1     |                                    | 85,960           |
| Integration of Nutrient and Water Recycling for Sustainable Algal<br>Biorefineries  | 81.087  | DE-EE0005993      | 449,645                            | 782,773          |
| Growth, heat treatment, and theory of CdTe thin films Pass<br>Through From Battelle   | 81.089  | DE-AC05-00OR22725 |                                    | 14,052           |
| Adjuvanted Nanolipoprotein Particles for use in Enhancing the<br>Protective Efficacy of Francisella tularensis<br>Membrane Protein Antigens Pass Through From Lawrence<br>Livermore National Laboratory | 81.123  | B611059           |                                    | (4,446)          |
| Northern Ohio Building-to-Grid Integration Demonstration Project<br>Pass Through From Pacific Northwest National Laboratory   |         | 323688            |                                    | 52,602           |
| <b>Total U.S. Department of Energy</b>  |         |                   |                                    | <u>1,441,571</u> |
| <b>U.S. Department of Education</b>   |         |                   |                                    |                  |
| Making Connections: Preparing Teachers to Integrate STEM Pass<br>Through From Ohio Department of Higher Education   | 84.367  | 15-44             |                                    | 2,285            |
| Making Connections: Preparing Teachers to Integrate STEM Pass<br>Through From Ohio Department of Higher Education   | 84.367  | 15-44             |                                    | 10,104           |
| Making Connections: Preparing Teachers to Integrate STEM Pass<br>Through From Ohio Department of Higher Education   | 84.367B | 16-35             |                                    | 73,160           |
| Making Connections: Preparing Teachers to Integrate STEM Pass<br>Through From Ohio Department of Higher Education   | 84.367B | 16-35             |                                    | 15,574           |
| <b>Total U.S. Department of Education</b>   |         |                   |                                    | <u>101,123</u>   |



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| <b>U.S. Department of Health and Human Services</b>  |        |                      |                                    |                  |
| <b>National Institutes of Health</b>   |        |                      |                                    |                  |
| Task Order 007 - Cefixime NIAID - DMID 12-0025   | 93.000 | HHSN272200800026C    |                                    | 207,711          |
| Task Order #4 Colistin DMIM 10-0082 PK (CRM)   | 93.000 | HHSN272200800026C    |                                    | 8,618            |
| Wk Order 3 An Open-Label Rand. Multi-Center Study to Eval. Efficacy & Safety of a Single Dose of Oral Solithromycin Comp. to SingleDose Intramuscular Ceftriaxone + Single-Dose Oral Azithromycin in Treatment of Patients w/ Uncomplicated Urogenital Gonorrhoe | 93.000 | work order 3 UT-2013 |                                    | 234              |
| The Chemoprevention of Colon Cancer in the Rat AOM Colon Model. Tissues for Surrogate Biomarker Studies and Testing of a Proliferative Index - Work Assignment #6  | 93.000 | HHSN261200433000C    |                                    | 9,389            |
| Genetic Elements Controlling Blood Pressure Pass Through From National Institutes of Health  | 93.000 | R01 - HL - 020176    |                                    | 595,787          |
| Task Order #006 CDiff 1 DMID 10-0008 PK (CRM) Pass Through From Clinical Research Management, Inc.   | 93.000 | HHSN272200800026C    |                                    | 3,365            |
| Phase 1 Open Label Trial of the Safety, Tolerability, and Genitourinary and Pharyngeal Pharmacokinetics of Solithromycin Pass Through From Clinical Research Management, Inc.  | 93.000 | Task Order 008-13-00 |                                    | 271,929          |
| Identification of novel inhibitors of a Vibrio cholerae stress response pathway  | 93.000 | R01 - HD - 075928    |                                    | 51,292           |
| Computational Models for Fracture Prediction in Growing Rods Implanted in Pediatric Scoliotic Spines   | 93.103 | HHSF223201610591P    |                                    | 1,504            |
| Multifunctional bone putty for craniomaxillofacial bone repair   | 93.121 | R01 - DE - 023356    |                                    | 253,905          |
| NOVEL CALCIUM SIGNALING PATHWAYS IN SALIVARY GLAND   | 93.121 | R21 - DE - 023418    |                                    | 19,634           |
| Multifunctional bone putty for craniomaxillofacial bone repair   | 93.121 | R01 - DE - 023356    |                                    | 3,372            |
| Ryan White HIV/AIDS Program Part D Grants for Coordinated HIV Services and Access to Research for Women, Infants, Children, and Youth (WICY) Pass Through From National Institutes of Health   | 93.153 | H12HA248380301       |                                    | (32)             |
| Ryan White HIV/AIDS Program Part D Grants for Coordinated HIV Services and Access to Research for Women, Infants, Children, and Youth (WICY) Pass Through From National Institutes of Health   | 93.153 | H12 - HA - 24838     |                                    | 5,720            |
| NIDCD-R03 Pass Through From National Institutes of Health  | 93.173 | R03 - DC - 013396    |                                    | 24,818           |
| 2702Evaluation of a Standard Acquisition Charge Model for Kidney Paired Donation Pass Through From National Institutes of Health   | 93.226 | R18 - HS - 020610    | 236,486                            | 322,741          |
| Study of early brain alterations that predict development of chronic PTSD Pass Through From National Institutes of Health  | 93.242 | R01 - MH - 110483    | 7,062                              | 175,820          |
| Longitudinal MRI study of PTSD development from days to weeks after trauma   | 93.242 | R21 - MH - 098198    |                                    | 75               |
| Neurobehavioral Moderators of Post-traumatic Disease Trajectories: Prospective MRI Study of Recent Trauma Survivors Pass Through From New York University  | 93.242 | 13-A-00-001751-01    |                                    | 6,525            |

