

THE UNIVERSITY OF CINCINNATI FOUNDATION
HAMILTON COUNTY
CINCINNATI, OHIO

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

OHIO AUDITOR OF STATE
KEITH FABER



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Board of Trustees
The University of Cincinnati Foundation
PO Box 19970
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We have reviewed the *Independent Auditor's Report* of The University of Cincinnati Foundation, Hamilton County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2020 through June 30, 2021. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

October 19, 2021

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Independent Auditor's Report

To the Board of Trustees
The University of Cincinnati Foundation

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of The University of Cincinnati Foundation (the "Foundation"), which comprise the consolidated statement of financial position as of June 30, 2021 and 2020 and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The University of Cincinnati Foundation as of June 30, 2021 and 2020 and the changes in its net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As described in Note H to the consolidated financial statements, the Foundation has investments valued at approximately \$529,254,000 (74 percent of net assets) and \$422,620,000 (73 percent of net assets) as of June 30, 2021 and 2020, respectively, whose fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the University of Cincinnati. Our opinion is not modified with respect to this matter.

To the Board of Trustees
The University of Cincinnati Foundation

As described in Note B in the consolidated financial statements, on July 1, 2020, the Foundation adopted the provisions of Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers*, using the modified retrospective adoption method. Our opinion is not modified with respect to this matter.

Other Matter

Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental schedule of activities - net assets without donor restrictions is presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2021 on our consideration of The University of Cincinnati Foundation'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The University of Cincinnati Foundation's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 5, 2021

THE UNIVERSITY OF CINCINNATI FOUNDATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2021 and 2020

ASSETS	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 29,991,860	\$ 18,087,633
Due from University of Cincinnati	1,038,061	1,380,154
Due from UC Health Foundation	594,299	355,607
Accrued interest receivable	904,282	803,385
Stock proceeds receivable	38,694	22,670
Prepaid expenses	516,045	366,714
Pledges receivable, net of allowance	97,317,723	97,053,922
Trusts held by others	16,910,074	13,506,778
Cash surrender value of life insurance policies	609,638	522,969
Other	936,737	2,097,797
Investments:		
Mutual funds	26,985,097	26,355,998
Equities	20,514,232	13,106,936
Cash equivalents	5,426,712	5,392,765
Corporate bonds	9,727,032	8,235,156
U.S. Government and agency obligations	6,010,406	5,863,533
Real estate and other	10,800,000	16,067,615
University pooled investments	529,254,236	406,552,650
Total investments	<u>608,717,715</u>	<u>481,574,653</u>
Property and equipment:		
Leasehold improvements, net of accumulated amortization of \$1,555,827 in 2021 and \$1,511,925 in 2020	336,624	311,904
Equipment and software, net of accumulated depreciation of \$5,976,819 in 2021 and \$5,758,705 in 2020	<u>10,271</u>	<u>241,512</u>
	<u>\$ 757,922,023</u>	<u>\$ 616,325,698</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 816,703	\$ 1,538,128
Note payable	2,938,800	2,938,800
Accrued liabilities	1,081,757	853,769
Accrued compensated absences	983,806	1,102,532
Agency payable	21,547,312	16,280,593
Trusts held for the benefit of others	3,025,377	2,203,054
Refundable deposits	957,698	852,814
Accrued interest income due to investment pool	475,120	401,625
Present value of annuities payable	<u>9,457,473</u>	<u>9,386,911</u>
TOTAL LIABILITIES	<u>41,284,046</u>	<u>35,558,226</u>
NET ASSETS		
Without donor restrictions	17,843,340	19,207,775
With donor restrictions	<u>698,794,637</u>	<u>561,559,697</u>
TOTAL NET ASSETS	<u>716,637,977</u>	<u>580,767,472</u>
	<u>\$ 757,922,023</u>	<u>\$ 616,325,698</u>

The accompanying notes are an integral part of these consolidated financial statements.

THE UNIVERSITY OF CINCINNATI FOUNDATION

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and other additions:			
Contributions:			
University	\$ 143,028	\$ 67,623,757	\$ 67,766,785
Foundation	84,407	-	84,407
University fee	12,287,781	-	12,287,781
UC Health Foundation fee	2,156,921	-	2,156,921
Assessment fee	10,724,308	-	10,724,308
Change in value of split interest agreements	168,401	3,234,895	3,403,296
Other income	262,046	235,325	497,371
Investment income:			
Dividend and interest income	299,484	14,622,093	14,921,577
Net unrealized and realized gains	527,320	118,184,167	118,711,487
Pledge loss	-	(720,448)	(720,448)
Net assets released from restrictions - satisfaction of donor restrictions	65,309,849	(65,309,849)	-
Total revenues and other additions	<u>91,963,545</u>	<u>137,869,940</u>	<u>229,833,485</u>
Expenses and other deductions:			
Programs activities:			
Distributions to University of Cincinnati	65,186,607	-	65,186,607
Alumni experience	2,826,777	-	2,826,777
Assessment fee	5,186,692	-	5,186,692
Total program activities	<u>73,200,076</u>	<u>-</u>	<u>73,200,076</u>
Supporting services:			
Management and general	3,692,593	-	3,692,593
Fundraising	16,435,311	-	16,435,311
Total support services	<u>20,127,904</u>	<u>-</u>	<u>20,127,904</u>
Total expenses	<u>93,327,980</u>	<u>-</u>	<u>93,327,980</u>
Change in present value of annuities payable	-	635,000	635,000
Total expenses and other deductions	<u>93,327,980</u>	<u>635,000</u>	<u>93,962,980</u>
(Decrease) increase in net assets	(1,364,435)	137,234,940	135,870,505
Net assets at beginning of year	19,207,775	561,559,697	580,767,472
Net assets at end of year	<u>\$ 17,843,340</u>	<u>\$ 698,794,637</u>	<u>\$ 716,637,977</u>

The accompanying notes are an integral part of this consolidated financial statement.

THE UNIVERSITY OF CINCINNATI FOUNDATION

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and other additions:			
Contributions:			
University	\$ 204,733	70,173,724	70,378,457
Foundation	253,625	-	253,625
University fee	14,876,660	13,852	14,890,512
UC Health Foundation fee	2,549,540	-	2,549,540
Assessment fee	10,422,904	-	10,422,904
Change in value of split interest agreements	14,361	(9,530)	4,831
Other income	298,847	396,159	695,006
Investment income:			
Dividend and interest income	344,159	8,244,157	8,588,316
Net unrealized and realized losses	(172,708)	(11,886,463)	(12,059,171)
Pledge loss	-	(5,779,006)	(5,779,006)
Net assets released from restrictions - satisfaction of donor restrictions	60,339,888	(60,339,888)	-
Total revenues and other additions	<u>89,132,009</u>	<u>813,005</u>	<u>89,945,014</u>
Expenses and other deductions:			
Programs activities:			
Distributions to University of Cincinnati	54,699,883	-	54,699,883
Alumni experience	3,261,487	-	3,261,487
Assessment fee	4,894,391	-	4,894,391
Total program activities	<u>62,855,761</u>	<u>-</u>	<u>62,855,761</u>
Supporting services:			
Management and general	4,279,964	-	4,279,964
Fundraising	21,700,701	-	21,700,701
Total support services	<u>25,980,665</u>	<u>-</u>	<u>25,980,665</u>
Total expenses	<u>88,836,426</u>	<u>-</u>	<u>88,836,426</u>
Change in present value of annuities payable	-	1,002,465	1,002,465
Total expenses and other deductions	<u>88,836,426</u>	<u>1,002,465</u>	<u>89,838,891</u>
Increase (decrease) in net assets	295,583	(189,460)	106,123
Net assets at beginning of year	18,912,192	561,749,157	580,661,349
Net assets at end of year	<u>\$ 19,207,775</u>	<u>\$ 561,559,697</u>	<u>\$ 580,767,472</u>

The accompanying notes are an integral part of this consolidated financial statement.