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| Industrial hygiene air sampling/analysis of microcystin in Lake Erie region Pass Through From University of Cincinnati            | 93.262 |                       |                                    | 6,851            |
| Intrinsic factors that influence retention among nursing assistants   | 93.262 |                       |                                    | 6,023            |
| UAV use in Reducing Hazards for Firefighters During Emergency Response Pass Through From University of Cincinnati                 | 93.262 |                       |                                    | 9,237            |
| The role of GLT1 in the modulation of alcohol-drinking behavior in P rats Pass Through From National Institutes of Health         | 93.273 | R01 - AA - 019458     |                                    | 112,164          |
| Tool Building to Inform Structure-Functions Relationships in the Autonomic Nervous System   | 93.310 | 5 - U18 - EB - 021790 |                                    | 313,753          |
| Anatomical-Functional Mapping of Enteric Neural Circuits  | 93.310 | OD - 023859           | 686,843                            | 1,398,602        |
| TRIP13 AAA-ATPase overexpression in chromosomal instability and breast cancer<br>Pass Through From National Institutes of Health  | 93.393 | R01 - CA - 169500     |                                    | 377,940          |
| TRIP13 AAA-ATPase overexpression in chromosomal instability and breast cancer<br>Pass Through From National Institutes of Health  | 93.393 | R01 - CA - 169500     |                                    | 98,887           |
| Development of Novel Inducers of Non-Apoptotic Cell Death to Target Glioblastoma Pass Through From National Institutes of Health  | 93.395 | R01 - CA - 115495     |                                    | 263,079          |
| Entirely Carbohydrate Vaccine Constructs and Their Application in Probing Glycoim   | 93.395 | 5 - R01 - CA - 156661 |                                    | 198,155          |
| RhoG Signaling in Invadopodia Pass Through From National Institutes of Health   | 93.396 | 1 - R21 - CA - 194776 | 5,239                              | 143,234          |
| Regulation of Invadopodia Formation by RhoG Specific GEFs and GAPs Pass Through From National Institutes of Health                | 93.396 | 1 - R15 - Ca - 199101 | 3,409                              | 73,061           |
| A Novel RhoG Protein Interaction Network in Invadopodia Pass Through From National Institutes of Health                           | 93.396 | 1 - R03 - CA - 197227 | 5,506                              | 75,484           |
| Regulation of MLK3 by Oxidative stress in colon cancer cells Pass Through From National Institutes of Health                      | 93.396 | 1 - R15 - CA - 199164 |                                    | 68,657           |
| An epigenetic link from CXCL12-CXCR4 axis through nuclear LASP-1 in breast cancer Pass Through From National Institutes of Health | 93.396 | R21 - CA - 202176     | 2,168                              | 220,317          |
| Mechanisms Driving Cortical Cytoskeleton Dynamics in Cancer Cell Invasion   | 93.396 | R01 - CA - 151632     |                                    | 67,547           |
| Expansion of PA Training Program Pass Through From National Institutes of Health  | 93.514 | T88hp20684-01-00      |                                    | 1                |
| Regional Prevention Coordinator Project Pass Through From Ohio Children's Trust Fund  | 93.590 | G-1617-22-0595        |                                    | 71,656           |
| MEDTAPP Healthcare Access (HCA) Initiative Community Health Worker Program  | 93.778 | OMD201609             |                                    | (503)            |
| MEDTAPP Healthcare Access (HCA) Initiative Community Health Worker Program  | 93.778 | OMD201609             | 500,726                            | 575,517          |

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| EXPANSION: MEDTAPP Healthcare Access (HCA) Initiative<br>Community Health Worker Program Pass Through From Ohio<br>State University   | 93.778 |                       | (450)                              | 4,447            |
| Prevention of Cardiovascular Disease in Diabetes Mellitus Pass<br>Through From Case Western Reserve University/Case Medical<br>Center   | 93.830 | HHSN268201100027C     |                                    | (4,913)          |
| Receptor NA/K-APASE Antagonists as Novel Therapeutics for<br>Renal/Cardiac Diseases Pass Through From Marshall University<br>Research Corporation                                 | 93.837 | 109015                |                                    | (15,407)         |
| Novel Roles of the TRPC3 Channel in Macrophage Functions:<br>Implications in Atherosclerosis Pass Through From National<br>Institutes of Health                                   | 93.837 | 1 - R56 - HL - 125619 |                                    | 157,549          |
| Innovative Models for Mechanistic Studies of Novel Hypertension<br>Genes  | 93.837 | R01 - HL - 112641     |                                    | 147,483          |
| CEACAM1: A link between metabolic and cardiovascular diseases<br>Na/K-ATPase reduction in renal disease-related cardiac<br>dysfunction  | 93.837 | R01 - HL - 112248     |                                    | 85,771           |
| Aldosterone Synthase and Hypertension   | 93.837 | R01 - HL - 105649     |                                    | 171,867          |
| Antioxidant-PPARalpha interaction reduces adiposity   | 93.837 | R01 - HL - 122742     |                                    | 67,820           |
|   | 93.837 | K01 - HL - 125445     |                                    | 135,538          |
| Non-coding Variants of Angiotensinogen Gene and Hypertension<br>Phosphodiesterase Type 5 Inhibition with Tadalafil Changes<br>Outcomes in Heart Failure (PITCH-HF)                | 93.837 | 1 - R01 - HL - 130344 |                                    | 105,335          |
| Role of complement regulator properdin in the interaction between<br>platelets and leukocytes Pass Through From National Institutes of<br>Health                                  | 93.837 |                       |                                    | (577)            |
|   | 93.839 | R01 - HL - 112937     |                                    | 310,203          |
| ELANE and CSF3R Mutations in Severe Congenital Neutropenia<br>In vivo role of platelets in bacterial blood infection  | 93.839 | 1 - R15 - HL - 112183 |                                    | 52,889           |
| ICAM-1 in Augmenting Skeletal Muscle Growth Pass Through<br>From National Institutes of Health  | 93.839 | R01 - HL - 122401     |                                    | 375,092          |
| Multi-faceted Approach to Modeling ACL Injury Mechanisms Pass<br>Through From Ohio State University   | 93.846 | 1 - R15 - AR - 064858 |                                    | 84,565           |
| Multi-faceted Approach to Modeling ACL Injury Mechanisms Pass<br>Through From Mayo Clinic   | 93.846 | 5 - R01 - AR - 056259 |                                    | (35,373)         |
| Regulation of Melanocyte Differentiation by SWI/SNF Chromatin<br>Remodeling Enzymes   | 93.846 | UOT-205886            |                                    | 121,695          |
| B. burgdorferi motility and chemotaxis in the development of Lyme<br>disease Pass Through From East Carolina University   | 93.846 | R01AR059379-01A1      |                                    | (891)            |
|   | 93.846 | A12-0090-001          |                                    | 29,734           |
| Evaluating the role of Exogenous administration of micro RNA 29b<br>to prevent Chronic Kidney Disease induced cardiac Fibrosis Pass<br>Through From National Institutes of Health | 93.847 | F32 - DK - 104615     |                                    | 37,087           |
| CEACAM and Insulin Action Pass Through From National Institutes<br>of Health  | 93.847 | R01 - DK - 054254     |                                    | (6,053)          |
| Molecular characterization of novel insulin sensitizers Pass<br>Through From Scripps Research Institute   | 93.847 | R01 - DK - 105825     |                                    | (22,808)         |
| Intergenerational obesity resulting from lactational impairment<br>Pass Through From University of Michigan   | 93.847 | 12-PAF01169 Myers P3  |                                    | 10,081           |

**THE UNIVERSITY OF TOLEDO  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2017**

| Agency  | CFDA # | Agency Number         | Passed-Through<br>to Subrecipients | Fiscal year 2017 |
|---|--------|-----------------------|------------------------------------|------------------|
| Molecular characterization of novel insulin sensitizers Pass Through From Scripps Research Institute  | 93.847 | R01 - DK - 105825     |                                    | 241,496          |
| Role of JAK2-PAK1 Interaction in Prolactin-Dependent Signaling Optimization and Simulation of Kidney Paired Donation Programs Pass Through From University of Michigan  | 93.847 | R01 - DK - 088127     |                                    | 316,419          |
|   | 93.847 | 3002295226            |                                    | (960)            |
| Inflammatory Processes Driving Insulin Resistance in Polycystic Ovary Syndrome Pass Through From University of Michigan   | 93.847 | 3003059245            |                                    | (15,432)         |
| Chemotaxis to islets based on cellular insulin receptor expression Platelet-Oriented Inhibition in New TIA Pass Through From Emmes Corporation  | 93.847 | R15 - DK - 103196     |                                    | 145,416          |
|   | 93.853 | U01 - NS - 06285      |                                    | 975              |
| Novel mechanisms for distal transport in developing and mature neurons Pass Through From Sanford Research   | 93.853 | SR-2014-24            |                                    | 8,182            |
| New compounds to study neurological disorders related to autophagic dysfunction Pass Through From Washington State University   | 93.853 | R15 - NS - 093594     |                                    | 7,557            |
| A Multi-Center, Double-Blind, Randomized Study Comparing the Combined Use of Interferon Beta-1a and Glatiramer Acetate to Either Agent Alone in Patients with Relapsing Remitting Multiple Sclerosis (CombiRx-Phase III) Pass Through From Mount Sinai School of Medicine - New York City | 93.853 | 1 - U01 - NS - 045719 |                                    | (217)            |
| Paralysis of Nematode Parasites Pass Through From National Institutes of Health   | 93.855 | R15 - R15AI109573     |                                    | 171,792          |
| Novel role of RNA signaling in cross-talk between autophagy and apoptosis Pass Through From National Institutes of Health   | 93.855 | 1 - R15 - AI - 119980 |                                    | 85,808           |
| Intravital assessment of Borrelia burgdorferi-immune cell interactions in skin Pass Through From National Institutes of Health  | 93.855 | R56 - AI - 105128     |                                    | 20,727           |
| Intravital assessment of B. burgdorferi immune clearance in skin Pass Through From National Institutes of Health  | 93.855 | R01 - AI - 121970     |                                    | 354,928          |
| Preclinical Development of a Tularemia Vaccine  | 93.855 | R01 - AI - 093351     |                                    | 117,990          |
| Understanding trehalose synthesis and utilization in mycobacteria   | 93.855 | R01 - AI - 105084     |                                    | 291,158          |
| Understanding trehalose synthesis and utilization in mycobacteria Risk stratification for sensitized patients in Kidney Paired Donation program   | 93.855 | R01 - AI - 105084     |                                    | 214,982          |
|   | 93.855 | R21 - AI - 111579     |                                    | 58,897           |
| American Society for Virology Meeting Pass Through From National Institutes of Health   | 93.855 | R13 - A1 - 096720     |                                    | 12,000           |
| Synthesis of Glycopeptide-based Cancer Antigen Vaccines Pass Through From National Institutes of Health   | 93.859 | R15 - GM - 094734     |                                    | 66,803           |
| Biochemical and Crystallographic Characterization of Nocturnin Pass Through From National Institutes of Health  | 93.859 | 1 - R15 - GM - 110679 |                                    | 110,577          |