THE UNIVERSITY OF CINCINNATI FOUNDATION
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

Years ended June 30, 2021 and 2020

2021						
	Program Activities			Management and General	Fundraising	Total
	University Support	Alumni Experience	Program Subtotal			
Distributions to University of Cincinnati	\$ 65,186,607	\$ -	\$ 65,186,607	\$ -	\$ -	\$ 65,186,607
Assessment fee	5,186,692	-	5,186,692	-	-	5,186,692
Salaries and benefits	-	2,165,527	2,165,527	2,607,469	13,038,091	17,811,087
Promotional materials and events	-	203,169	203,169	-	479,328	682,497
Professional services	-	1,997	1,997	623,455	269,123	894,575
Information technologies	-	70,480	70,480	185,385	1,061,445	1,317,310
Depreciation and amortization	-	32,876	32,876	40,341	199,732	272,949
Occupancy	-	83,108	83,108	90,311	498,473	671,892
Miscellaneous	-	91,257	91,257	23,043	299,505	413,805
Direct marketing	-	135,286	135,286	3,210	246,798	385,294
Travel	-	1,939	1,939	584	44,773	47,296
Business meetings, dues, recruitment	-	8,473	8,473	106,364	85,096	199,933
Cultivation	-	6,644	6,644	196	69,624	76,464
Resource materials, postage and supplies	-	26,021	26,021	12,235	143,323	181,579
	\$ 70,373,299	\$ 2,826,777	\$ 73,200,076	\$ 3,692,593	\$ 16,435,311	\$ 93,327,980
2020						
	Program Activities			Management and General	Fundraising	Total
	University Support	Alumni Experience	Program Subtotal			
Distributions to University of Cincinnati	\$ 54,699,883	\$ -	\$ 54,699,883	\$ -	\$ -	\$ 54,699,883
Assessment fee	4,894,391	-	4,894,391	-	-	4,894,391
Salaries and benefits	-	2,157,047	2,157,047	3,021,927	14,339,512	19,518,486
Promotional materials and events	-	362,814	362,814	16,729	2,215,906	2,595,449
Professional services	-	55,772	55,772	622,187	1,036,106	1,714,065
Information technologies	-	30,080	30,080	216,938	1,039,396	1,286,414
Depreciation and amortization	-	130,276	130,276	160,862	798,844	1,089,982
Occupancy	-	249,211	249,211	68,595	453,868	771,674
Miscellaneous	-	74,140	74,140	19,448	266,195	359,783
Direct marketing	-	34,904	34,904	9,237	601,009	645,150
Travel	-	35,906	35,906	5,832	316,593	358,331
Business meetings, dues, recruitment	-	67,193	67,193	119,233	176,702	363,128
Cultivation	-	14,358	14,358	3,065	296,593	314,016
Resource materials, postage and supplies	-	49,786	49,786	15,911	159,977	225,674
	\$ 59,594,274	\$ 3,261,487	\$ 62,855,761	\$ 4,279,964	\$ 21,700,701	\$ 88,836,426

The accompanying notes are an integral part of these consolidated financial statements.

THE UNIVERSITY OF CINCINNATI FOUNDATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating activities:		
Payments to the University of Cincinnati	\$ (59,700,710)	\$ (54,999,955)
University fees, assessment fees and other	21,280,458	22,289,166
Cash paid for compensation	(17,709,259)	(19,516,412)
Cash received for gifts	51,689,026	52,708,106
Investment income available for distribution	13,787,440	8,097,711
Cash paid for operating expenses	(5,584,269)	(7,743,090)
Net cash provided by operating activities	<u>3,762,686</u>	<u>835,526</u>
Investing activities:		
Proceeds from sale of investments	29,887,604	32,233,698
Purchase of investments	(43,417,587)	(51,889,965)
Purchase of property and equipment	(66,428)	(42,324)
Net cash used in investing activities	<u>(13,596,411)</u>	<u>(19,698,591)</u>
Financing activities:		
Proceeds from contributions to endowment and similar funds	20,704,713	21,796,837
Investment income restricted for reinvestment	1,033,239	739,540
Proceeds from note payable	-	2,938,800
Net cash provided by financing activities	<u>21,737,952</u>	<u>25,475,177</u>
Net increase in cash and cash equivalents	11,904,227	6,612,112
Cash and cash equivalents, beginning of year	<u>18,087,633</u>	<u>11,475,521</u>
Cash and cash equivalents, end of year	<u>\$ 29,991,860</u>	<u>\$ 18,087,633</u>
Significant Noncash Transactions:		
Property received as agency transaction	\$ -	\$ 10,800,000
Property distributed to UC	\$ 5,267,615	\$ -

The accompanying notes are an integral part of these consolidated financial statements.

THE UNIVERSITY OF CINCINNATI FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE A – DESCRIPTION OF ORGANIZATION

The University of Cincinnati Foundation (the Foundation) is a not-for-profit organization that operates for the benefit of the University of Cincinnati (the University). Its principal function is to solicit, receive, hold, invest and administer funds and to make distributions for the benefit of the University. The Foundation also provides executive, administrative and fund-raising services to the UC Health Foundation (UCHF), with contributions being treated as agency transactions.

The Foundation is the single member of two limited liability companies, UCF Real Estate, LLC and UCF Holdings, LLC. UCF Real Estate, LLC is used primarily to receive and hold donated real estate property for the Foundation. UCF Holdings, LLC is used by the Foundation from time to time to primarily acquire and hold non-donated real estate property.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Presentation

The financial statements of the Foundation are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP). Intercompany transactions have been eliminated in consolidation. Balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Resources for various purposes are classified into net assets classes that are in accordance with activities or objectives specified by donors. Accordingly, net assets and changes therein are classified as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations and may be expended for any purpose in performing the primary objectives of the organization.

Net assets with donor restriction – Net assets subject to donor-imposed stipulations. Some are temporary in nature and may or will be met either by actions of the Foundation and/or the passage of time. Other donor restrictions are perpetual in nature and must be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors or by the change of restrictions specified by the donors. In 2021, the Foundation released approximately \$65,310,000 in restricted assets (\$7,845,000 for operations, maintenance, plant, \$28,238,000 for college programs, \$3,593,000 for instruction, \$3,312,000 for auxiliary, \$12,590,000 for scholarship, \$1,677,000 for academic support, \$5,997,000 for research and \$2,058,000 for other). In 2020, the Foundation released approximately \$60,340,000 in restricted assets (\$6,228,000 for operations, maintenance, plant, \$29,313,000 for college programs, \$2,945,000 for instruction, \$1,993,000 for auxiliary, \$9,748,000 for scholarship, \$1,649,000 for academic support, \$6,377,000 for research and \$2,087,000 for other).

Contributions received by the Foundation for the benefit of the University are classified as University contributions on the accompanying Consolidated Statements of Activities. Revenues from sources other than contributions are reported as increases in net assets without donor restrictions unless use of the

THE UNIVERSITY OF CINCINNATI FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. Basis of Presentation (continued)

related assets is limited by donor-imposed restrictions. Contributions are reported as increases in the appropriate category of net assets.

Expenses are reported as decreases in net assets without donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as contributions without donor restrictions in the accompanying consolidated financial statements.

The Foundation reports gifts of property and equipment as contributions without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports the expiration of donor restrictions when the assets are placed in service.

Occasionally, the Foundation receives modifications or clarifications to gift agreements or pledges made in previous years. These modifications and clarifications are reviewed by Foundation management for approval, and once approved, may result in a reclassification among net asset classes or a pledge loss if the donor specifies a beneficiary other than the Foundation or the University. No such modifications or clarifications occurred during the year ended June 30, 2021 or 2020.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. Contributions to be received after one year are discounted at a rate commensurate with the risk involved. Amortization of the discount is recorded as additional contribution revenue and used in accordance with donor-imposed restrictions, if any, on the contributions.