**THE UNIVERSITY OF TOLEDO  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2017**

| Agency   | CFDA # | Agency Number           | Passed-Through<br>to Subrecipients | Fiscal year 2017  |
|--|--------|-------------------------|------------------------------------|-------------------|
| Synthesis of Glycopeptide-based Cancer Antigen Vaccines Pass Through From National Institutes of Health  | 93.859 | R15 - GM - 094734       |                                    | 24,874            |
| The Mechanism of Pericentriolar Material Assembly During Centrosome Biogenesis   | 93.859 | R01 - GM - 098394       |                                    | 160,195           |
| The Mechanism of Pericentriolar Material Assembly During Centrosome Biogenesis   | 93.859 | R01 - GM - 098394       |                                    | 37,944            |
| MLK4 Regulation of MAPK Signaling  | 93.859 | 1 - R15 - GM - 102831   |                                    | 30,130            |
| Chemobiologic Approach to NAADP Signaling  | 93.859 | R15 - GM - 100444       | -                                  | (1,036)           |
| Regulation of the Mitotic Checkpoint by Gsk3 Pass Through From National Institutes of Health   | 93.859 |                         |                                    | 50,963            |
| Modulation of Microtubule Dynamics in Axon Guidance Pass Through From National Institutes of Health  | 93.865 | 1 - R15 - HD - 080512   |                                    | 122,680           |
| Defective melanocortin signaling underlying T2D-associated erectile dysfunction Pass Through From National Institutes of Health  | 93.865 | R01 - HD - 081792       |                                    | 508,982           |
| Defective melanocortin signaling underlying T2D-associated erectile dysfunction Pass Through From National Institutes of Health  | 93.865 | R01 - HD - 081792       |                                    | 14,364            |
| A Genome-wide Drosophila RNAi Screen for Regulators of Centrosome Reduction  | 93.865 | 1 - R01 - 03 - HD087429 |                                    | 44,935            |
| Ontogeny of the Phase II cytosolic sulfotransferases and adverse drug reactions  | 93.865 | RHD071146A              |                                    | 6,215             |
| A Biopsychosocial Model of Emotion Processes Determining the Role of Overcontrolling Parenting in the Stability of Inhibited Temperament Pass Through From Miami University (Ohio) | 93.865 | 1 - R15 - HD - 076158   |                                    | 3,732             |
| A BBB-Permeable Neurotrophic Polysaccharide, Midi-GAGR   | 93.866 | 1 - R21 - AG - 053590   |                                    | 214,152           |
| Healthy Start Initiative: Eliminating Racial/Ethnic Disparities Pass Through From Lucas County Regional Health District  | 93.926 | H49MC27825              |                                    | 55,522            |
| Healthy Relationships through Existing Support Groups Pass Through From Lucas County Regional Health District  | 93.940 | 48-1-001-2-HP-06-13     |                                    | 45                |
| Randomized, Multicenter, Controlled Trial to Compare Best Endovascular versus Best Surgical Therapy in Patients with Critical Limb Ischemia  | 98.837 |                         |                                    | 325               |
| Non-coding Variants of Angiotensinogen Gene and Hypertension Subcontract from New York Medical College (Dr. Kumar) Pass Through From New York Medical College                      |        | Sub122781               |                                    | 5,302             |
| <b>Total U.S. Department of Health and Human Services National Institutes of Health</b>  |        |                         |                                    | <b>11,341,625</b> |
| <b>U.S. Department of Homeland Security</b>  |        |                         |                                    |                   |
| Deposition of SdTe Thin Films Pass Through From Lithium Innovations Company, LLC   | 97.000 |                         |                                    | 22,984            |
| <b>Total U.S. Department of Homeland Security</b>  |        |                         |                                    | <b>22,984</b>     |

**THE UNIVERSITY OF TOLEDO  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2017**

| Agency   | CFDA #  | Agency Number  | Passed-Through<br>to Subrecipients | Fiscal year 2017 |
|--|---------|----------------|------------------------------------|------------------|
| <b>National Science Foundation</b>   |         |                |                                    |                  |
| Advancing Geospatial Thinking and Technologies in Grades 9-12:<br>Citizen Mapping, Community Engagement, and Career Preparation<br>in STEM | 47.076  | DRL-1433574-01 |                                    | 178,364          |
| Water Distribution Analysis Modules and Kits for Undergrad<br>Education  | 47.076  | DUE-1044823    |                                    | 25,485           |
| <b>Total National Science Foundation</b>   |         |                |                                    | <u>203,849</u>   |
| <b><u>TOTAL RESEARCH AND DEVELOPMENT CLUSTER</u></b>   |         |                |                                    | 24,911,390       |
| <b>TRIO CLUSTER</b>  |         |                |                                    |                  |
| <b>U.S. Department of Education</b>  |         |                |                                    |                  |
| UT Student Support Services  | 84.042A | P042A151332    |                                    | 246,063          |
| Upward Bound Program   | 84.047A | P047A120141-16 |                                    | 360,477          |
| Upward Bound Program   | 84.047A | P047A120141-16 |                                    | 65,097           |
| <b>Total U.S. Department of Education</b>  |         |                |                                    | <u>671,637</u>   |
| <b>TOTAL TRIO CLUSTER</b>  |         |                |                                    | 671,637          |
| <b>MEDICAID CLUSTER</b>  |         |                |                                    |                  |
| <b>U.S. Department of Health and Human Services</b>  |         |                |                                    |                  |
| UT Interprofessional Healthcare Provider Development   | 93.778  | OMD201409      |                                    | (28,339)         |
| UT Interprofessional Healthcare Provider Development   | 93.778  | OMD201409      | 9,413                              | 104,464          |
| UT Interprofessional Healthcare Provider Development   | 93.778  | OMD201409      | 183,551                            | 1,557,504        |
| <b>Total U.S. Department of Health and Human Services</b>  |         |                |                                    | <u>1,633,629</u> |
| <b>TOTAL MEDICAID CLUSTER</b>  |         |                |                                    | 1,633,629        |
| <b>Workforce Investment Act (WIA) Cluster</b>  |         |                |                                    |                  |
| <b>Department of Labor</b>   |         |                |                                    |                  |
| WiA- Workforce Investment act  | 17.278  |                |                                    | 570              |
| Great Oaks Career Campuses   | 17.000  |                |                                    | 3,840            |
| <b>Total Workforce Investment Act (WIA) Cluster</b>  |         |                |                                    | <u>4,410</u>     |
| <b>Fish and Wildlife Cluster</b>   |         |                |                                    |                  |
| <b>Department of the Interior</b>  |         |                |                                    |                  |
| Hydroacoustic Determination of Distribution and Abundance of<br>Lake Erie Walleye Pass Through From Ohio State University                  | 15.605  | F-69-P         |                                    | (892)            |
| Hydroacoustic Determination of Distribution and Abundance of<br>Lake Erie Walleye Pass Through From Ohio State University                  | 15.605  | F-69-P         |                                    | 17,599           |
| <b>Total Fish and Wildlife Cluster</b>   |         |                |                                    | <u>16,707</u>    |

**THE UNIVERSITY OF TOLEDO  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2017**

| Agency  | CFDA # | Agency Number    | Passed-Through<br>to Subrecipients | Fiscal year 2017 |
|---|--------|------------------|------------------------------------|------------------|
| <b>U.S. Department of Transportation</b>  |        |                  |                                    |                  |
| Development of Transportation Asset Management Decision Support Tools   | 20.205 |                  |                                    | 180,894          |
| Development of an Overlay Design Procedure for Composite Pavements Pass Through From Ohio Department of Transportation                          | 20.205 | 26027            |                                    | 48,240           |
| WAR-71-15.14 Jeremiah Morrow Bridge Monitoring Pass Through From University of Cincinnati   | 20.205 |                  |                                    | 1,146            |
| Veteran's Glass Skyway Ice Dashboard Implementation Pass Through From Ohio Department of Transportation   | 20.205 | 26711            | 56,517                             | 56,517           |
| LUC-2-1682 Long Term Maintenance of the Anthony Wayne Suspension Bridge Main Cables Pass Through From Ohio Department of Transportation         | 20.205 | E150937          |                                    | 3,170            |
| Task 1 - Assessment of the Load Rating of Bridges with RF > 1.35 to Meet Special Hauling Vehicle Requirements Pass Through From Ohio University | 20.205 |                  |                                    | 34,509           |
| Task 7 - Preliminary Measurement and Analysis of Flexure and Shear Strain for a Carbon Fiber-Wrapped Pier Cap Pass Through From Ohio University | 20.205 |                  |                                    | 9,131            |
| Task 2 - Aluminum Truss Overhead Sign Support Flange Damage Assessment Pass Through From Ohio University  | 20.205 |                  |                                    | 22,311           |
| Development of Transportation Asset Management Decision Support Tools   | 20.205 |                  |                                    | 23,560           |
| National Transit Research Consortium led by the Mineta Transportation Institute Pass Through From San Jose State University Research Foundation | 20.701 | DTRT12-G-UTC21   |                                    | (127)            |
| <b>Total U.S. Department of Transportation</b>  |        |                  |                                    | <u>379,351</u>   |
| <b>OTHER AWARDS</b>   |        |                  |                                    |                  |
| <b>U.S. Department of Agriculture</b>   |        |                  |                                    |                  |
| APHIS Support for SV Satellite Symposium on "Comparisons and Contrasts Between Animal and Plant Insect Vector-borne Viruses"                    | 10.025 | AP17PPQS&T00C018 |                                    | 10,000           |
| <b>Total U.S. Department of Agriculture</b>   |        |                  |                                    | <u>10,000</u>    |
| <b>Department of Defense</b>  |        |                  |                                    |                  |
| Assessment of Team Dynamics Using Adaptive Modeling of Biometric Data Pass Through From Dayton Area Graduate Studies Institute                  | 12.800 | RX3-UT-15-5      |                                    | 37,667           |
| STARTALK-CHELER Chinese Heritage Language Learning and Teaching   | 12.900 | H98230-17-1-0143 |                                    | 5,296            |
| STARTALK CHELER Program for Chinese Heritage School Teachers and Administrators   | 12.900 | H98230-16-1-0213 |                                    | 64,997           |
| STARTALK CHELER Program for Chinese Heritage School Teachers and Administrators   | 12.900 | H98230-17-1-0054 |                                    | 34,182           |
| MyCAA - Office of Deputy Undersecretary of Defense  | 12.000 |                  |                                    | 1,299            |
| <b>Total Department of Defense</b>  |        |                  |                                    | <u>143,441</u>   |

**THE UNIVERSITY OF TOLEDO  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2017**

| Agency   | CFDA # | Agency Number      | Passed-Through<br>to Subrecipients | Fiscal year 2017 |
|--|--------|--------------------|------------------------------------|------------------|
| <b>U.S. Department of state Bureau of Educational and Cultural Affairs</b>                                   |        |                    |                                    |                  |
| Institute of International Education (Fulbright Programs)  | 19.401 |                    |                                    | 392,263          |
| <b>Total U.S. Department of state Bureau of Educational and Cultural Affairs</b>                             |        |                    |                                    | 392,263          |
| <b>U.S. Department of Veteran Affairs</b>  |        |                    |                                    |                  |
| Air Force Institute of Technology (AFIT)   | 64.120 |                    |                                    | 84,419           |
| Air Force R.O.T.C.   | 64.120 |                    |                                    | 197,155          |
| Air Force Tuition Assistance   | 64.120 |                    |                                    | 9,750            |
| Army Medical - H.P.S.P.  | 64.120 |                    |                                    | 200,234          |
| Army R.O.T.C.  | 64.120 |                    |                                    | 113,285          |
| Army Tuition Assistance - Go Army Education  | 64.120 |                    |                                    | 18,250           |
| Navy Tuition Assistance  | 64.120 |                    |                                    | 10,000           |
| V.A. Chapter 31 / Veteran Vocational Rehab   | 64.120 |                    |                                    | 202,592          |
| <b>Total U.S. Department of Veteran Affairs</b>  |        |                    |                                    | 835,685          |
| <b>U. S. DEPARTMENT OF EDUCATION</b>   |        |                    |                                    |                  |
| CTE Teacher Preparation and Retention Pass Through From Ohio Department of Education                         | 84.048 | VEPD-TPR-12-063099 |                                    | 5,000            |
| DCTAG Award  | 84.000 |                    |                                    | 110,888          |
| Council on Rural Services  | 84.000 |                    |                                    | 6,398            |
| Engineering for Migrant Students and Teachers -2016 Pass Through From Ohio Department of Education           | 84.011 | 063099             |                                    | 17,599           |
| Engineering for Migrant Students and Teachers -2015 Pass Through From Ohio Department of Education           | 84.011 |                    |                                    | (651)            |
| Engineering for Migrant Students and Teachers -2016 Pass Through From Ohio Department of Education           | 84.011 | 063099             | USAS505                            | 18,315           |
| CTE Teacher Preparation and Retention Pass Through From Ohio Department of Education                         | 84.048 | VEPD-TPR-12-063099 |                                    | (2,370)          |
| CTE Teacher Preparation and Retention Pass Through From Ohio Department of Education                         | 84.048 | VEPD-TPR-12-063099 |                                    | 68,587           |
| Carl D. Perkins Grant FY 16 Pass Through From Ohio Department of Education                                   | 84.048 | 063099             |                                    | 78               |
| Carl D. Perkins Grant FY 14 Pass Through From Ohio Department of Education                                   | 84.048 | 063099             | 50,476                             | 62,683           |
| BVR - Bureau of Vocational Rehabilitation  | 84.126 |                    |                                    | 68,672           |
| The PARTNER Project  | 84.325 | H325N110014A       | 5,642                              | 73,312           |
| Project LEA: Leading Educators in Advancing Inclusive Early Education  | 84.325 | H325D130075        |                                    | 60,066           |
| Project LEA: Leading Educators in Advancing Inclusive Early Education  | 84.325 | H325D130075        |                                    | 153,162          |
| Graduate Studies Consortium for Listening and Spoken Language (GSCLSL) Pass Through From University of Akron | 84.325 | H325K12356-16      |                                    | 16,533           |
| Graduate Studies Consortium for Listening and Spoken Language (GSCLSL) Pass Through From University of Akron | 84.325 | H325K12356-16      |                                    | 52,447           |