Allowance is made for uncollectible contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience and other relevant factors. Unconditional promises to give of \$10,000 or more, and more than one year old, are evaluated annually for collectability. An appropriate reserve for each pledge is established based on the evaluation. Pledges of this size are not written off without senior management approval. Unconditional promises to give of less than \$10,000, expected to be satisfied by multiple payments, are generally completely reserved once twelve months have elapsed from receipt of the last pledge payment. These pledges are written off once the development officer assigned to the donor believes that further collection efforts will not be successful. Finally, unconditional promises to give arising from Telefund and other annual giving programs are generally written off to pledge loss once the donor has failed to respond to eleven consecutive monthly pledge reminders.

THE UNIVERSITY OF CINCINNATI FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. Basis of Presentation (continued)

Contributions in the form of charitable gift annuities are recognized as revenue at fair value when received, and an annuity payment liability is recognized at the present value of future cash flows expected to be paid to the donors. Payments made to donors reduce the annuity liability. Adjustments to the annuity liability to reflect changes in the life expectancy of the donor are recognized in the accompanying Consolidated Statements of Activities as a change in present value of annuities payable.

2. Cash and Cash Equivalents

Cash equivalents consist principally of overnight funds, money market securities and certificates of deposit. As of June 30, 2021, and 2020, approximately \$31,292,000 and \$17,837,000 respectively, of cash and cash equivalents were in excess of federally insured limits. The overnight funds were collateralized by U.S. government-backed securities. Cash equivalents are carried at amortized cost, and mature in 90 days or less.

3. Custodial Credit Risk of Cash Equivalents

Custodial credit risk is the risk that in the event of a bank failure, the Foundation's deposits may not be returned to it. The Foundation believes that due to the dollar amounts of cash deposits (see disclosure of cash equivalents in excess of FDIC insured limits in Note B2 above) and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Foundation evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories.

4. Investment Securities

The Foundation's investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

5. Property and Equipment

Property and equipment are recorded at cost (or fair value in the case of a gift) less accumulated depreciation and amortization. The estimated useful lives are principally four years for automobile and computer equipment, five years for office equipment, five years for software and ten years for leasehold improvements. All assets are depreciated/amortized using the straight-line method over the estimated useful lives of the assets.

6. Agency Transactions

The Foundation has received funds whereby the Foundation is named as the trustee of the related assets. The gift arrangements direct the Foundation to distribute portions of the related assets to other charitable organizations when restrictions are met. A portion of the assets will benefit the Foundation.

THE UNIVERSITY OF CINCINNATI FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Agency Transactions (continued)

The amount of assets that are due to other third-party organizations is recorded as a payable of approximately \$21,547,000 and \$16,281,000 at June 30, 2021 and 2020, respectively.

7. Income Taxes

The Foundation is a not-for-profit organization as defined under Section 501(c)(3) of the Internal Revenue Code and, as such, is exempt from Federal income taxes.

The Foundation evaluates its uncertain tax positions as to whether it is more likely than not a tax position could be sustained in the event of an audit by the applicable taxing authority. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements, and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. Open tax years for the Foundation include 2020, 2019, and 2018. As of June 30, 2021, and 2020, the Foundation has no assets or liabilities recorded related to uncertain tax positions.

8. Self-Insurance

The Foundation has a self-insured medical plan covering all eligible employees. The individual excess risk benefit level per employee for 2021 and 2020 was \$100,000, with total exposure limited to approximately \$1,926,000 and \$1,745,000 at June 30, 2021 and 2020, respectively. Losses in excess of these limitations are covered by reinsurance. Amounts expensed by the Foundation under the plan were approximately \$1,592,000 and \$1,802,000 for the years ended June 30, 2021 and 2020, respectively. The Foundation has recorded an accrual of approximately \$130,000 and \$264,000 at June 30, 2021 and 2020, respectively, for known claims and estimated claims incurred but not reported.

9. Use of Estimates

The preparation of financial statements in conformity with US GAAP 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 and the reported amounts of contributions, revenues, gains, and expenses during the reporting period. Actual results could differ from those estimates.

10. Risks and Uncertainties

The Foundation holds a variety of investments, the underlying securities of which are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in the value of investment securities would occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

THE UNIVERSITY OF CINCINNATI FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

11. Fair Value Measurements

Fair value is generally determined based on quoted market prices in active markets for identical assets or liabilities. If quoted market prices are not available, the Foundation uses valuation techniques that place greater reliance on observable inputs and less reliance on unobservable inputs. In measuring fair value, the Foundation adjusts for risks and uncertainties, if a market participant would include such an adjustment in its pricing.

12. Functional Reporting of Expenses

The Foundation was created to provide support to the University. The cost of providing program and other activities have been summarized on a functional basis in the accompanying Consolidated Statements of Activities. The consolidated financial statements report certain expense categories that are attributable to more than one program or supporting function; therefore, these expenses require allocation on a reasonable basis that is consistently applied. All expenses, except for distributions to University of Cincinnati and assessment fee, included in the accompanying Consolidated Statements of Functional Expenses, are allocated based on the related function or full-time equivalents, which include employees and departments that cross over multiple functions (program, management and general, and fundraising). The assessment fee included in the functional expense schedule is assessed on those endowments where the Foundation is the trustee. The fee is assessed on the distributions sent to the University, which are used in accordance with the specific funds' purpose and restrictions. Therefore, the assessment fee is considered a program function.

13. Operating Expenses

All activities directly related to the ongoing operations of the Foundation are summarized on a functional basis on the accompanying Consolidated Statements of Activities. All other activities are classified as non-operating, which includes the change in present value of annuities (Note O).

14. Availability and Liquidity

The Foundation receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish donor restricted endowments; the income generated from which is to be used in accordance with the associated purpose restrictions. In addition, the Foundation receives support without donor restriction from the University, UCHF, assessment fees on current use and endowment funds, and temporary investment income on current use gifts to provide the majority of funding for annual operations.

The Foundation manages its cash available to meet general expenditures by operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets and maintaining sufficient reserves to provide reasonable assurance that long term commitments and obligations that support mission fulfillment will continue to be met, ensuring the sustainability of the Foundation.

THE UNIVERSITY OF CINCINNATI FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

14. Availability and Liquidity (continued)

General expenditures include administrative, general, and fundraising expenses expected to be paid in the subsequent year. Annual operations are defined as activities occurring during the Foundation's fiscal year.

The table below presents financial assets available for general expenditures within one year at June 30, 2021:

Financial assets at year-end:	
Cash and cash equivalents	\$ 29,991,860
Due from University of Cincinnati	1,038,061
Due from UC Health Foundation	594,299
Accrued interest receivable	904,282
Stock proceeds receivable	38,694
Pledges receivable	97,317,723
Investments	<u>597,917,715</u>
Total financial assets	\$ <u>727,802,634</u>
Less amounts not available for use within one year due to:	
Donor restrictions:	
Cash and cash equivalents	\$ (15,811,295)
Accrued interest receivable	(771,837)
Stock proceeds receivable	(38,694)
Pledges receivable	(97,317,723)
Investments	<u>(593,673,789)</u>
Total	\$ <u>(707,613,338)</u>
Board restrictions:	
Investments	\$ <u>(2,234,623)</u>
Financial assets available to meet general expenditures	\$ <u>17,954,673</u>

THE UNIVERSITY OF CINCINNATI FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

14. Availability and Liquidity (continued)

The table below presents financial assets available for general expenditures within one year at June 30, 2020:

Financial assets at year-end:	
Cash and cash equivalents	\$ 18,087,633
Due from University of Cincinnati	1,380,154
Due from UC Health Foundation	355,607
Accrued interest receivable	803,385
Stock proceeds receivable	22,670
Pledges receivable	97,053,922
Investments	<u>465,507,038</u>
Total financial assets	<u>\$ 583,210,409</u>

Less amounts not available to be used within one year due to:

Donor restrictions:	
Cash and cash equivalents	\$ (7,136,499)
Accrued interest receivable	(687,359)
Stock proceeds receivable	(22,670)
Pledges receivable	(97,053,922)
Investments	<u>(463,696,806)</u>
Total	<u>\$ (568,597,256)</u>

Board restrictions:	
Investments	\$ <u>(1,810,232)</u>

Financial assets available to meet general expenditures \$ 12,802,921

The Foundation maintains reserves to cover approximately three months of operating expenditures, balance the fiscal year's budget, and provide for unanticipated strategic needs. Allocation of reserves is reviewed and approved as part of the budgetary process. Spending of reserves outside of the budgetary process requires additional internal review and approvals, as well as applicable board or committee approvals.

15. Paycheck Protection Program Loan

On April 20, 2020, the Foundation received a Paycheck Protection Program (PPP) term note of \$2,938,800 through one of its primary banks. The note was issued pursuant to the Coronavirus Aid, Relief, and Economic Security (CARES) Act administered by the Small Business Administration (SBA). Under the terms of the program, the loan may be fully or partially forgiven if the loan proceeds are spent on qualifying expenses and if staffing levels and salary maintenance requirements are met. The Foundation may use the funds on qualifying expenses over a covered period of up to 24 weeks. At

THE UNIVERSITY OF CINCINNATI FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

15. Paycheck Protection Program Loan (continued)

the conclusion of the covered period, any balance that is not forgiven by the SBA will be repaid over a period of five years with interest accruing at a rate of 1 percent, with monthly payments of principal and interest beginning ten months after the conclusion of the covered period. Based on the loan amount, irrespective of any potential forgiveness that may be granted in the future, monthly principal payments would be approximately \$50,000 during the repayment period.

Any request for forgiveness is subject to review and approval by the lender and the SBA, including review of qualifying expenditures and staffing and salary levels. In addition, because the Foundation's loan exceeds \$2 million, the SBA will review the Foundation's loan file, which will include review of the Foundation's eligibility for the program and the good-faith certification of the necessity of the loan. The Foundation has submitted a request for forgiveness for the entire loan balance; however, there can be no assurance given that any portion of the loan will be forgiven. If the SBA determines the Foundation was not initially eligible under the program or concludes that the Foundation did not have an adequate basis for making the good-faith certification of the necessity of the loan at the time of application, the loan could become payable on demand. Furthermore, the SBA has the ability to review the Foundation's loan file for a period subsequent to the date the loan is forgiven or repaid in full. The results of any review could result in the SBA requesting additional documentation to support the Foundation's initial eligibility for the loan and request for loan, with the potential for the SBA to pursue legal remedies at its discretion. At June 30, 2021 and 2020, the outstanding balance of the PPP loan is \$2,938,800, which is classified as a note payable on the Consolidated Statements of Financial Position.

16. New Accounting Pronouncement

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), which is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The Foundation adopted ASU 2014-09 during the year ended June 30, 2021. The adoption of ASU 2014-09 did not have a material impact on the Foundation's financial position or results of operations.

17. Accounting Pronouncement Issued and Not Yet Implemented

In February 2016, the FASB issued ASU 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expense in the statements of operations

THE UNIVERSITY OF CINCINNATI FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

17. Accounting Pronouncement Issued and Not Yet Implemented (continued)

and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Foundation's year ending June 30, 2023, and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The ASU will increase short and long-term assets and liabilities upon adoption. The effects on the results of operations are not expected to be significant as recognition and measurement of expenses and cash flows for leases will be substantially the same under the new standard.

NOTE C – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were as follows for the years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
College programs	\$ 338,869,465	\$ 267,141,213
Capital projects	10,529,092	13,249,678
Scholarships	175,213,291	142,000,949
Instruction	52,449,575	42,953,821
Academic support	50,015,905	38,610,826
Research	37,122,057	28,973,796
Annuity and life income funds	7,443,662	6,066,493
Auxiliary	15,470,306	13,418,728
Other	11,681,284	9,144,193
Total net assets with donor restrictions	<u>\$ 698,794,637</u>	<u>\$ 561,559,697</u>

Endowment funds included in net assets with donor restrictions are \$571,940,095 and \$443,084,238 as of June 30, 2021 and 2020, respectively. See Note F for more information on endowment funds.

NOTE D – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions were as follows for the years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Undesignated	\$ 14,891,715	\$ 16,777,697
Board designated	2,951,625	2,430,078
Total net assets without donor restrictions	<u>\$ 17,843,340</u>	<u>\$ 19,207,775</u>

Endowment funds included in net assets without donor restrictions are \$2,951,625 and \$2,430,078 as of June 30, 2021 and 2020, respectively. See Note F for more information on endowment funds.

THE UNIVERSITY OF CINCINNATI FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE E – PLEDGES RECEIVABLE

Contributors to the Foundation have made unconditional pledges totaling approximately \$110,193,000 and \$111,729,000 as of June 30, 2021 and 2020, respectively. For payments that extend beyond one year, these pledges receivable have been discounted at rates ranging from 0.5% to 6.0% to a net present value of approximately \$102,982,000 and \$103,264,000 as of June 30, 2021 and 2020, respectively.

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

	2021	2020
Less than one year	\$ 29,949,523	\$ 33,453,606
One to five years	52,769,900	46,608,934
More than five years	27,473,745	31,666,301
	110,193,168	111,728,841
Less discount to present value	(7,210,945)	(8,464,819)
Less allowance for uncollectible pledges	(5,664,500)	(6,210,100)
	\$ 97,317,723	\$ 97,053,922

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

Amounts due from irrevocable bequests, which are unconditional promises to give, as of June 30, 2021 and 2020 are approximately \$16,604,000 and \$17,176,000, respectively. The irrevocable bequests are included in total amount of unconditional pledges due and fall primarily within the due in more than five years category. The allowance for uncollectible pledges includes approximately \$135,000 and \$130,000 associated with the irrevocable bequests, as of June 30, 2021 and 2020, respectively.

As of June 30, 2021, eighteen donors currently have outstanding conditional pledges to the Foundation. As of June 30, 2021, the conditions were not substantially met, therefore, the net present value of the pledges is not included in the carrying amount of pledges receivable. The net present value of the conditional pledges approximated \$7,761,000 as of June 30, 2021. There were twenty-one donors with outstanding conditional pledges as of June 30, 2020. The net present value of the conditional pledges at June 30, 2020 was approximately \$8,953,000.

NOTE F – ENDOWMENT FUNDS

Endowment assets are invested in a manner consistent with statutory fiduciary responsibilities and policies adopted by the Foundation’s Board of Trustees. The primary objective is to produce long-term real growth in assets, net of administrative and investment fees, by generating a total endowment rate of return which is greater than the spending rate plus the Consumer Price Index. Strategies to achieve the primary objective

THE UNIVERSITY OF CINCINNATI FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE F – ENDOWMENT FUNDS (continued)

at a prudent level of risk include: (a) diversification of assets among various classes; (b) diversification of investment styles within asset class; and (c) ongoing review of investment manager performance with respect to rate of return, adherence to investment style, and compliance with investment guidelines.

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

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

In accordance with the Foundation's interpretation of UPMIFA, investment income and appreciation or depreciation earned on investments held in the donor-restricted endowment funds are credited to net assets with donor restrictions until the later of the satisfaction of donor restrictions, if applicable, or appropriation for expenditure by the Foundation's Board of Trustees. Financial assets are to be invested in a manner consistent with statutory fiduciary responsibilities and policies adopted by the Foundation's Board of Trustees.

There are 1,370 and 1,321 endowment funds, at June 30, 2021 and 2020, respectively.