**THE UNIVERSITY OF TOLEDO  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2017**

| Agency   | CFDA # | Agency Number       | Passed-Through<br>to Subrecipients | Fiscal year 2017 |
|--|--------|---------------------|------------------------------------|------------------|
| Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP) Pass Through From Ohio Department of Education  | 84.334 |                     |                                    | 29,325           |
| <b>Total U. S. DEPARTMENT OF EDUCATION</b>   |        |                     |                                    | <u>740,044</u>   |
| <b>NATIONAL SCIENCE FOUNDATION</b>   |        |                     |                                    |                  |
| University of Toledo - Proposal for NSF I Corps Site at The Bancroft Innovators Center   | 47.070 | CNS-1322026         |                                    | 71,865           |
| University of Toledo - Proposal for NSF I Corps Site at The Bancroft Innovators Center   | 47.070 | CNS-1322026         |                                    | 13,750           |
| Collaborative Research: Training Next Generation Faculty and Students to Address the Infrastructure Crisis   | 47.076 | 1323341             |                                    | 5,122            |
| <b>Total NATIONAL SCIENCE FOUNDATION</b>   |        |                     |                                    | <u>90,737</u>    |
| <b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>   |        |                     |                                    |                  |
| Northwest Ohio Pathway to Healthcare Careers (NOPHC)   | 93.093 |                     |                                    | 1,999            |
| AHEC Point of Service Maintenance and Enhancement Pass Through From National Institutes of Health  | 93.107 | U77 - HP - 23072    | 490,819                            | 575,175          |
| AHEC Point of Service Maintenance and Enhancement NIOSH Training Grant Project: Industrial Hygiene-University Toledo Pass Through From National Institutes of Health | 93.107 | U77 - HP - 23072    | 360,352                            | 378,756          |
| Project Open House-Better Child Care for the Student with Developmental Disabilities Pass Through From Ohio  | 93.262 | T01 - OH - 008605   |                                    | 76,123           |
| Workforce Development Pass Through From Ohio Department of Jobs and Family Services  | 93.63  |                     |                                    | 12,112           |
|  | 93.645 | G-1201OH1400        |                                    | 25,000           |
| Child Welfare Workforce Professional Education Program Pass Through From Ohio Department of Jobs and Family Services   | 93.658 | 1501OHFOST          |                                    | 88,383           |
| Program Income Account for Ryan White Part D Pass Through From University of Toledo Physicians   | 93.918 |                     |                                    | 2,818            |
| Program Income Account for Ryan White Part C Pass Through From University of Toledo Physicians   | 93.918 |                     |                                    | 3,891            |
| Ryan White 340b Pharmacy Revenue Program   | 93.918 | 340B                |                                    | 206              |
| Ryan White 340b Pharmacy Revenue Program UTM   | 93.918 |                     |                                    | 1,356,254        |
| Ryan White Part C (Title III) HIV Early Intervention Services (EIS) Program Pass Through From National Institutes of Health  | 93.918 | H76 - HA - 00732    |                                    | (4,835)          |
| Ryan White Part C (Title III) HIV Early Intervention Services (EIS) Program Pass Through From National Institutes of Health  | 93.918 | H76 - HA - 00732    |                                    | 330,653          |
| Ryan White Part C (Title III) HIV Early Intervention Services (EIS) Program  | 93.918 | H76 - HA - 00732    |                                    | 99,538           |
| Healthy Relationships through Existing Support Groups Pass Through From Lucas County Regional Health District  | 93.940 | 48-1-001-2-HP-06-13 |                                    | (939)            |
| Healthy Relationships through Existing Support Groups Pass Through From Lucas County Regional Health District  | 93.940 | 48-1-001-2-HP-06-13 |                                    | 13,724           |
| Healthy Relationships through Existing Support Groups Pass Through From Lucas County Regional Health District  | 93.940 | 48-1-001-2-HP-06-13 |                                    | 20,150           |

**THE UNIVERSITY OF TOLEDO  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2017**

| Agency   | CFDA # | Agency Number        | Passed-Through<br>to Subrecipients | Fiscal year 2017 |
|--|--------|----------------------|------------------------------------|------------------|
| Preventing High-Risk Drinking and Drunkorexia Pass Through<br>From Ohio Department of Alcohol and Drug Addiction Services                          | 93.959 | 99-8203-HEDUC-P-16-9 |                                    | 3,895            |
| <b>TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>   |        |                      |                                    | 2,982,903        |
| <b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>  |        |                      |                                    |                  |
| <b>National Institutes of Health</b>   |        |                      |                                    |                  |
| Ryan White HIV/AIDS Program Part D Grants for Coordinated HIV<br>Services and Access to Research for Women, Infants, Children,<br>and Youth (WICY) | 93.153 | H12 - HA - 24838     |                                    | 372,824          |
| <b>Total U.S. Department of Health and Human Services National<br/>Institutes of Health</b>  |        |                      |                                    | 372,824          |
| <b>Corporation for National and Community Service</b>  |        |                      |                                    |                  |
| Government Training (Americorp)  | 94.006 |                      |                                    | 54,862           |
| <b>Total Corporation for National and Community Service</b>  |        |                      |                                    | 54,862           |
| <b>Other</b>   |        |                      |                                    |                  |
| Military Service Center Student Support  | 12.000 |                      |                                    | 2,787            |
| The University of Toledo Program to Address Sexual Assault and<br>Violence on Campus: UT Awareness & Prevention Project                            | 16.525 | 2016-WA-AX-0005      |                                    | 29,443           |
| SBA Accelerator Challenge  | 59.065 |                      |                                    | 9,831            |
| Nuclear Energy Fellowship/Scholarship Programs   | 81.121 |                      |                                    | 7,500            |
| OHIP Northwest Ohio Regional Extension Center  | 93.729 |                      |                                    | (23,900)         |
| Regional Comprehensive Genetic Services  | 93.994 | 04840011GS0714       |                                    | 101              |
| <b>Total Other</b>   |        |                      |                                    | 25,762           |
| <b>Total Other</b>   |        |                      |                                    | 5,648,521        |
| <b>TOTAL FEDERAL EXPENDITURES</b>  |        |                      | 4,175,304                          | 204,187,240      |