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires to retain as a fund of perpetual duration. Deficiencies of this nature exist in 331 donor-restricted endowment funds, which together have an original gift value of \$107,713,840, a current fair value of \$96,840,348, and a deficiency of \$10,873,492 as of June 30, 2021. Deficiencies of this nature exist in 1,082 donor-restricted endowment funds, which together have an original gift value of \$385,595,270, a current fair value of \$333,978,561, and a deficiency of \$51,616,709 as of June 30, 2020. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment funds and continued appropriation for certain programs that was deemed prudent by the Board of Trustees.

The Foundation has adopted a spending rate policy that limits the distribution of endowment income. The spending rate was 4.3% and 4.4% in fiscal years 2021 and 2020, respectively, of the rolling average market value for the twelve-quarter period ended each December. Earnings above the spend rate limit are reinvested in the endowment fund for the purposes of promoting endowment fund growth. During 2021

THE UNIVERSITY OF CINCINNATI FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE F – ENDOWMENT FUNDS (continued)

and 2020, income earned in the investment pool was less than the amount allocated for expenditure by approximately \$8,522,000 and \$13,302,000, respectively. This shortfall was funded by cumulative capital gains in the investment pool for the years ended June 30, 2021 and 2020.

The Foundation is also funded by a fee assessed on certain endowment funds held by the University and the Foundation, which also falls under UPMIFA. See Note N for more information.

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

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

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

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

THE UNIVERSITY OF CINCINNATI FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE F – ENDOWMENT FUNDS (continued)

The endowment net asset composition by type of fund as of June 30, 2020, was as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Donor restricted endowment funds:			
Original amount	\$ -	\$ 378,261,294	\$ 378,261,294
Accumulated losses	-	(14,894,869)	(14,894,869)
Term endowments	-	79,717,813	79,717,813
Board designated endowment funds	<u>2,430,078</u>	<u>-</u>	<u>2,430,078</u>
Total	<u>\$ 2,430,078</u>	<u>\$ 443,084,238</u>	<u>\$ 445,514,316</u>

In fiscal year 2021, the Foundation reviewed the classification of endowment funds and reclassified 2020 amounts of \$43,051,767 from the original amount and accumulated losses to term endowments in the table above.

The change in endowment fund net assets for the year ended June 30, 2020, is as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 2,614,709	\$ 446,322,505	\$ 448,937,214
Investment income (loss):			
Interest and dividend income	111,540	8,060,020	8,171,560
Net realized /unrealized losses	<u>(48,143)</u>	<u>(12,426,549)</u>	<u>(12,474,692)</u>
Total investment income (loss)	63,397	(4,366,529)	(4,303,132)
Contributions and other transfers	-	21,796,837	21,796,837
Appropriation of endowment assets for expenditure	(251,677)	(22,092,333)	(22,344,010)
Other changes:			
Other income	-	565,093	565,093
Income reinvestment	<u>3,649</u>	<u>858,665</u>	<u>862,314</u>
Endowment net assets, end of year	<u>\$ 2,430,078</u>	<u>\$ 443,084,238</u>	<u>\$ 445,514,316</u>

THE UNIVERSITY OF CINCINNATI FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE G – INVESTMENTS

The Foundation combines its pooled investment securities with the investment pool of the University in order to maximize investment diversification and realize economies of scale with respect to costs of managing the investments. The Foundation continues to serve as trustee for these assets. The Foundation maintains individual records of each fund included in the transfer of assets to the investment pool of the University. Each fund subscribes to, or disposes of, units in the pool at the unit market value at the end of each month. Income is allocated to each fund in the pool based on units of participation. The investment pool consists of Fund A and Fund C. In July 2016, Fund C was created by segregating each share of Fund A into one share of Fund A, which owns the diversified portfolio of investment funds in separate accounts, in one share of Fund C, which owns neighborhood development corporation loans (“NDCLs”) and strategic real estate. As NDCLs and strategic real estate produce distributions to Fund C unitholders, the proceeds will be used to periodically purchase newly-created Fund A units for the Fund C unitholders. No additional assets will be purchased within Fund C. It is expected that Fund C will cease to exist by June 30, 2040, as the last distributions are made from NDCLs. As of June 30, 2021 and 2020, the University is holding approximately \$2,632,000 and \$2,033,000, respectively, that is to be invested in the University pooled investments. These amounts are recorded as cash equivalents in the accompanying Consolidated Statements of Financial Position.

The Foundation also manages other investments, which amounted to approximately \$76,832,000 and \$72,989,000 as of June 30, 2021 and 2020, respectively. These funds represent separately invested endowments, temporary cash investments, and split-interest trusts where the Foundation is the remainderman.

The following presents investments held by the Foundation as of June 30, 2021 and 2020:

	<u>2021</u>		<u>2021</u>		<u>2020</u>		<u>2020</u>
	Fair Value	\$	Cost	\$	Fair Value	\$	Cost
Cash equivalents	\$ 5,426,712		\$ 5,423,479		\$ 5,392,765		\$ 5,378,563
U.S. Government and agency obligations	6,010,406		5,819,546		5,863,533		5,485,853
Corporate bonds	9,727,032		9,584,460		8,235,156		7,960,401
Mutual funds	26,985,097		19,099,658		26,355,998		21,207,038
Equities	20,514,232		13,633,851		13,106,936		9,707,989
Real estate and other	10,800,000		10,800,000		16,067,615		16,067,615
University pooled investments	<u>529,254,236</u>		<u>473,973,897</u>		<u>406,552,650</u>		<u>450,566,123</u>
Total	<u>\$ 608,717,715</u>		<u>\$ 538,334,891</u>		<u>\$ 481,574,653</u>		<u>\$ 516,373,582</u>

The number of units in Fund A owned by the Foundation totaled 5,749,052 and 5,444,752, which represents 40.1% and 39.5% of the Fund A pool, as of June 30, 2021 and 2020, respectively. Fund A holds primarily common stock, mutual funds, and corporate and government fixed income obligations, which are stated at fair value as determined by market prices. In addition, the Foundation owned 3,968,064 shares or 36.1% of the C pool, as of June 30, 2021 and 2020. The C pool invests in loans to certain not-for-profit entities for the purpose of developing residential and commercial facilities near the University’s main campus. These loans are secured by mortgages, some of which are subordinated to external financing arrangements, on

THE UNIVERSITY OF CINCINNATI FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE G – INVESTMENTS (continued)

parcels of land purchased by these not-for-profit entities for development. Certain investments in the University pooled investments are stated at fair value, as provided by the investment managers. Audited financial statements of the underlying investments in the University pooled investments as of June 30, 2021 and 2020, are used as a basis for fair value when available. When not available, the fair value is based upon financial information as of an interim date, adjusted for cash receipts, cash disbursements and other distributions made through June 30, 2021 and 2020. The Foundation believes that the carrying value of these investments is a reasonable estimate of fair value at June 30, 2021 and 2020. Certain underlying investments in the University pooled investments are not readily marketable; therefore, the estimated values of these investments are subject to certain risks. As a result, the fair value of the University pooled investments could differ from the value that may have been determined had a market for certain investments in the University investment pool existed.

The underlying investments that comprise University pooled investments as of June 30 are as follows:

	2021	2020
Fund A		
U.S. and international equity securities	38%	40%
Hedge funds and private equity capital	44	40
Fixed income securities	12	13
Fund C		
Real estate and community development	6	7
Total	100%	100%

NOTE H – FAIR VALUE MEASUREMENTS

Fair value is defined as the price that will be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements and disclosures are based on a three level hierarchy as follows:

Level 1 Inputs are quoted prices (unadjusted) in active markets for identical investments that the Foundation has the ability to access at the measurement date.

Level 2 Inputs are quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; other-than-quoted prices that are observable for the asset or liability; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 Inputs are unobservable and significant to the fair value measurement.

THE UNIVERSITY OF CINCINNATI FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE H – FAIR VALUE MEASUREMENTS (continued)

Financial instruments measured at fair value on a recurring basis using quoted prices for identical instruments in an active market (or level 1 inputs) include publicly-traded common stock, mutual funds, and certain corporate bonds. Financial instruments measured at fair value using inputs based on quoted market prices for similar instruments in active markets (or level 2 inputs) include U.S. Government and agency obligations and corporate bonds. U. S. Government and agency obligations are priced using auction data or yield curve analysis. Corporate bonds are priced using trading data if available, or when trading data are unavailable, pricing models, matrix pricing, or discounted cash flows using inputs such as weighted-average coupon rate, weighted-average maturity, and consideration of credit ratings.

The Foundation invests in the University pooled investments which are stated at fair value using the net asset value of the underlying investments. For those investments in the pool where pricing information is not available as of the measurement date, the fair value is determined based on information as of an interim date, adjusted for distributions, redemptions, market changes, and other financial and operational information obtained by the Foundation's management. These fair value instruments are measured at fair value on a recurring basis using significant unobservable inputs (or level 3 inputs).

Trusts held by others include the Foundation's beneficial interest in trusts held by other trustees. The Foundation calculates the fair value of these trusts using the investment statement from the trustee at the balance sheet date, adjusting the balance for projected future investment income at a rate based on historical returns for each trust's mix of assets. The projected future income is then discounted back to the balance sheet date using a discount rate commensurate with the risks involved. The trusts primarily consist of common stock, mutual funds, corporate bonds and other fixed income obligations. Due to the assumptions involved in determining the fair value, these trusts are classified as level 3 in the fair value hierarchy.

Cash equivalents at June 30, 2021 and 2020, are \$5,426,712 and \$5,392,765, and are included in investments on the accompanying Consolidated Statements of Financial Position. These amounts are not measured at fair value on a recurring basis and, therefore, they are excluded from the fair value hierarchy.

Net unrealized and realized gains (losses) related to fair value instruments total approximately \$118,711,000 and (\$12,059,000) as of June 30, 2021 and 2020, respectively, and are included in net unrealized and realized gains (losses) in the accompanying Consolidated Statements of Activities, except for those fair value instruments where the Foundation is not the beneficiary.

THE UNIVERSITY OF CINCINNATI FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE H – FAIR VALUE MEASUREMENTS (continued)

The following table summarizes the valuation of financial instruments measured at fair value on a recurring basis on the accompanying Consolidated Statements of Financial Position at June 30, 2021:

	Balance at June 30, 2021	Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs
		(Level 1)	(Level 2)	(Level 3)
ASSETS				
Investments:				
Common stock:				
Consumer	\$ 3,163,596	\$ 3,163,596	\$ -	\$ -
Health care	2,022,466	2,022,466	-	-
Financial	3,304,165	3,304,165	-	-
Technology	3,994,752	3,994,752	-	-
Materials	405,090	405,090	-	-
Energy	527,834	527,834	-	-
Industrial	2,114,787	2,114,787	-	-
Utilities	52,476	52,476	-	-
Telecommunication	504,192	504,192	-	-
Other	556,383	556,383	-	-
Total common stocks	16,645,741	16,645,741	-	-
Exchange-traded funds (ETFs):				
Blended	3,354,140	3,354,140	-	-
Emerging markets	514,351	514,351	-	-
Total ETFs	3,868,491	3,868,491	-	-
Mutual funds:				
Fixed	8,996,117	8,996,117	-	-
Value	4,080,788	4,080,788	-	-
Growth	1,427,829	1,427,829	-	-
Index	758,217	758,217	-	-
Blended	11,443,905	11,443,905	-	-
Other	278,241	278,241	-	-
Total mutual funds	26,985,097	26,985,097	-	-
Corporate bonds	9,727,032	-	9,727,032	-
U.S. Government and agency obligations	6,010,406	-	6,010,406	-
University pooled investments	529,254,236	-	-	529,254,236
Real estate and other	10,800,000	-	10,800,000	-
Total investments at fair value	<u>\$ 603,291,003</u>	<u>\$ 47,499,329</u>	<u>\$ 26,537,438</u>	<u>\$ 529,254,236</u>
Trusts held by others	<u>\$ 16,910,074</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,910,074</u>
LIABILITIES				
Trusts held for the benefit of others	<u>\$ 3,025,377</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,025,377</u>

THE UNIVERSITY OF CINCINNATI FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE H – FAIR VALUE MEASUREMENTS (continued)

The following table summarizes the valuation of financial instruments measured at fair value on a recurring basis on the accompanying Consolidated Statements of Financial Position at June 30, 2020:

	Balance at June 30, 2020	Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs
		(Level 1)	(Level 2)	(Level 3)
ASSETS				
Investments:				
Common stock:				
Consumer	\$ 2,671,749	\$ 2,671,749	\$ -	\$ -
Health care	1,799,305	1,799,305	-	-
Financial	2,667,166	2,667,166	-	-
Technology	3,027,847	3,027,847	-	-
Materials	422,570	422,570	-	-
Energy	484,862	484,862	-	-
Industrial	1,342,560	1,342,560	-	-
Utilities	47,258	47,258	-	-
Telecommunication	360,455	360,455	-	-
Other	283,164	283,164	-	-
Total common stocks	<u>13,106,936</u>	<u>13,106,936</u>	-	-
Mutual funds:				
Fixed	9,273,994	9,273,994	-	-
Value	3,202,868	3,202,868	-	-
Growth	1,446,316	1,446,316	-	-
Index	612,201	612,201	-	-
Blended	11,500,400	11,500,400	-	-
Other	320,219	320,219	-	-
Total mutual funds	<u>26,355,998</u>	<u>26,355,998</u>	-	-
Corporate bonds	8,235,156	-	8,235,156	-
U.S. Government and agency obligations	5,863,533	-	5,863,533	-
University pooled investments	406,552,650	-	-	406,552,650
Real estate and other	16,067,615	-	-	16,067,615
Total investments at fair value	<u>\$ 476,181,888</u>	<u>\$ 39,462,934</u>	<u>\$ 14,098,689</u>	<u>\$ 422,620,265</u>
Trusts held by others	<u>\$ 13,506,778</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,506,778</u>
LIABILITIES				
Trusts held for the benefit of others	<u>\$ 2,203,054</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,203,054</u>

THE UNIVERSITY OF CINCINNATI FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE H – FAIR VALUE MEASUREMENTS (continued)

A reconciliation of the balance of level 3 financial instruments for the year ended June 30, 2021, is as follows:

	<u>University pooled investments</u>	<u>Trusts held by others</u>	<u>Trusts held for the benefit of others</u>	<u>Real estate and other</u>
Beginning balance	\$ 406,552,650	\$ 13,506,778	\$ 2,203,054	\$ 16,067,615
Purchases and contributions	23,309,910	-	221,977	-
Interest and dividend income	9,852,534	-	115,391	-
Reinvested income	2,014,395	-	7,313	-
Liquidations	(20,287,060)	-	(115,671)	(5,267,615)
Transfers to Level 2	-	-	-	(10,800,000)
Net unrealized and realized gains	107,811,807	3,403,296	593,313	-
Ending balance	<u>\$ 529,254,236</u>	<u>\$ 16,910,074</u>	<u>\$ 3,025,377</u>	<u>\$ -</u>

A reconciliation of the balance of level 3 financial instruments for the year ended June 30, 2020, is as follows:

	<u>University pooled investments</u>	<u>Trusts held by others</u>	<u>Trusts held for the benefit of others</u>	<u>Real estate and other</u>
Beginning balance	\$ 410,851,034	\$ 14,091,947	\$ 1,961,014	\$ 5,372,615
Purchases and contributions	22,482,849	-	410,666	11,050,000
Interest and dividend income	3,875,247	-	90,447	-
Reinvested income	5,823,341	-	7,045	-
Liquidations	(17,743,258)	(590,000)	(90,447)	(367,500)
Net unrealized and realized (losses) gains	(18,736,563)	4,831	(175,671)	12,500
Ending balance	<u>\$ 406,552,650</u>	<u>\$ 13,506,778</u>	<u>\$ 2,203,054</u>	<u>\$ 16,067,615</u>

In fiscal year 2020, the Foundation received property of \$10,800,000 which was recorded as an agency transaction and is included in purchases and contributions in the table above. At June 30, 2021, the property is under contract for sale and has been transferred to level 2 in the fair value hierarchy as of June 30, 2021.