**THE UNIVERSITY OF TOLEDO  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2017**

**NOTE 1 BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of The University of Toledo under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Because the Schedule presents only a selected portion of the operations of The University of Toledo, it is not intended to, and does not, present the financial position, changes in net position, or cash flows of The University of Toledo.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-21, Cost Principles for Education Institutions, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Entity has not elected to use the 10 percent de minimus indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

**NOTE 3 ADJUSTMENTS AND TRANSFERS**

During the year ended June 30, 2017, there were the following transfers of grant overpayments:

| Transferred from   | Amount    | Transferred to |
|--------------------|-----------|----------------|
| Federal Work Study | \$ 88,386 | FSEOG          |

**THE UNIVERSITY OF TOLEDO  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2017**

**NOTE 4 LOANS BALANCES**

Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the schedule of federal expenditures. The balances of loans outstanding at June 30, 2017 consist of the following:

| <u>Cluster/Program Title</u> | <u>CFDA Number</u> | <u>Loan Balance</u> |
|------------------------------|--------------------|---------------------|
| Federal Perkins Loans        | 84.038             | \$ 13,779,208       |
| Disadvantaged Student Loans  | 93.342             | 197,511             |
| Primary Care Loans           | 93.342             | 560,157             |
| Nurse Faculty Loan Program   | 93.264             | 274,663             |
| Total Outstanding Loans      |                    | \$ 14,811,539       |

**THE UNIVERSITY OF TOLEDO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2017**

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***Section I – Summary of Auditors’ Results***

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***Financial Statements***

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? \_\_\_\_\_ yes        x   no
  - Significant deficiency(ies) identified?   x   yes      \_\_\_\_\_ none reported
3. Noncompliance material to financial statements noted? \_\_\_\_\_ yes        x   no

***Federal Awards***

1. Internal control over major federal programs:
- Material weakness(es) identified? \_\_\_\_\_ yes        x   no
  - Significant deficiency(ies) identified?   x   yes      \_\_\_\_\_ none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?   x   yes      \_\_\_\_\_ no

***Identification of Major Federal Programs***

| <b>CFDA Number(s)</b>                          | <b>Name of Federal Program or Cluster</b>  |
|--|--|
| 84.007, 84.033, 84.038, 84.268, 84.379, 93.264 | Student Financial Aid Cluster  |
| Various  | Research and Development Cluster   |
| 93.918   | Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease |

- Dollar threshold used to distinguish between Type A and Type B programs: \$   \$995,891
- Auditee qualified as low-risk auditee?   x   yes      \_\_\_\_\_ no

**THE UNIVERSITY OF TOLEDO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2017**

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***Section II – Financial Statement Findings***

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**Finding 2017-001 Financial Reporting Matters**

During our audit of the financial statements as of June 30, 2017, we identified the following combination of deficiencies in internal control, which, when assessed in the aggregate, amount to a significant deficiency:

While the University possesses operational and strategic oversight of its component units through active Board participation, the University lacked adequate internal controls over financial reporting of its component units as further described below:

- The University of Toledo Medical Assurance Company SPC (UTMAC SPC) is a blended component unit of the University and based in the Cayman Islands and following the approval by University management in 2017, the entity ceased operations and the role of captive insurance company was taken over by the University of Toledo Medical Assurance Company LLC (UTMAC LLC), based in Vermont. UTMAC SPC was audited in prior years by a Cayman-based audit firm, and the newly formed UTMAC LLC was audited by a firm based in Vermont, however the operations of UTMAC SPC in fiscal year 2017 were not audited. We understand the University was between audit firms and University management was relying on legal counsel related to the wind down of the UTMAC SPC and did consider the annual audit requirements. After discussion with management of the University, it was decided that some additional procedures would be performed over the UTMAC SPC entity by the University's auditors.
- During our review of the University's financial reporting entity and prior period financial statements, we noted the University was not appropriately blending the balances and activities of UTMAC SPC in accordance with governmental accounting standards, and was omitting certain required disclosures over investments and deposits pertaining to UTMAC SPC within the University's financial statements. After discussion with the University, it was determined that UTMAC SPC was appropriately identified as fitting the criteria for a blended component unit, and the University then revised its current year financial statements to appropriately blend the balances and activities of UTMAC SPC into the University's financial statements.
- As discussed above, the University organized a new insurance captive, UTMAC LLC, in fiscal year 2017. University Finance and Administration management was unaware of the newly formed entity's legal structure and how it should be incorporated into the University financial reporting entity. During our review of UTMAC LLC articles of incorporation and operating agreement documentation, it was discovered that UTMAC LLC was setup by a sole member: the University of Toledo Physicians, Clinical Faculty, Inc. (UTP-CF). This was brought to the attention of University management, who then made UTP-CF management aware. As a result, UTMAC LLC was no longer to be reported as a blended component unit of the University, but instead determined to be a subsidiary of UTP-CF.

**THE UNIVERSITY OF TOLEDO**  
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**YEAR ENDED JUNE 30, 2017**

- During our audit, we identified that UTP-CF, whose sole member is the University, was not adhering to the component unit reporting standards under Governmental Accounting Standards Board Statements No. 61/80. Had these standards been applied effectively, the University would have discovered that UTP-CF, which was reporting as a FASB entity, should actually be reported under GASB. Management inappropriately relied on the external auditors of UTP-CF for assurance that the University's component unit was following the appropriate GAAP, and did not have appropriate monitoring of its components taking place so as to identify this.

Ohio Admin. Code §§ 117-2-01 and 117-2-02 require governments to establish internal controls and report financial information properly.

University management stated that the cause of this finding related to the decentralized nature of the University operations.

Establishing and maintaining effective internal controls over financial reporting reduces the likelihood of misstatement of the University's financial statements, as well as noncompliance with generally accepted accounting principles and the Ohio Administrative Code.

**Recommendation:**

We recommend that the University review its current policies and procedures of internal control over financial reporting to ensure financial transactions are accurately reported in the University's financial statements, and that the financial reporting entity of the University and its component units are properly evaluated, and presented in the University annual financial report prepared in accordance with governmental accounting standards.

**Views of Responsible Officials and Planned Corrective Action:**

The University provides monitoring and oversight of the component units through direct participation on the board of directors or board of managers of those entities. The members of boards of both UTMAC and UTP-CF are University employees including executive leadership. The UT President and University CFO have served in prior years on the boards of both UTP-CF and UTMAC. The board level participation allows the University to have significant control over the operations and strategic decision-making of its component units. Through board participation, the University continuously monitors the activities and financial performance of the component units. The University is the sole member of UTP-CF. The UT President, the Executive Vice President for Clinical Affairs & Dean of the College of Medicine and Life Sciences, and three UT board members represent the University, annually approving the UTP-CF board of directors and officers and reviewing the audited financial statements. These specific issues identified by CLA relate to certain elements of financial reporting of the component units and do not indicate a lack of monitoring of the operations, financial performance, or strategic actions of those entities. Furthermore, several of the issues identified relate to a one-time transaction or a one-time determination of accounting treatment, which are unlikely to reoccur or need revisited.

The University acknowledges that executive leadership incorrectly relied upon outside legal counsel to determine the necessity of an external audit or review of the liquidated UTMAC-SPC entity. The University did not engage a separate outside audit firm to complete an audit or review of the

**THE UNIVERSITY OF TOLEDO**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2017**

UTMAC-SPC entity and the CLA auditors needed to complete the necessary audit procedures of the entity.

The University agreed to change its blending methodology of the UTMAC component unit to comply with the preferences of the CLA audit firm. The University believes that the previous blending methodology represented no material misstatement or misrepresentation of the University's financial position or performance. The University believes the methodology of blending is open to professional judgement and the previous methodology was acceptable and in some ways was a better representation of the designation of certain assets and liabilities. The blending methodology was discussed with the previous audit firm that was comfortable with presentation. The University agreed to make the change in methodology to avoid a management and auditor disagreement.

The University has determined that its annual financial statements are not impacted by UTP-CF reporting as a GASB entity instead of a FASB entity. The blending of the UTP-CF component unit is correct with no material misstatement or misrepresentation of the University's financial position or performance. The University has been the sole member of UTP-CF since 2012 and University management would have made the determination of the component unit reporting at that time.

The University will coordinate standard quarterly meetings led by the University CFO, or designee, to include the financial officers of the component units (UTMAC LLC and UTP-CF) and other financial leaders and professionals that are responsible for the financial reporting of the University or the component units. The quarterly meetings will include but not limited to:

- Review of component unit financial performance
- Review of component unit operating matters
- Discussion of related University matters
- Preparation for year-end close, annual financing reporting, and annual audit
- Review and approval of previous meeting minutes



**THE UNIVERSITY OF TOLEDO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2017**

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***Section III – Findings and Questioned Costs – Major Federal Programs***

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**2017-002**

Federal agency: Department of Education

Federal program title: Student Financial Aid Assistance Cluster

CFDA Number: 84.033 – Federal Work Study Program

Award Period: July 1, 2016 to June 30, 2017

Type of Finding: Significant Deficiency in Internal Control over Compliance

**Criteria or specific requirement:** The Code of Federal Regulations, 34 CFR 675.20(b), institutions are required to enter into written agreements with off-campus employers which set forth the FWS work conditions and indicates whether the institution or the off-campus employer shall pay the students employed.

**Condition:** We noted the University is employing students under the federal work study program with off-campus employers but they were not able to provide written agreements in accordance with federal regulations with these employers.

**Questioned costs:** None

**Context:** When asked for the off-campus work-study agreements, the University responded that they did not have the agreements in effect for the audit period.

**Cause:** The University did not have a process in place to identify off-campus employers for which employment contracts needed to be signed.

**Effect:** The College did not comply with the federal regulations requiring signed federal work study agreements to be obtained and maintained for each student who is employed by an off-campus location.

**Repeat Finding:** No

**Recommendation:** We recommend the University develop a written agreement for off-campus employers of FWS recipients in accordance with federal requirements and ensure they obtain a signed agreement before students begin working with the off-campus employers.

**Views of responsible officials:** The University employs students under the Federal Work-Study (FWS) program with off-campus employers. The University must obtain written agreements with off-campus employers which set forth the FWS working conditions and indicate whether the University or the off-campus employer shall pay the students employed (34 CFR 675.20(b)). The University must also have a process in place to identify off-campus employers for which employment contracts need to be signed.

**THE UNIVERSITY OF TOLEDO**  
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The University did not have off-campus agreements in effect for the audit period nor did the University have a process in place to identify off-campus employers for which employment contracts needed to be signed.

The University is in the process of developing a standard off-campus work-study agreement for off-campus employers of FWS recipients in accordance with federal requirements. The University is also putting a process in place to identify off-campus employers for which employment contracts need to be signed to ensure that a signed agreement is received by the Office of Student Financial Aid before the office will sign off on the student's Electronic Personnel Action Form (EPAF). Under the supervision of the Senior Director, Office of Student Financial Aid (OSFA), the OSFA Program Accountant is responsible for managing the implementation of these corrective actions with an anticipated completion date of February 16, 2018.



## Corrective Action

### Finding 2017-001

The University will coordinate standard quarterly meetings led by the University CFO, or designee, to include the financial officers of the component units (UTMAC LLC and UTP-CF) and other financial leaders and professionals that are responsible for the financial reporting of the University or the component units. The quarterly meetings will include but not limited to:

- Review of component unit financial performance
- Review of component unit operating matters
- Discussion of related University matters
- Preparation for year-end close, annual financing reporting, and annual audit
- Review and approval of previous meeting minutes

### Finding 2017-002

The University is in the process of developing a standard off-campus work-study agreement for off-campus employers of FWS recipients in accordance with federal requirements. The University is also putting a process in place to identify off-campus employers for which employment contracts need to be signed to ensure that a signed agreement is received by the Office of Student Financial Aid before the office will sign off on the student's Electronic Personnel Action Form (EPAF). Under the supervision of the Senior Director, Office of Student Financial Aid (OSFA), the OSFA Program Accountant is responsible for managing the implementation of these corrective actions with an anticipated completion date of February 16, 2018.

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# Dave Yost • Auditor of State

UNIVERSITY OF TOLEDO

LUCAS COUNTY

## CLERK'S CERTIFICATION

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

*Susan Babbitt*

CLERK OF THE BUREAU

CERTIFIED  
DECEMBER 26, 2017