Gains and losses for level 3 fair value instruments are included in net unrealized and realized gains (losses) in the accompanying Consolidated Statements of Activities. The total amount of gains (losses) above included in changes in net assets that is attributable to assets held at June 30, 2021 and 2020 is approximately \$111,808,000 and (\$18,719,000), respectively.

THE UNIVERSITY OF CINCINNATI FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE H – FAIR VALUE MEASUREMENTS (continued)

Quantitative information about significant unobservable inputs used in level 3 fair value measurements

The Foundation's share of University pooled investments is categorized as level 3 in the fair value hierarchy due to several significant unobservable inputs related primarily to loans made to neighborhood development corporations (NDC). The remaining investments are categorized as level 1 or level 2 in the fair value hierarchy if active trading data are available for similar or identical financial instruments at or near the balance sheet date, or in the case of hedge funds, the net asset value is provided via annual audited financial statements at or near the balance sheet date, and redemption provisions are not prohibitive. The pool also contains private equity funds, which are categorized as level 3 in the fair value hierarchy due to prohibitive redemption provisions, and are recorded at net asset value based on the most recently available audited financial statements and fund manager information, as applicable. NDC loans are stated at the principal amount plus accrued interest less an allowance for loan losses. As of June 30, 2021 and 2020, 47% and 48%, respectively, of the principal and accrued interest was offset by an allowance for loan losses. The valuation technique, significant unobservable inputs and the ranges of input values for the loan loss reserve are as follows:

Valuation technique	Unobservable inputs	Range
Expected future cash flows	Future occupancy rates	88% - 100%
	Future operating expenses (as a percentage of total revenue)	33% - 62%

University management obtains current cash flow information from each NDC. Based upon either the expected completion date of construction, or current occupancy rates if the property is actively rented, management then projects the approximate date when principal payments will begin and conclude. If, based upon this analysis, it appears unlikely that the loan principal and accrued interest can be repaid, an increase to the loan loss reserve is recorded.

On an annual basis, the Foundation estimates the fair value of its beneficial interest in trusts held by other trustees. Management obtains trust statements as of the balance sheet date, and calculates the fair value of their beneficial interest based on expected investment returns, and the life expectancies of any other income beneficiaries, discounted at a 6% interest rate. The following table represents the Foundation's valuation technique, significant unobservable inputs, and ranges of values of those inputs for trusts held by others which are approximately \$16,910,000 and \$13,507,000 at June 30, 2021 and 2020, respectively.

Valuation technique	Unobservable inputs	Range
Discounted cash flows	Projected investment income	0% – 8%
	Life expectancy of beneficiaries	0 - 47 years
	Discount rate	6%

THE UNIVERSITY OF CINCINNATI FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE H – FAIR VALUE MEASUREMENTS (continued)

Trusts held for the benefit of others are included as a liability on the accompanying June 30, 2021 and 2020 Consolidated Statements of Financial Position. The trusts are stated at fair value, which is an equal and offsetting amount to the trusts' underlying investments that are included in University pooled investments at fair value on the accompanying June 30, 2021 and 2020 Consolidated Statements of Financial Position. As University pooled investments are also categorized as a level 3 financial instrument, the significant unobservable inputs for this investment are disclosed previously in this footnote.

NOTE I – EQUIPMENT AND SOFTWARE

Equipment and software as of June 30 consist of the following:

	<u>2021</u>	<u>2020</u>
Office equipment	\$ 812,667	\$ 812,667
Software	4,914,951	4,914,951
Automobile	67,013	67,013
Computer equipment	<u>192,459</u>	<u>205,586</u>
	5,987,090	6,000,217
Less accumulated depreciation and amortization	<u>(5,976,819)</u>	<u>(5,758,705)</u>
	<u>\$ 10,271</u>	<u>\$ 241,512</u>

Amortization and depreciation expenses were approximately \$273,000 and \$1,090,000 for the years ended June 30, 2021 and 2020, respectively, and are included in expenses and other deductions in the accompanying Consolidated Statements of Activities.

NOTE J – LEASES

Rental expense for operating leases was \$239,470 for 2021 and 2020. The Foundation leases certain office space directly from the University. The lease expires on September 30, 2024, and is renewable for two additional terms of 20 years each.

Future minimum lease payments under noncancelable operating leases (with initial or remaining terms in excess of one year) as of June 30 are:

2022	\$ 239,470
2023	239,470
2024	239,470
2025	<u>59,870</u>
Total minimum lease payments	<u>\$ 778,280</u>

THE UNIVERSITY OF CINCINNATI FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE K – LIFE INSURANCE POLICIES

The Foundation is the beneficiary of certain life insurance policies that are recorded at their cash surrender value in the accompanying Consolidated Statements of Financial Position. The cash surrender value represents the amount the Foundation, as beneficiary, would realize if such policies were surrendered as of June 30, 2021 and 2020. The face value of these policies, which would be paid only upon death of the insured and maturity of the contracts, is approximately \$4,418,000 and \$3,601,000 as of June 30, 2021 and 2020, respectively.

NOTE L – BENEFICIAL INTEREST IN TRUSTS – OTHER TRUSTEES

The Foundation has been notified of twelve trusts held by other trustees where the remainder interest will irrevocably benefit the University. The Foundation values these assets by projecting the value of the trust assets to future periods and then discounting the anticipated cash flows at a rate reflective of the credit risk involved.

Beneficial interest in trusts held by other trustees amounted to approximately \$16,910,000 and \$13,507,000 as of June 30, 2021 and 2020, respectively.

NOTE M – UNIVERSITY FEE

In accordance with an agreement with the University, operating support of approximately \$9,771,000 and \$12,738,000 was provided by the University during the years ended June 30, 2021 and 2020, respectively. The Foundation also receives interest income earned on unexpended gift fund balances held at the University and reimbursement from certain colleges of the University for salaries and fringe benefits paid to college development employees. For the years ended June 30, 2021 and 2020, interest income and salary and benefits were approximately \$2,324,000 and \$1,960,000, respectively.

The University provided to the Foundation at no charge, the use of the building in which the Alumni Relations Department conducts business for the years ended June 30, 2021 and 2020. The value of donated occupancy costs is estimated to be approximately \$193,000 each year, and is included in University Fee with an equal and offsetting amount recorded in expenses and other deductions on the accompanying Consolidated Statements of Activities.

NOTE N – ASSESSMENT FEE

The Foundation is also funded by a fee assessed on certain endowment funds held by the University and the Foundation. Funds that are eligible for the fee assessment include quasi-endowment funds, funds that are broadly restricted by college or department, funds whereby the donor has not prohibited assessment of the fee, and unrestricted funds that do not have an internal designation. The gross assessment rate was 1% in 2021 and 2020. Revenue to the Foundation from the fee was approximately \$8,607,000 and \$8,066,000 in 2021 and 2020, respectively, and is used to fund Foundation operations. Approximately \$3,662,000 and \$3,351,000 of this fee was recorded from funds held by the Foundation in 2021 and 2020, respectively.

THE UNIVERSITY OF CINCINNATI FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE N – ASSESSMENT FEE (continued)

The Foundation charges an endowment administrative fee to recover gift stewardship costs incurred by the Foundation for those endowments which are not charged the general endowment assessment fee. The endowment administrative rate is 5% of the spending policy distribution made to the endowment spending account. Revenue to the Foundation from the fee was approximately \$562,000 and \$556,000 in 2021 and 2020, respectively. Approximately \$116,000 and \$104,000 of this fee was recorded from funds held by the Foundation in 2021 and 2020, respectively.

The Foundation charges a fee to be assessed upon all spendable, cash gifts made to the University, the Foundation or the UC Health Foundation. The gift administrative rate is 5% for gifts less than \$100,000, 3% for gifts from \$100,000 to less than \$5 million, 1% for gifts from \$5 million to less than \$10 million and 0.5% on gifts over \$10 million, upon the receipt of cash to gift, plant and loan funds. Revenue to the Foundation from the fee was approximately \$1,555,000 and \$1,801,000 in 2021 and 2020, respectively. Approximately \$1,409,000 and \$1,433,000 of this fee was recorded from funds received by the Foundation in 2021 and 2020, respectively.

NOTE O – ANNUITY AND LIFE INCOME FUNDS

The Foundation actively markets annuities and life income agreements as part of the development program. These agreements include gift annuities and split-interest trusts where the income beneficiaries receive an income stream for their lifetimes or a fixed number of years, and the Foundation is the remainderman.

Prior to July 1, 2017, the present value of annuities payable is recorded using the Foundation's estimated borrowing rate. The present value is calculated by discounting the life income payments using an average interest rate swap plus 200 BP for the time period which most closely matches the average life expectancy of the income beneficiaries. Present values of annuities payable after July 1, 2017, were calculated using the IRS Discount Rate in the month that the trust was created. Changes in future payments due to the life expectancy of beneficiaries and amortization of the discount are reflected in change in the present value of annuities payable on the accompanying Consolidated Statements of Activities. The assets and liabilities of these funds as of June 30 are:

	2021	2020
Annuities		
Investments, at fair value	\$ 4,065,799	\$ 3,332,663
Less present value of annuities payable	(1,660,112)	(1,551,146)
	\$ 2,405,687	\$ 1,781,517
	2021	2020
Trusts		
Investments, at fair value	\$ 14,570,471	\$ 13,668,168
Less present value of annuities payable	(7,797,361)	(7,835,765)
	\$ 6,773,110	\$ 5,832,403

THE UNIVERSITY OF CINCINNATI FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE O – ANNUITY AND LIFE INCOME FUNDS (continued)

For the year ended June 30, 2021, the Foundation received contributions of approximately \$256,000 and \$13,000 for annuities and trusts, respectively. For the year ended June 30, 2020, the Foundation received contributions of approximately \$320,000 and \$345,000 for annuities and trusts, respectively.

The Foundation monitors applicable state laws related to legally-mandated reserves for charitable gift annuities, and maintains reserves for various states, as appropriate.

NOTE P – RETIREMENT PLANS

The Foundation participates in a qualified and contributory retirement plan (TIAA) covering eligible employees. Under this arrangement, the Foundation and plan participants make annual contributions to purchase individual annuities equivalent to retirement benefits earned. The Foundation's share of the cost of these benefits was approximately \$1,078,000 and \$1,133,000 for the years ended June 30, 2021 and 2020, respectively.

The Foundation also maintains a Section 457(b) plan for highly compensated employees. Accounts for participating employees are currently funded solely by salary reduction contributions. The plan is structured to permit Foundation contributions on behalf of the participants, as defined. There were no amounts contributed by the Foundation for the years ended June 30, 2021 and 2020. Although these deferred compensation liabilities are unsecured, assets designated to fund these liabilities are reported in other assets on the accompanying Consolidated Statements of Financial Position. Such assets are subject to the claims of the general creditors of the Foundation.

NOTE Q – RELATED PARTY TRANSACTIONS

During the year ended June 30, 2016, the Foundation entered into an agreement with the UC Health Foundation (UCHF) to provide executive, administrative and fund raising services for a monthly fee. The fee is reimbursement for the cost incurred by the Foundation for providing support to UCHF. During 2021 and 2020, the Foundation incurred approximately \$2,157,000 and \$2,550,000, respectively, in expenses and recognized corresponding revenue under the terms of the agreement. These expenses and revenues are reported in expenses and other deductions and UC Health Foundation fee in the accompanying Statements of Activities.

For the years ended June 30, 2021 and 2020, the Foundation collected contribution payments from certain board members of the Foundation of approximately \$532,000 and \$2,178,000, respectively. At June 30, 2021 and 2020, the pledges receivable balance on the accompanying Consolidated Statements of Financial Position included board member pledges of approximately \$5,694,000 and \$5,703,000, respectively. In addition, certain board members are employees of organizations which provide services to the Foundation. Total fees paid to these organizations were approximately \$114,000 and \$224,000 for the years ended June 30, 2021 and 2020, respectively.

See also the description of various related party transactions with the University in Notes G, H, J, L, M and N.

THE UNIVERSITY OF CINCINNATI FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 and 2020

NOTE R – SUBSEQUENT EVENTS

The Foundation evaluated its June 30, 2021, consolidated financial statements for subsequent events through October 5, 2021, the date the consolidated financial statements were available to be issued. No subsequent events were identified.

SUPPLEMENTAL SCHEDULE

THE UNIVERSITY OF CINCINNATI FOUNDATION

**SUPPLEMENTAL SCHEDULE OF ACTIVITIES -
NET ASSETS WITHOUT DONOR RESTRICTIONS**

Year ended June 30, 2021

	<u>Gifts and Transfers</u>	<u>Foundation Operations</u>	<u>Total</u>
Revenues and other additions:			
Contributions	\$ 143,028	\$ 84,407	\$ 227,435
University fee	-	12,287,781	12,287,781
UC Health Foundation fee	-	2,156,921	2,156,921
Assessment fee	-	10,724,308	10,724,308
Change in value of split interest agreements	168,401	-	168,401
Other income	-	262,046	262,046
Investment income:			
Dividend and interest income	249,389	50,095	299,484
Net unrealized and realized gains	439,065	88,255	527,320
Net assets released from restrictions - satisfaction of donor restrictions	65,309,849	-	65,309,849
Total revenues and other additions	<u>66,309,732</u>	<u>25,653,813</u>	<u>91,963,545</u>
Expenses and other deductions:			
Programs activities:			
Distributions to University of Cincinnati	65,186,607	-	65,186,607
Alumni experience	27,758	2,799,019	2,826,777
Assessment fee	5,186,692	-	5,186,692
Total program activities	<u>70,401,057</u>	<u>2,799,019</u>	<u>73,200,076</u>
Supporting services:			
Management and general	-	3,692,593	3,692,593
Fundraising	422,179	16,013,132	16,435,311
Total support services	<u>422,179</u>	<u>19,705,725</u>	<u>20,127,904</u>
Total expenses and other deductions	<u>70,823,236</u>	<u>22,504,744</u>	<u>93,327,980</u>
(Decrease) Increase in net assets	(4,513,504)	3,149,069	(1,364,435)
Net assets, beginning of year	3,052,932	16,154,843	19,207,775
Net assets, end of year	<u>\$ (1,460,572)</u>	<u>\$ 19,303,912</u>	<u>\$ 17,843,340</u>

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

Independent Auditor's Report

To Management and the Board of Trustees
The University of Cincinnati Foundation

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of The University of Cincinnati Foundation (the "Foundation"), which comprise the consolidated statement of financial position as of June 30, 2021 and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements and have issued our report thereon dated October 5, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Foundation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of Foundation'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 Foundation's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's consolidated 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 consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To Management and the Board of Trustees
The University of Cincinnati Foundation

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation'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 Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

October 5, 2021

OHIO AUDITOR OF STATE KEITH FABER



UNIVERSITY OF CINCINNATI FOUNDATION

HAMILTON COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 11/4/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov