University of Cincinnati
A Component Unit of the State of Ohio

Financial Statements as of and for the
Year Ended June 30, 2023 and
Independent Auditor's Report

University of CINCINNATI

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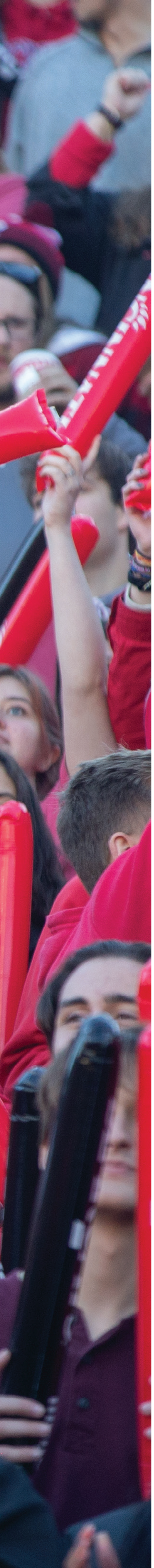

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REQUIRED SUPPLEMENTARY INFORMATION

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To the Board of Trustees
University of Cincinnati

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and discretely presented component unit of the University of Cincinnati (the "University"), a component unit of the State of Ohio, as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the University of Cincinnati's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and discretely presented component unit of the University of Cincinnati as of June 30, 2023 and the changes in its financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

As discussed in Note 1 to the financial statements, the University adopted new accounting guidance under Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, as of July 1, 2022. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of the University's proportionate share of the net pension liability, schedules of the University's pension contributions, schedules of the University's proportionate share of net OPEB liability (asset), and schedules of the University's OPEB contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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.

Additional Information

Management is responsible for the accompanying board of trustees member listing, which is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Our opinions on the basic financial statements do not cover the such information, and we do not express an opinion or any form of assurance thereon.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2023 on our consideration of the University of Cincinnati's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Cincinnati'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 Cincinnati's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 13, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

The following discussion and analysis provide an overview of the financial position of the University of Cincinnati (the university) as of and for the year ended June 30, 2023. The university originated in 1819 and is a comprehensive research-based public institution of higher learning. Comparative information as of and for the year ended June 30, 2022 has been provided where applicable. Comments relate to the university and University Heights Community Urban Redevelopment Corporation (UHCURC), a blended component unit of the university. Comments do not pertain to the university's discretely presented component unit, the University of Cincinnati Foundation (the Foundation). The Foundation's financial results are presented in a columnar format with further information found in the notes to the financial statements. Management has prepared this discussion, which should be read in conjunction with the financial statements and notes that follow this section.

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

Total enrollment for fall 2022 (fiscal year 2023) included 47,914 students. Among the university's student population are 4,251 international students representing 121 countries. The university offers a diverse range of degree programs from baccalaureate to post-doctoral levels through 14 colleges. University campuses include Clifton Campus, UC Blue Ash, and UC Clermont with student populations of 86%, 9%, and 5%, respectively. Faculty members on the three campuses totaled 4,348. The university employs approximately 11,005 people, including graduate assistants, making it one of the largest employers in the Cincinnati region. Our endeavors as a university encompass science, medicine, business, education, engineering, technology, the humanities, and the arts.

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

During the 2023 academic year, the university awarded 14,080 academic credentials. Degrees awarded include 1,321 associate degrees, 6,499 bachelor's degrees, 3,562 master's degrees, and 834 doctoral degrees. Professional certificates awarded total 1,864.

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

The Ohio Department of Higher Education has designated the university as one of only two major comprehensive research-based universities within the state's higher educational system that comprises 14 public universities. The National Science Foundation places the university in the top 60 among America's public research universities, and one of only 146 institutions classified as housing the very highest activity by the Carnegie Classification of Institutions of Higher Education.

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

The latest 2024 issue of the U.S. News & World Report's influential Best Colleges guide ranks the university among the top tier of national universities (no. 151), with the university outpacing almost all national rivals on performance indicators important to students and their families. As the global founder of cooperative education, the university remains a world-class leader in experience-based learning. U.S. News & World Report ranks the university's co-op program in the Top 4 in the country, No. 1 among public institutions. U.S. News also ranks the university 68th Most Innovative School among National Universities. Our students earned a collective $75 million in 2022-23 via their co-op work placements, alternating academic semesters with professional, paid work directly tied to their majors. In the past academic year, the average earnings in the university's mandatory, full-time co-op programs comes to $10,500 per student each semester.

Princeton Review's 2024 edition of "The Best 389 Colleges" identified the university for the 16th year in a row among the nation's best institutions for an undergraduate education. University rankings are based on The Princeton Review's surveys of 165,000 students.

The university's campus setting continues to garner worldwide acclaim, with The New York Times highlighting the university's dramatic campus renovation of the past quarter century "the most ambitious campus design program in the country." In addition, Forbes, Delta Sky and Travel + Leisure magazines have all highlighted the university as one of the world's most beautiful campuses. It's also a sustainable one where all new construction and major renovations are completed to LEED Silver standards or higher whenever possible. In its 2024 college rankings, Niche ranked the university as the "Best college location in Ohio."

Using the Financial Statements

The university's financial report includes three financial statements and related notes:

- The Statement of Net Position
- The Statement of Revenues, Expenses, and Changes in Net Position
- The Statement of Cash Flows

These financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles, which establish standards for external financial reporting for public colleges and universities. During 2023, the university implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. There was no significant impact to the university's financial statements due to the adoption of Statement 96.

Statement of Net Position

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

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

A summary of the university's net financial position at June 30, 2023 and June 30, 2022 follows:

SUMMARY STATEMENT OF NET POSITION

(in thousands)	2023	2022	Increase/(Decrease) Amount	Increase/(Decrease) Percent
Current assets	$ 380,567	$ 585,278	$ (204,711)	-35.0%
Noncurrent assets				
Investments	531,366	410,636	120,730	29.4%
Endowment investments	738,801	723,340	15,461	2.1%
Accounts and notes receivable	16,532	19,090	(2,558)	-13.4%
Net other postemployment benefits asset	38,617	72,859	(34,242)	-47.0%
Other noncurrent assets	28,872	24,548	4,324	17.6%
UC Health intangible asset	420,645	420,645	—	0.0%
Capital assets, net of depreciation	1,778,166	1,704,149	74,017	4.3%
Right to use assets, net of amortization	115,759	121,882	(6,123)	-5.0%
Total assets	4,049,325	4,082,427	(33,102)	-0.8%
Deferred outflows of resources	285,966	155,089	130,877	84.4%
Current liabilities	368,230	366,303	1,927	0.5%
Noncurrent liabilities	1,907,828	1,523,576	384,252	25.2%
Total liabilities	2,276,058	1,889,879	386,179	20.4%
Deferred inflows of resources	126,751	428,461	(301,710)	-70.4%
Net position	$ 1,932,482	$ 1,919,176	$ 13,306	0.7%

Current Assets

Current assets consist primarily of cash and cash equivalents, short-term investment of operating funds, and accounts receivable. Current assets decreased by $204.7 million in 2023. The university invests its operating funds and borrowed proceeds to provide, in order of priority, safety of principal, liquidity, and maximum total return consistent with safety and liquidity.

Noncurrent Assets

Investments

Investments (excluding endowment investments) at June 30, 2023 totaled $531.4 million, an increase of $120.7 million from June 30, 2022. The funds are invested in the university's temporary investment pool with the exception of $95.5 million, which is invested in the endowment. Investments with a maturity date less than one year totaled $204.4 million, and are classified as current investments.

Endowment Investments

The university's endowment totaled $1.85 billion at June 30, 2023. The endowment includes Fund A (actively managed pooled investments), Fund B (certain real estate), Fund C (community development real estate investments funded with endowment funds), separately invested assets, and beneficial interests in irrevocable trusts. Principal repayments and interest collected on Fund C investments are subsequently invested in Fund A. Below is a summary of the market value for each category of the university's endowment:

(in thousands)	2023	2022	Increase/(Decrease) Amount	Increase/(Decrease) Percent
Fund A (University's share)	$ 789,805	$ 746,132	$ 43,673	5.9%
Fund A (Foundation's share) *	544,492	512,532	31,960	6.2%
Total Fund A	1,334,297	1,258,664	75,633	6.0%
Fund B	816	816	—	0.0%
Fund C (University's share)	35,092	42,263	(7,171)	-17.0%
Fund C (Foundation's share) *	17,843	21,739	(3,896)	-17.9%
Total Fund C	52,935	64,002	(11,067)	-17.3%
Separately Invested	23,139	32,125	(8,986)	-28.0%
Beneficial Interests in Perpetual Trusts	443,165	420,202	22,963	5.5%
Total Endowment Investments	$ 1,854,352	$ 1,775,809	$ 78,543	4.4%

* Includes accrued income/expense

Endowment investments reported on the Statement of Net Position totaled $738.8 million and include the following:

- The university's share of Fund A, excluding temporary investment pool funds of $94.6 million, accrued income, accrued expense, and valuation timing adjustments
- Fund B
- The university's share of Fund C, excluding temporary investment pool funds of $0.9 million, a $10.4 million loan to UHCURC, and $3.5 million of accrued income
- Separately invested funds excluding accrued income of $1.8 million

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

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

Fund A, the university's principal investment pool, increased in 2023 from $1.259 billion to $1.334 billion, an increase of $75.6 million. which equates to 6.0%. The increase is net of a 4.1% endowment spending distribution and a 1.0% distribution to the Foundation. Fund A consists of approximately 14.3% cash and fixed income, 31.5% corporate stocks, 12.2% hedge funds, 42.0% private equity, and 0.0% real estate.

The university manages the endowment to support current operations in a way that generates a predictable stream of support while maintaining the purchasing power of endowment funds adjusted for inflation. The spending policy provides for annual distributions of 4.1% of the three-year quarterly moving-average market value of assets in the investment pool. The income distribution for endowment spending for fiscal year 2024 will be reduced by 0.1 percentage points to 4.0% of the previous twelve-quarter moving average of market value.

At June 30, 2023, Fund A summary of activity and information is as follows *(in thousands):*

Fund A	Outstanding Shares		Per Unit Price		Total *(in thousands)*
Beginning balance	14,840,183	$	84.8146	$	1,258,664
Ending balance	15,776,700		84.5739		1,334,297
Increase in Fund A	936,517	$	(0.2407)	$	75,633

Fund A Activity		
Return on Investments	$	62,522
Gifts Received		24,375
Funds available for spending, net transfers, and fees (fundraising, administrative and custody)		(11,264)
Total Fund A Activity	$	75,633

The university is the beneficiary of numerous perpetual trusts held and administered by external trustees. The market value of these external trustee assets totaled $443.2 million and $420.2 million as of June 30, 2023 and June 30, 2022, respectively. These external trusts are irrevocable, and the university has a vested beneficial interest in the net income payable by the trusts. External trust assets are not reported on the Statement of Net Position unless they are recognized as beneficial interest in trusts recognized under GASB 81, *Irrevocable Split-Interest Agreements.* Income is received annually and reported on the university's Statement of Revenues, Expenses, and Changes in Net Position. The university received income of $13.3 million and $12.4 million in 2023 and 2022, respectively.

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

UC Health Affiliation Agreement

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

Capital Assets

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

During 2023, the university completed and capitalized significant projects including:

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

Capital projects currently in construction include:

- Athletics Indoor Practice Facility and Athlete Performance Center
- Blood Cancer Healing Center - Renovation and Tenant Improvements
- Blood Cancer Healing Center - Parking Garage Maintenance Repairs
- Center for Identity and Inclusion SSLC 700 + 800
- CS Marketpointe Siddall Interior Renovation
- East Campus Utility Plant Infrastructure Upgrades
- Siddall Hall Renovation
- Shoemaker Varsity Basketball Locker Rooms Renovation
- YMCA Building Stabilization, Roof and Electrical Improvements

Projects currently in design include:

- Clermont College - McDonough Hall and Student Services Roof and HVAC Replacement
- Clifton Court Drive Realignment and Infrastructure Upgrade
- Digital Futures (Phase 2)
- Old Chemistry Rehabilitation and Partial Replacement
- UCBA Muntz Hall Rehabilitation (Phase 5)

Capital asset additions are funded using a combination of state capital appropriations, debt, gifts, and university funds. Capital additions (net of depreciation) totaled $74.4 million in 2023 and $67.7 million in 2022. Depreciation expense totaled $137.4 million in 2023 and $132.1 million in 2022. Capital additions are primarily comprised of capital projects that were either completed during the fiscal year or are in the construction or design phase at June 30 of each fiscal year.

Liabilities

University liabilities were $2.28 billion at June 30, 2023 compared to $1.89 billion at June 30, 2022. Excluding the effects of GASB 68 and 75, liabilities at June 30, 2023 and 2022 were $1.56 billion and $1.59 billion, respectively. The decrease is primarily due to principal paid on capital debt.

Debt

Total debt representing fixed and variable rate bonds, as well as leases and subscription-based information technology agreements, was $1.20 billion at June 30, 2023; a decrease of $57.1 million from $1.26 billion at June 30, 2022. During 2023, the university retired $155,000 of callable obligations (see Note 7).

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

Standard & Poor's Ratings Services assigned an AA- long-term rating with a stable outlook and Moody's Investors Service previously assigned Aa3 rating with a stable outlook remain unchanged. The ratings were assigned in January 2023 after extensive reviews of the university's financial activities, strategic plans, and future prospects.

Net Position

The four net position categories represent the residual interest in the university's assets and deferred outflows of resources less liabilities and deferred inflows of resources. The university's net position at June 30, 2023 and June 30, 2022 is summarized below:

						Increase/(Decrease)	
(in thousands)		2023		2022		Amount	Percent
Net investment in capital assets	$	694,801	$	610,217	$	84,584	13.9%
Restricted for:							
Nonexpendable		837,172		831,990		5,182	0.6%
Expendable		508,996		529,330		(20,334)	-3.8%
Unrestricted		(108,487)		(52,361)		(56,126)	-107.2%
Total Net Position	**$**	**1,932,482**	**$**	**1,919,176**	**$**	**13,306**	**0.7%**

Net investment in capital assets represents both the university's non-depreciable, depreciable, and right-to-use lease and subscription assets. Non-depreciable assets include land, construction in progress, and collections of art and rare books. Capital assets being depreciated include land improvements, buildings, infrastructure, building equipment, movable equipment, computer software, and library books. Right-to-use assets being amortized include buildings, movable equipment and subscription-based information technology arrangements. Net investment in capital assets is also net of outstanding principal balances of debt attributable to the acquisition, construction, and improvement of those assets or the principal due under lease obligations. During fiscal year 2023, net investment in capital assets increased by $84.6 million.

Restricted nonexpendable net position includes, as a primary component, the university's permanently invested endowment and gift funds. These funds increased by $5.2 million and are net of annual endowment spending distributions and Foundation fees. Restricted nonexpendable net position also includes the university's investment in UC Health.

Restricted expendable net position is subject to externally imposed provisions governing its use. This category of net position mainly includes unspent expendable endowment funds (available through the endowment spending policy), gifts, support from affiliates, and restricted quasi-endowment funds. Restricted expendable funds decreased by $20.3 million due, in part, to changes to the net other postemployment benefits asset.

Pension reporting standards require the university to recognize net assets, liabilities, expenses, and deferred outflows and inflows of resources for both the pension plans and OPEB based on the university's proportionate share of collective amounts for all participating employers in these defined benefit cost sharing, multiple-employer plans. Each year the impacts to the university's financial statements are based on the assumptions and decisions implemented by each plan, which may lead to significant fluctuations.

The cumulative net impact of the pension and OPEB standards at June 30, 2023 was a reduction of $486.3 million ($38.6 million addition to restricted expendable and $524.9 million reduction to unrestricted) to the university's total net position. Additional detail relating to the pension and OPEB standards is in the table below:

(in thousands)	2023	2022	Increase/(Decrease) Amount	Percent
Impact of Pension and OPEB Standards				
Net OPEB Asset	$ 38,617	$ 72,859	$ (34,242)	-47.0%
Deferred Outflows of Resources				
OPEB	28,858	4,423	24,435	552.5%
Pension	242,834	134,135	108,699	81.0%
Net Pension and OPEB Liability				
OPEB	8,401	—	8,401	100.0%
Pension	712,493	297,169	415,324	139.8%
Deferred Inflows of Resources				
OPEB	36,189	75,123	(38,934)	-51.8%
Pension	39,566	305,046	(265,480)	-87.0%
Net Impact of Pension and OPEB Standards	$ (486,340)	$ (465,921)	$ (20,419)	4.4%

* See note 10 for retirement plans and OPEB

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents the results of the university's activities for the year. Listed below are summarized statements of the university's revenues, expenses, and changes in net position for the years ended June 30, 2023 and June 30, 2022:

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

(in thousands)	2023	2022	Increase/(Decrease) Amount	Percent
Operating Revenues	$ 1,082,187	$ 1,026,811	$ 55,376	5.4%
Operating Expenses	1,500,643	1,296,130	204,513	15.8%
Operating Loss	(418,456)	(269,319)	(149,137)	55.4%
Nonoperating Revenues (Expenses)				
State educational appropriations	244,500	235,925	8,575	3.6%
Federal nonexchange grants	45,443	107,885	(62,442)	-57.9%
State nonexchange grants	6,982	6,128	854	13.9%
Gifts	47,273	68,515	(21,242)	-31.0%
Support from affiliates	17,736	19,138	(1,402)	-7.3%
Net investment income	97,695	30,945	66,750	215.7%
Net interest on capital asset-related debt	(42,734)	(42,315)	(419)	1.0%
Other nonoperating revenues (expenses)	1,365	(831)	2,196	-264.3%
State capital appropriations	1,877	29,062	(27,185)	-93.5%
Capital gifts and grants	10,168	12,505	(2,337)	-18.7%
Additions to permanent endowments	1,457	830	627	75.5%
Increase in Net position	13,306	198,468	(185,162)	-93.3%
Net position, beginning of year	1,919,176	1,720,708	198,468	11.5%
Net position, end of year	$ 1,932,482	$ 1,919,176	$ 13,306	0.7%

Revenues and expenses are categorized as either operating or nonoperating. Significant recurring sources of the university's revenues, including state appropriations, federal nonexchange grants, state nonexchange grants, gifts, and support from affiliates are considered nonoperating. Consequently, the operating loss of $418.5 million does not account for these important revenue sources. Adding these five revenue sources, which total $361.9 million for 2023, offsets much of the operating loss.

Revenues

The university's revenues for the years ended June 30, 2023 and June 30, 2022, are summarized below:

SUMMARY OF REVENUES

			Increase/(Decrease)	
(in thousands)	**2023**	**2022**	**Amount**	**Percent**
Operating Revenues				
Net student tuition and fees	$ 508,281	$ 522,421	$ (14,140)	-2.7%
Federal, state, & local grants and contracts	209,298	181,767	27,531	15.1%
Nongovernmental grants and contracts	38,971	29,830	9,141	30.6%
Sales and services of educational departments	161,263	149,324	11,939	8.0%
Auxiliary enterprises, net	152,981	131,801	21,180	16.1%
Other	11,393	11,668	(275)	-2.4%
Total operating revenues	1,082,187	1,026,811	55,376	5.4%
Nonoperating Revenues				
State educational appropriations	244,500	235,925	8,575	3.6%
Federal and state nonexchange grants	52,425	114,013	(61,588)	-54.0%
Gifts	47,273	68,515	(21,242)	-31.0%
Support from affiliates	17,736	19,138	(1,402)	-7.3%
Net investment income	97,695	30,945	66,750	215.7%
Other nonoperating revenues	1,365	—	1,365	100.0%
Capital appropriations, gifts, and grants	12,045	41,567	(29,522)	-71.0%
Additions to permanent endowments	1,457	830	627	75.5%
Total nonoperating and other revenues	474,496	510,933	(36,437)	-7.1%
Total revenues	**$ 1,556,683**	**$ 1,537,744**	**$ 18,939**	**1.2%**

Operating Revenues

Net student tuition and fees are the primary source of operating revenue for the university. During 2023, the net revenue from student tuition and fees decreased from $522.4 million to $508.3 million, a decrease of $14.1 million. The decrease is mainly the result of changing the methodology for calculating the tuition discount allowance to a method based on the individual student. This estimate reflects a more accurate amount matching student aid with student charges. A similar decrease is reflected in scholarship expense as there was no financial impact to the university's net position due to this change. Gross student tuition and fees increased due to increased enrollment. For incoming freshman, the university increased undergraduate instructional fees by 4.6% through its tuition guarantee program. The program guarantees no additional tuition increases for four or five year programs, dependent on the undergraduate degree-seeking student's degree program.

The university has a high level of commitment to its research mission. In 2023, revenue from federal, state, and local grants and contracts totaled $209.3 million, an increase of $27.5 million. The increase was mainly a result of an increase in federal grant funds. Nongovernmental grants and contracts revenue increased from $29.8 million to $39.0 million in 2023, an increase of $9.2 million. The increase was a result of an expansion of private grant funds. Annual research revenue as a percent of total operating revenue accounted for 23% of revenue in 2023.

Revenue from sales and service of educational departments totaled $161.3 million, an increase of $11.9 million. The increase is attributable to a continued expansion of services provided by the College of Medicine and Hoxworth Blood Center.

Auxiliary enterprises, net revenue, increased from $131.8 million to $153.0 million, an increase of $21.2 million. The increase is attributable to room and board rate increases of 4.6% and parking rates of 3.0% as well as increased student enrollment.

Nonoperating Revenues

State educational appropriations increased from $235.9 million in 2022 to $244.5 million in 2023, an increase of $8.6 million. State funding support remains a vital source of funding for academic programs and administrative costs.

Federal and state nonexchange grants decreased from $114.0 million in 2022 to $52.4 million in 2023, a decrease of $61.6 million. Federal higher education pandemic relief funds spent in the prior fiscal year accounted for this decrease.

The results of fundraising efforts are an important component of the university's financial resources. Expendable gifts to the university received during 2023 totaled $47.3 million, compared to $68.5 million in 2022, a decrease of $21.2 million, which is due to a one-time gift received in 2022. The Foundation is working with the university to develop the next fundraising campaign to support the work of the university's Next Lives Here strategic direction.

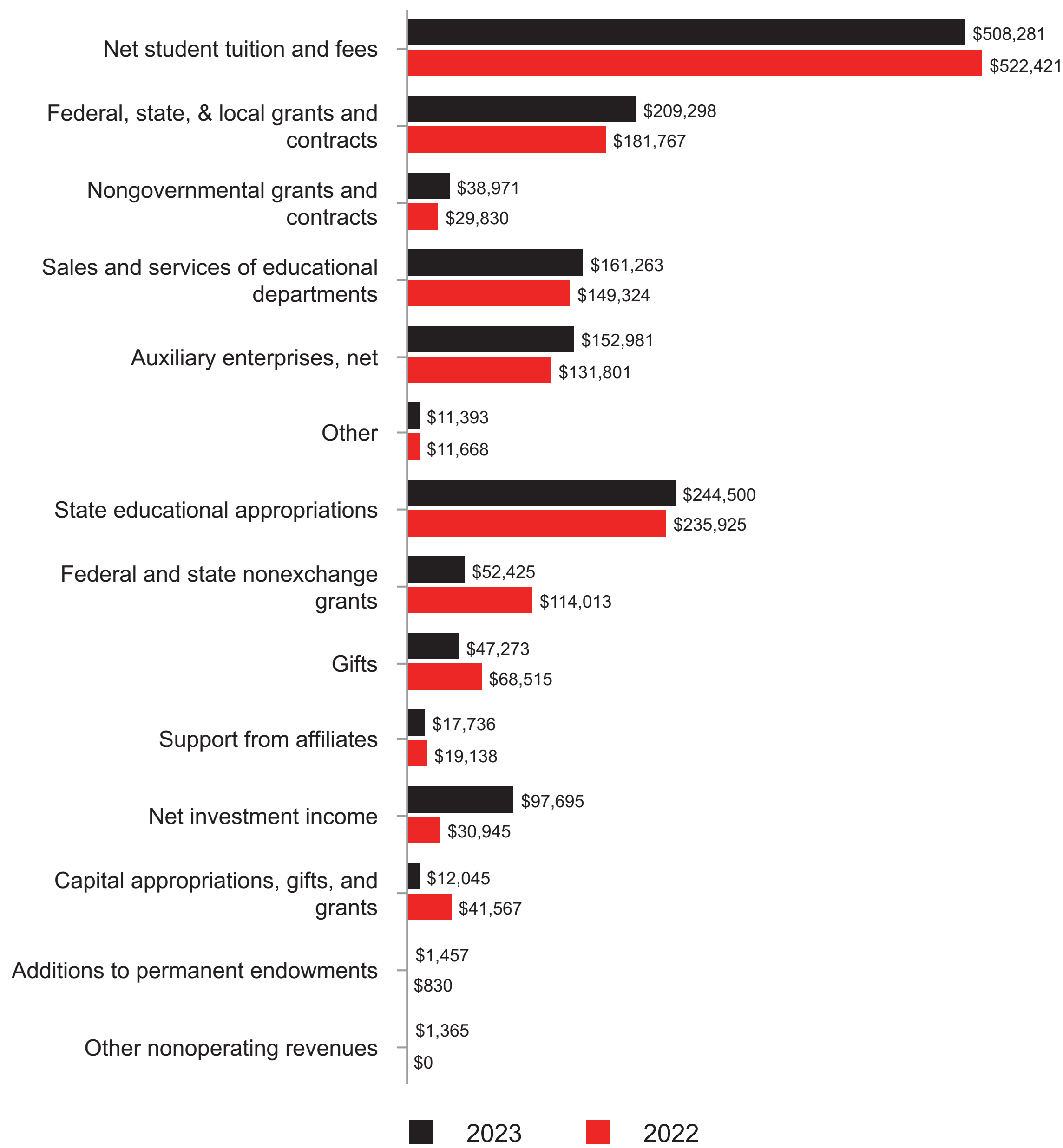
Support from affiliates revenue decreased from $19.1 million to $17.7 million in 2022 and 2023 respectively, a decrease of $1.4 million. Funds reported as support from affiliates are contributions from UC Health to the College of Medicine in support of the academic mission. The decrease in support during 2023 is mainly attributable to UC Health funding reductions resulting from continuing pandemic uncertainty. Support funds are budgeted, committed and made available to the College of Medicine mainly based on strategic education and research needs identified by the Dean of the College of Medicine.

The university's net investment income totaled $97.7 million and $30.9 million in 2023 and 2022 respectively, an increase of $66.8 million. Investment income includes both endowment income and temporary investment pool income. The increase in investment income for 2023 is mainly attributable to growth in domestic and global equities' markets.

Capital appropriations, gifts, and grants included in other revenue, decreased from $41.6 million in 2022 to $12.0 million in 2023, a decrease of $29.6 million. State capital is appropriated on a biannual basis, of which 2023 is the first year of the biennium. In 2023, State capital appropriations were $1.9 million, a decrease of $27.2 million. The decrease in state capital appropriation revenue is due to unused funding allocated for a major construction project in the design phase at the end of fiscal year 2023. Capital gifts and grants received for construction projects decreased from $12.5 million in 2022 to $10.2 million in 2023, a decrease of $2.3 million.

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

Summary of Revenues *(in thousands)*



Expenses

The university's expenses for the years ended June 30, 2023 and June 30, 2022, are summarized below:

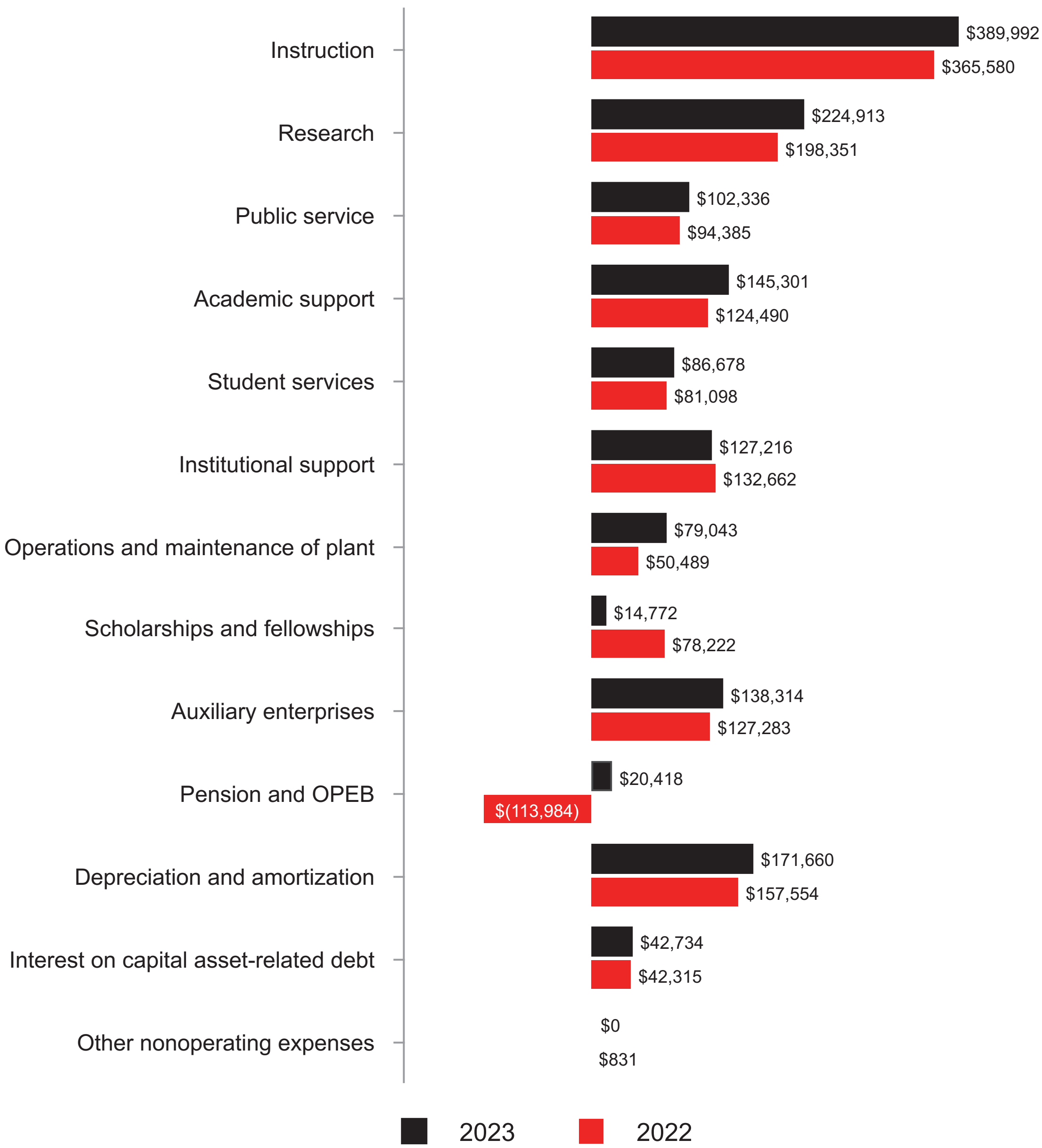
SUMMARY OF EXPENSES

			Increase/(Decrease)	
(in thousands)	**2023**	**2022**	**Amount**	**Percent**
Operating expenses				
Instruction	$ 389,992	$ 365,580	$ 24,412	6.7%
Research	224,913	198,351	26,562	13.4%
Public service	102,336	94,385	7,951	8.4%
Academic support	145,301	124,490	20,811	16.7%
Student services	86,678	81,098	5,580	6.9%
Institutional support	127,216	132,662	(5,446)	-4.1%
Operations and maintenance of plant	79,043	50,489	28,554	56.6%
Scholarships and fellowships	14,772	78,222	(63,450)	-81.1%
Auxiliary enterprises	138,314	127,283	11,031	8.7%
Pension and other postemployment benefit (revenue) expense	20,418	(113,984)	134,402	-117.9%
Depreciation and amortization	171,660	157,554	14,106	9.0%
Total operating expenses	$ 1,500,643	$ 1,296,130	$ 204,513	15.8%
Nonoperating expenses				
Net interest on capital asset-related debt	42,734	42,315	419	-1.0%
Other nonoperating expenses	—	831	(831)	-100.0%
Total nonoperating expenses	$ 42,734	$ 43,146	$ (412)	-1.0%
Total expenses	**$ 1,543,377**	**$ 1,339,276**	**$ 204,101**	**15.2%**

Total university expenses (operating and nonoperating) increased by $204.1 million in 2023. Pension (GASB 68) and OPEB (GASB 75) adjustments accounted for $134.4 million of the increase in expenses. Excluding pension and OPEB related expenses, university expenses increased by $70.0 million. Generally, expense increases correlate with increases in revenue. Other factors for the increased expenses include students, faculty and staff returning to campus as operations and services continue to return to normal levels after the pandemic as well as rising costs for goods and services. As noted earlier, the decrease in scholarship expense is mainly the result of changing the methodology for calculating the tuition discount allowance to a method based on the individual student.

The chart below portrays both operating and nonoperating expenses:

Summary of Expenses *(in thousands)*



Economic Factors That Will Affect The Future

Fall 2023 enrollment totaled 50,921 students, an increase of 3,007 students from the fall 2022. The growth of the student body has continued over the past decade and reflects the university's core values around academic excellence, access and inclusion, and affordability. The fall 2023 class is the university's largest ever, most academically prepared, and most historically diverse. The university is home to students from all 50 states plus the District of Columbia (Washington, D.C.) and Puerto Rico. Internationally, 151 countries are represented in our student population. Fall 2023 has also brought the largest new first-year class in history totaling 8,966, an increase of 748 students. The university continues to increase its diversity with racial and ethnic minorities with an increase of 14% in black students and 16% in Latinx students in the incoming class.

The university delivers a significant economic boost to the region and state of Ohio thanks to alumni impact, operations and research spending, student demand for goods and services, launch of startup companies and more. The university's overall impact on the business community in southwest Ohio, northern Kentucky and eastern Indiana is estimated at $10.6 billion in added income to the business community, supporting an estimated 125,057 jobs; one out of every 12 jobs in the region.

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

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

The university has 200 years of history as a research pioneer, with a culture strongly emphasizing collaboration to achieve innovative results that can be applied to solving complex problems and furthering scientific advancement. The university is the leading R1 urban university in our region with unrivaled talent solving problems that matter. We are rigorously pursuing diversity, equity and inclusion in research and actively transforming society through the creation of game-changing new knowledge and application of disruptive discoveries.

Through UC Digital Futures, the university has created a community of experts who partner with the government, industry, and the community to deliver reliable and lasting solutions to the real problems impacting people's lives. By harnessing creativity, technology, science, and imagination for measurable change and social impact, UC Digital Futures is creating a better future by solving problems that matter. This future-focused research will harness the power of intellect and technologies to advance the geographic region and impact global society. The university also fosters early stage research and launches start-up companies via an expanding innovation incubator, the 1819 Innovation Hub, providing a key location amidst the Uptown Innovation Corridor. The UC innovation hub is the nexus for business and industry to partner with university faculty and students.

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

STATEMENT OF NET POSITION *(in thousands)*

as of June 30, 2023

	UNIVERSITY OF CINCINNATI 2023	THE UNIVERSITY OF CINCINNATI FOUNDATION 2023
ASSETS		
Current assets		
Cash and cash equivalents	$ 74,172	$ 22,846
Current portion of investments	204,369	
Current portion of accounts receivable, net	90,293	2,156
Current portion of pledges receivable, net		24,796
Current portion of notes receivable, net	1,647	
Current portion of other assets	10,086	16,311
Total current assets	**380,567**	**66,109**
Noncurrent assets		
Investments	531,366	
Endowment investments	738,801	640,855
Accounts receivable, net	4,032	
Pledges receivable, net		82,857
Notes receivable, net	12,500	
Net other postemployment benefits asset	38,617	
Other noncurrent assets	28,872	
UC Health intangible asset	420,645	
Capital assets not being depreciated	162,552	
Capital assets being depreciated, net	1,615,614	224
Right to use assets, net	115,759	307
Total noncurrent assets	**3,668,758**	**724,243**
Total Assets	**4,049,325**	**790,352**
Deferred Outflows of Resources		
Loss on refunding	14,274	
Other postemployment benefits	28,858	
Pension	242,834	
Total Deferred Outflows of Resources	**285,966**	
Total Assets and Deferred Outflows	**$ 4,335,291**	**$ 790,352**

(Continued)

STATEMENT OF NET POSITION *(in thousands)*

as of June 30, 2023

	UNIVERSITY OF CINCINNATI 2023	THE UNIVERSITY OF CINCINNATI FOUNDATION 2023
LIABILITIES		
Current liabilities		
Accounts payable	$ 83,647	$ 7,919
Accrued liabilities	29,724	
Current portion of accrued compensation	89,798	
Current portion of bonds payable	46,579	
Current portion of leases payable	14,756	239
Current portion of subscription-based IT payable	5,221	
Deposits and advances	98,505	
Total current liabilities	**368,230**	**8,158**
Noncurrent liabilities		
Accrued compensation	24,259	
Bonds payable	1,047,424	
Leases payable	90,291	68
Subscription-based IT payable	7,442	
Net other postemployment benefits liability	8,401	
Net pension liability	712,493	
Other noncurrent liabilities	17,518	30,834
Total noncurrent liabilities	**1,907,828**	**30,902**
Total Liabilities	**2,276,058**	**39,060**
Deferred Inflows of Resources		
Split-interest agreements	12,671	
Gain on refunding	1,685	
Hedging derivative	11,361	
Leases	25,279	
Other postemployment benefits	36,189	
Pension	39,566	
Total Deferred Inflows of Resources	**126,751**	
NET POSITION		
Net investment in capital assets	694,801	224
Restricted for:		
Nonexpendable	837,172	549,847
Expendable	508,996	181,794
Unrestricted	(108,487)	19,427
Total Net Position	**1,932,482**	**751,292**
Total Liabilities, Deferred Inflows and Net Position	**$ 4,335,291**	**$ 790,352**

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

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION *(in thousands)*

for the year ended June 30, 2023

	UNIVERSITY OF CINCINNATI 2023	THE UNIVERSITY OF CINCINNATI FOUNDATION 2023
OPERATING REVENUES		
Student tuition and fees	$ 690,383	$
Less scholarship allowances	182,102	
Net student tuition and fees	508,281	
Federal grants and contracts	200,150	
State and local grants and contracts	9,148	
Nongovernmental grants and contracts	38,971	
Sales and services of educational departments	161,263	
Auxiliary enterprises (net of scholarship allowances of $9,113 in 2023)	152,981	
Other operating revenues	11,393	$ 27,926
Total Operating Revenues	**1,082,187**	**27,926**
OPERATING EXPENSES		
Educational and general:		
Instruction	389,992	
Research	224,913	
Public service	102,336	
Academic support	145,301	
Student services	86,678	
Institutional support	127,216	36,642
Operations and maintenance of plant	79,043	
Scholarships and fellowships	14,772	
Auxiliary enterprises	138,314	
Pension expense	41,144	
Other postemployment benefit revenue	(20,726)	
Depreciation and amortization	171,660	133
Total Operating Expenses	**1,500,643**	**36,775**
Operating Loss	**(418,456)**	**(8,849)**
NONOPERATING REVENUES (EXPENSES)		
State educational appropriations	244,500	
Federal nonexchange grants	45,443	
State nonexchange grants	6,982	
Gifts	47,273	93,751
Support from affiliates	17,736	
Net investment income	97,695	33,625
Net interest on capital asset-related debt	(42,734)	
Payments to University of Cincinnati		(69,755)
Other nonoperating revenues (expenses)	1,365	(1,782)
Net Nonoperating Revenues	**418,260**	**55,839**
Income (Loss) Before Other Revenues	**(196)**	**46,990**
OTHER REVENUES		
State capital appropriations	1,877	
Capital gifts and grants	10,168	
Additions to permanent endowments	1,457	
Total Other Revenues	**13,502**	
Increase in Net Position	**13,306**	**46,990**
Net Position, beginning of year	1,919,176	704,302
NET POSITION, End of Year	**$ 1,932,482**	**$ 751,292**

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

STATEMENT OF CASH FLOWS *(in thousands)*

for the year ended June 30, 2023

		UNIVERSITY OF CINCINNATI 2023
Cash Flows from Operating Activities		
Student tuition and fees	$	511,585
Federal, state, and local grants and contracts		294,709
Sales and services of educational departments and auxiliary enterprises		313,583
Expenditures and other deductions:		
Compensation		(875,777)
Payments for materials, services and other		(500,606)
Loans issued		(2,046)
Loan principal collected		3,673
Interest on loans receivable		101
Custodial funds received		10,584
Custodial funds disbursed		(10,584)
Other revenue		9,989
Net Cash Used for Operating Activities		**(244,789)**
Cash Flows from Noncapital Financing Activities		
State educational appropriations		244,228
Federal nonexchange grants		45,443
State nonexchange grants		6,982
Gift receipts for current use		46,023
Support from affiliates		15,336
Drawdowns of federal direct loan proceeds		230,082
Disbursements of federal direct loans to students		(230,185)
Additions to permanent endowments		1,687
Net Cash Provided by Noncapital Financing Activities		**359,596**
Cash Flows from Capital and Related Financing Activities		
State capital appropriations		5,867
Private gifts		10,326
Other		1,084
Purchases of capital assets		(196,405)
Proceeds from sale of capital assets		288
Principal paid on capital debt		(32,280)
Interest paid on capital debt		(38,361)
Principal payments received on leases receivable		1,408
Interest payments received on leases receivable		40
Principal paid on leases payable		(28,381)
Interest paid on leases payable		(3,585)
Principal paid on subscription-based IT payable		(6,638)
Interest paid on subscription-based IT payable		(161)
Net Cash Used for Capital and Related Financing Activities		**(286,798)**
Cash Flows from Investing Activities		
Interest and dividends on investments, net		47,322
Proceeds from sales and maturities of investments		1,445,011
Purchases of investments		(1,483,124)
Other endowment expenditures		(10,973)
Net Cash Used for Investing Activities		**(1,764)**
Net Decrease in Cash and Cash Equivalents		(173,755)
Cash and Cash Equivalents, Beginning of Year		247,927
Cash and Cash Equivalents, End of Year	**$**	**74,172**

STATEMENT OF CASH FLOWS *(in thousands)*

for the year ended June 30, 2023

		UNIVERSITY OF CINCINNATI 2023
Reconciliation of Operating Loss to Net Cash Used for Operating Activities:		
Operating loss	$	(418,456)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation and amortization expense		171,660
Changes in assets and liabilities:		
Accounts receivable, net		(11,825)
Notes receivable, net		1,626
Other assets		1,543
Net OPEB asset		34,242
Deferred outflows		(133,117)
Accounts payable		(27,220)
Accrued compensation and other		10,151
Advances		19,258
Compensated absences		2,973
Net OPEB liability		8,401
Net pension liability		415,324
Deferred inflows		(304,432)
Other liabilities		(14,917)
Net Cash Used for Operating Activities	**$**	**(244,789)**

Noncash Transactions		
Accrued liabilities for capital assets	$	36,326
Net increase in fair value of investments	$	30,062
Gifts and other additions to capital assets	$	64
Lease obligations incurred for lease assets	$	8,872
Obligations incurred for subscription-based IT assets	$	19,301

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

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

1. Organization and Summary of Significant Accounting Policies

Organization

The University of Cincinnati (the university) originated in 1819 with the founding of Cincinnati College. In 1977, the university formally became part of the Ohio public university system. As such, it is a component unit of the State of Ohio. Under provisions of the Internal Revenue Code, Section 115, and the applicable income tax regulations of the State of Ohio, the university, as a state institution, is exempt from taxes on income other than unrelated business income. Since the university has no material net unrelated business income during the year ended June 30, 2023, there are no provisions for income taxes.

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

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

Basis of Presentation

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

- University Heights Community Urban Redevelopment Corporation (UHCURC), described more fully in Note 15, is a legally separate not-for-profit organization which owns a residence complex offering housing for university students. UHCURC is reported as a blended component unit of the university in accordance with the provisions of the Governmental Accounting Standards Board (GASB) and is included in the university's Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position and Statement of Cash Flows.

- The University of Cincinnati Foundation (the Foundation), described more fully in Note 16, is a legally separate not-for-profit organization engaged in fundraising activities almost exclusively for the benefit of the university. The Foundation is a discretely presented component unit of the university in accordance with the provisions of GASB on the Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position.

Basis of Accounting

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

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

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

- Restricted for nonexpendable and expendable purposes:

    - Nonexpendable – The net position subject to externally-imposed restrictions, which must be retained in perpetuity by the university, is classified as nonexpendable net position. Such assets include the university's permanent endowment and the university's intangible asset in UC Health.
    - Expendable – The net position whose use by the university is subject to externally-imposed restrictions that can be fulfilled by actions of the university pursuant to those restrictions or that expire by the passage of time are classified as expendable net position. Such assets include the spendable portion of endowment and gifts and other assets including capital appropriations.

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

Changes in Financial Accounting and Reporting

During 2023, the university adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements.* The statement defines a subscription-based technology arrangement (SBITA) as a contract that conveys the control of the right to use a SBITA vendor's IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. This guidance requires the university to recognize a right-to-use subscription asset and a corresponding subscription liability under these type of contracts. The standard provides an exception for short-term SBITAs that have a maximum possible term of 12 months. There was no significant impact to the university's financial statements due to the adoption of Statement 96.

Recent Accounting Pronouncements

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

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

Summary of Significant Accounting Policies

Investments are reported in three categories in the Statement of Net Position. Investments identified as current and noncurrent are used for operating and capital activities. Investments identified as endowment are those funds invested in portfolios that are considered by management to be of a long duration.

Investments in marketable securities are carried at fair value, as established by the major securities markets. Purchases and sales of investments are accounted for on the trade date basis. Investment income is recorded on the accrual basis. Realized and unrealized gains and losses are reported in investment income.

The university's endowment portfolio includes alternative investments, such as limited partnerships, that are not publicly traded. These investments are generally measured at fair value using the net asset value per share (or its equivalent) practical expedient. Statements provided by the managers of the investment partnerships may lag the financial year-end close. If the June 30 statements are not available, the March 31 statements are adjusted for cash receipts, cash disbursements and securities distributions through June 30. Additionally, the carrying amount of these investments is adjusted for June 30 information from the investment partnerships when necessary to provide a reasonable estimate of fair value as of June 30, 2023. Because these investments are not readily marketable, the estimated value is subject to uncertainty. Therefore, the estimated value may differ from the value that would have been used had a ready market for the investments existed. Such differences could be material.

Strategic loans made to certain non-profit neighborhood development corporations for the purpose of developing residential and commercial properties within the area surrounding the university are also included in the endowment portfolio. The university expects repayment once the residential and commercial facilities have streams of rental income. Loan loss reserves are estimated based on aggregate cash flow projections for the projects and independent appraisals of the underlying real estate.

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

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

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

Capital assets are comprised of land, land improvements, infrastructure, buildings and equipment. Land, works of art and historical treasures are capitalized but not depreciated. All university capital assets are recorded at cost at date of acquisition, or acquisition value at date of donation. The university's capitalization threshold is $100,000 for major construction projects and related costs are capitalized as they are incurred. Projects that have not been completed as of the date of the Statement of Net Position are classified as construction in progress. Intangible assets such as software with perpetual licenses have a capitalization threshold of $100,000, except for internally generated software which has a threshold of $500,000. For all other items, the capitalization threshold is $5,000, except for library books and fine art.

The university and its blended component unit's property and equipment are depreciated using the straight-line method over the estimated useful lives (from three to fifty years) of the respective assets. When plant assets are sold or disposed of, the carrying value of such assets and the associated depreciation are removed from the university's records.

Right to use assets include lease and subscription-based information technology (IT) assets.

Lease assets are initially recorded at the initial measurement of the lease liability, plus lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease, plus initial direct costs that are ancillary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. Key estimates and judgements related to leases include how the university determines (1) the discount rate used to discount the expected lease payments to present value, (2) lease term, and (3) lease payments. The university uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the university uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and the purchase option price that the university is reasonably certain to exercise. The university monitors changes in circumstances that would require a remeasurement of its lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Subscription-based IT assets are initially recorded at the initial measurement of the subscription liability at the present value of payments expected to be made during the subscription term. Subscription assets are amortized on a straight-line basis over the shorter of the subscription term or the useful life of the underlying asset. Similar to lease assets, key estimates and judgements related to subscriptions include how the university determines the discount rate it uses to discount the expected subscription payments to present value and the subscription term. The interest rate charged by the vendor is used as the discount rate. In the absence of an interest rate provided by vendor, the university uses its estimated incremental borrowing rate as the discount rate for subscriptions. The subscription term includes the noncancelable period of the subscription. The university monitors changes in circumstances that would require a remeasurement of its subscription-based IT assets and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

The university recognizes right to use assets for leases and subscription-based IT agreements and liabilities with an initial value of $100,000 or more.

Deferred outflows of resources are a consumption of net position by the university that is applicable to a future reporting period. Deferred outflows of resources are reported in the Statement of Net Position but are not recognized in the financial statements as expenses until the periods to which they relate. Deferred outflows of resources of the university consist of deferred losses on debt refundings related to defeasance, certain changes in net pension and OPEB liabilities not included in pension and OPEB expense and employer pension contributions subsequent to the measurement date of the net pension liability.

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

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

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

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

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

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

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

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

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

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

2. Cash, Cash Equivalents, and Investments

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

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

Temporary Investment Pool

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

At June 30, 2023, the fair value of the temporary investment pool is as follows *(in thousands):*

Temporary Investment Pool	Current	Noncurrent	Total
Cash & cash equivalents			
Petty cash	$ 41	$ —	$ 41
Bank deposits - Federally insured	511	—	511
Bank deposits - Uninsured	1,919	—	1,919
Money market funds	78,062	—	78,062
Cash in-transit	(6,361)	—	(6,361)
Total cash & cash equivalents	74,172	—	74,172
Investments			
U.S. Agency securities	68,999	47,150	116,149
U.S. Treasury securities	49,753	98,901	148,654
Corporate notes and bonds	77,064	237,020	314,084
Endowment Fund A & C	—	95,535	95,535
Municipal notes and bonds	8,553	52,760	61,313
Total investments	204,369	531,366	735,735
Total Temporary Investment Pool	$ 278,541	$ 531,366	$ 809,907

Endowment Investments

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

The university has an established set of endowment investment guidelines for alternative investments related to targeted asset allocation and allowable ranges. The maximum allowable percentages the portfolio can hold for alternative investments is: real estate and private equity including natural resources and venture capital 50% and hedge funds 18% with the total not exceeding 55% in illiquid strategies. The Investment Committee determines target allocations and allowable ranges.

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

At June 30, 2023, the fair value of the endowment is as follows *(in thousands):*

Endowment Investments	**Fund A**	**Fund B**	**Fund C**	**Separately Invested**	**Beneficial Interests in Perpetual Trusts**	**Total**
Investment Type						
Cash & cash equivalents	$ 939	$ —	$ 792	$ 119	$ —	$ 1,850
U.S. Agency securities	53,717	—	—	—	—	53,717
U.S. Treasury securities	50,780	—	—	—	—	50,780
Corporate notes and bonds	75,522	—	—	126	—	75,648
Municipal notes and bonds	9,701	—	—	—	—	9,701
NDCL* - principal	—	—	42,467	7,200	—	49,667
NDCL* - accrued income	—	—	3,526	1,780	—	5,306
Corporate stocks	419,900	—	—	4,860	—	424,760
Alternative investments						
Private equity	560,699	—	—	7,895	—	568,594
Hedge funds	163,039	—	—	—	—	163,039
Real estate	—	816	6,150	1,109	—	8,075
Other	—	—	—	50	—	50
Beneficial interests in perpetual trusts	—	—	—	—	443,165	443,165
Total endowment investments	1,334,297	816	52,935	23,139	443,165	1,854,352
Shares held by UC Foundation	(544,492)	—	(17,843)	—	—	(562,335)
Loan to UHCURC (component unit)	—	—	(10,413)	—	—	(10,413)
NDCL* - accrued income	—	—	(3,526)	(1,780)	—	(5,306)
Accrued income - other	(1,620)	—	—	—	—	(1,620)
Accrued expense	1,081	—	—	—	—	1,081
TIP investment in Fund A & C	(94,593)	—	(944)	—	—	(95,537)
Valuation timing adjustment	1,744	—	—	—	—	1,744
Beneficial interests in perpetual trusts	—	—	—	—	(443,165)	(443,165)
Endowment investments as reported	**$ 696,417**	**$ 816**	**$ 20,209**	**$ 21,359**	**$ —**	**$ 738,801**

* Neighborhood Development Corporation Loans (NDCL)

Endowment shares held by UC Foundation, investments held in irrevocable external perpetual trusts, a note payable from University Heights Community Urban Redevelopment Corporation (UHCURC), accrued income and expense, and temporary investment pool's investment in Fund A and Fund C are excluded from endowment investments reported on the Statement of Net Position. The Foundation's share of Fund A and Fund C is included in the Foundation's assets listed in a discretely presented column on the Statement of Net Position. External trust assets are not reported on the Statement of Net Position unless they are recognized as beneficial interest in trusts under GASB 81, *Irrevocable Split-Interest Agreements.* As explained in Note 15, UHCURC is a blended component unit of the university and as such, the note receivable is eliminated from endowment investments recorded on the Statement of Net Position. The temporary investment pool's investment in Fund A and Fund C is included in noncurrent investments recorded on the Statement of Net Position. Fund A valuation timing adjustment is included in endowment investments recorded on the Statement of Net Position.

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

The university has adopted a spending rate policy which smooths the distribution of income earned in Fund A. Distributions are made from Fund A to university departments that benefit from those funds. The 2023 endowment spending policy provided for an annual distribution of 4.1% of the twelve-quarter moving-average market value of endowment units.

At June 30, 2023, Fund A shares totaled 15,776,700 with a market value of $1,334,297,000. The Foundation owned 6,445,895 of those shares with a market value of $544,492,000 (excludes accrued income). The Foundation's share of Fund A is approximately 40.9%. Substantially all Foundation endowments have been invested in Fund A.

Fund A also includes alternative investments consisting of private equity and hedge funds. The private equity portion of the portfolio totals $560,699,000. In cases where the June 30, 2023 investment values are not available, certain of these private equity investments are valued based on their value as of March 31, 2023 adjusted for cash receipts, cash disbursements, and securities distributions through June 30, 2023 (please refer to Note 1, Summary of Significant Accounting Policies, regarding valuation of alternative investments). The hedge fund portion of the portfolio totals $163,039,000. The university's outstanding commitment to purchase various alternative investments at June 30, 2023, is $265,838,000 and is comprised of undrawn commitments to private equity funds.

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

Fund C loans made to certain nonprofit neighborhood development corporations for the purpose of developing residential and commercial facilities on the borders of the campus total $45,993,000. The total includes principal of $42,467,000, net of $12,444,000 of loan loss reserves and accrued interest of $3,526,000, net of $32,582,000 of interest reserves. A loan to UHCURC (a blended component unit) for $10,413,000, net of reserves is eliminated for the purpose of financial statement presentation. These loans are secured primarily by mortgages on parcels of land purchased by these nonprofit entities. Some of these mortgages are subordinated to external financing arranged by these entities. These university loans bear interest at 6%. The university expects repayment once the residential and commercial facilities have streams of rental income. Loan loss reserves are estimated based on aggregate cash flow projections for the projects and independent appraisals of the underlying real estate. Changes in loan loss reserves are reflected in nonoperating revenues (expenses), as a component of net investment income.

Fund C real estate holdings are valued at $6,150,000.

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

At June 30, 2023, Fund C shares totaled 10,987,649 with market value of $52,935,000. The Foundation owned 3,968,064 of those shares with a market value of $17,843,000 (excludes accrued income). The Foundation's share of Fund C is approximately 36.1%.

Fund B and Separately Invested Assets

Fund B is comprised primarily of real estate holdings received through donor bequest and is valued at $816,000. Separately invested funds include neighborhood development corporation loans, corporate stocks held per donor stipulation, strategic private equity investments, and donated real estate; their value totaled $23,139,000 (including accrued income) at June 30, 2023.

Real Estate

Fund B, Fund C, and separately invested assets include land or other real estate held as investments. At June 30, 2023, the fair market value totaled $8,075,000 including $816,000 in Fund B, $6,150,000 in Fund C and $1,109,000 in separately invested endowments. Independent real estate appraisals are obtained on a three-year cycle; however, relevant real estate markets are reviewed between appraisal periods to determine if the reported market values remain reasonable. Appraisers usually consider the use of three valuation approaches when developing a market value opinion for real property. These are the cost approach, sales comparison approach, and income capitalization approach. The most recent appraisals were received for June 2021.

Beneficial Interest in Irrevocable External Perpetual Trusts

The university is the beneficiary of numerous perpetual trusts held and administered by external trustees. The market value of these external trustee assets totaled $443,165,000 at June 30, 2023. These external trusts are irrevocable, and the university has a vested beneficial interest in the net income payable by the trusts. External trust assets are not reported on the Statement of Net Position unless they are recognized as beneficial interest in trusts recognized under GASB 81, *Irrevocable Split-Interest Agreements*. Income is received annually and reported on the university's Statement of Revenues, Expenses, and Changes in Net Position. In 2023, the university received income of $13,269,000. The university expects income from the trusts will be received in perpetuity.

Off-Balance-Sheet Risk

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

Interest Rate Risk

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

At June 30, 2023, the university's investment maturities are as follows *(in years, in thousands):*

Investments	Less than 1	1 to 5	6 to 10	More than 10	Total
Temporary Investment Pool					
U.S. Agency securities	$ 68,999	$ 46,865	$ —	$ 285	$ 116,149
U.S. Treasury securities	49,753	98,901	—	—	148,654
Corporate notes and bonds	77,064	227,506	4,025	5,489	314,084
Municipal notes and bonds	8,553	50,560	—	2,200	61,313
Total Temporary Investment Pool	$ 204,369	$ 423,832	$ 4,025	$ 7,974	$ 640,200
Endowment Investments					
U.S. Agency securities	$ —	$ 829	$ 5,078	$ 25,862	$ 31,769
U.S. Treasury securities	1,521	6,752	10,546	11,214	30,033
Corporate notes and bonds	663	24,531	14,973	4,624	44,791
Municipal notes and bonds	129	3,432	766	1,411	5,738
NDCL* - principal	22	15,076	8,819	—	23,917
Total Endowment Investments	$ 2,335	$ 50,620	$ 40,182	$ 43,111	$ 136,248

* Neighborhood Development Corporation Loans (NDCL)

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

The portion of endowment investments, after exclusions, not subject to interest rate risk is $698,090,000 (includes temporary investment pool share of Fund A and Fund C) and is comprised mainly of endowment portfolio investments in equity securities and alternative investments. Amounts reflected as maturities for neighborhood development corporation loans represent management's best estimate of anticipated collections for these demand notes.

Credit Risk

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

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

At June 30, 2023, the university's investment credit risk is as follows *(in thousands):*

	AAA	AA	A	BBB	BB & B	Less than B or Not Rated	Total
Temporary Investment Pool							
U.S. Agency securities	$ 1,837	$ 114,312	$ —	$ —	$ —	$ —	$ 116,149
U.S. Treasury securities	11,934	136,720	—	—	—	—	148,654
Corporate notes and bonds	24,990	32,082	130,203	126,809	—	—	314,084
Municipal notes and bonds	5,596	12,031	33,250	10,436	—	—	61,313
Total Temporary Investment Pool	$ 44,357	$ 295,145	$ 163,453	$ 137,245	$ —	$ —	$ 640,200
Endowment Investments							
U.S. Agency securities	$ —	$ 31,658	$ 111	$ —	$ —	$ —	$ 31,769
U.S. Treasury securities	—	30,033	—	—	—	—	30,033
Corporate notes and bonds	1,370	182	18,939	22,871	1,305	124	44,791
Municipal notes and bonds	107	984	2,623	1,538	371	115	5,738
NDCL* - principal	—	—	—	—	—	23,917	23,917
Total Endowment Investments	$ 1,477	$ 62,857	$ 21,673	$ 24,409	$ 1,676	$ 24,156	$ 136,248

* Neighborhood Development Corporation Loans (NDCL)

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

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

The portion of endowment investments, after exclusions, not subject to credit risk is $698,090,000 (includes temporary investment pool share of Fund A and Fund C) and is comprised mainly of endowment portfolio investments in equity securities and alternative investments.

Custodial Credit Risk

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

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the university's investment in a single issuer. The university has separate investment policies for the endowment and its temporary investment pool that limit the concentration of credit risk. As of June 30, 2023, the university had no investment in any one issuer that was 5% or more of investments for either the endowment or the temporary investment pool.

3. Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value.

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities.

Recurring Measurements

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2023 *(in thousands):*

INVESTMENTS, ENDOWMENT INVESTMENTS, AND DERIVATIVE INSTRUMENTS MEASURED AT FAIR VALUE

	Fair Value	**Quoted Prices in Active Markets for Identical Assets** (Level 1)	**Significant Other Observable Inputs** (Level 2)	**Significant Unobservable Inputs** (Level 3)
Investments by fair value level				
Debt securities				
U.S. Agency securities	$ 169,866	$ —	$ 169,866	$ —
U.S. Treasury securities	199,434	199,434	—	—
Corporate notes and bonds	389,732	13,378	376,354	—
Municipal notes and bonds	71,014	—	71,014	—
NDCL - principal	39,254	—	—	39,254
Equity securities				
U.S. equities	290,097	35,963	—	254,134
Non-U.S. equities	38,382	38,382	—	—
Commingled funds	96,281	—	—	96,281
Real estate	8,075	—	—	8,075
Other	50	50		
Total investments by fair value level	$ 1,302,185	$ 287,207	$ 617,234	$ 397,744

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments measured at net asset value (NAV)				
Hedge funds	$ 163,039			
Private equity funds	568,594			
Total investments measured at NAV	731,633			
	2,033,818			
Cash, cash equivalents and other	3,053			
Shares held by UC Foundation	(562,335)			
Total investments measured at fair value	$ 1,474,536			
Hedging derivative instruments				
Interest rate swap	$ 4,384		$ 4,384	
Interest rate cap	6,977		6,977	
Total hedging derivative instruments	$ 11,361		$ 11,361	
Investment derivative instruments				
Interest rate swap (liability)	$ (244)		$ (244)	

Money market funds included within the Temporary Investment Pool and classified as cash and cash equivalents are measured at fair market value. Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the Statement of Net Position.

Investments

Where quoted prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. See the table below for inputs and valuation techniques used for Level 3 securities *(in thousands):*

	Fair Value	Valuation Method
NDCL - principal	$ 39,254	Based on aggregate cash flow projections and independent appraisals of underlying real estate
U.S. equities and Commingled funds	350,415	Positions are valued by a general or managing partner (or functional equivalent)
Real estate	8,075	Independent appraisals every three years for tangible real assets
	$ 397,744	

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

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge funds (A)	$ 163,039	$ —	Quarterly/Annually, after lock-up period	45-90 days
Private equity funds (B)	568,594	265,838	Non-redeemable	none
	$ 731,633	$ 265,838		

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

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

Derivative Instruments

The fair value of the interest rate swap agreements were estimated using the income approach, which converts future cash flows to a single present value using discounting. The value of the 2009 interest rate swap agreement is then adjusted to incorporate non-performance risk for the university since the swap is a liability. The valuations are considered Level 2 since a quoted price can be obtained from a number of dealer counterparties and other independent market sources based on observable interest rates and yield curves for the full term of the asset or liability.

The value of the interest rate cap agreement was estimated using the income approach which converts future cash flows to a single present value using discounting. The fair value of the interest rate cap was developed by an independent third party with no vested interest in the cap transaction. The valuations are considered Level 2 since a quoted price can be obtained from a number of dealer counterparties and other independent market sources based on observable interest rates and yield curves for the full term of the asset or liability.

4. Accounts, Leases, and Notes Receivable

Accounts and notes receivable as of June 30, 2023 is as follows *(in thousands):*

Accounts receivable, net	$ 81,011
Lease receivable, net	2,843
Notes receivable, net	14,147
Accrued interest receivable, net	10,471
Total	108,472
Less current receivables	94,925
Noncurrent receivables	$ 13,547

Allowances for uncollectible receivables included in the amounts above are approximately $7,458,000 for accounts receivable, $4,061,000 for notes receivable, and $18,135,000 for accrued interest receivable related to loans made to certain nonprofit entities as of June 30, 2023.

The university leases a portion of its property to various third parties, the terms of which expire in various years through 2028. Revenue recognized under lease contracts during the year ended June 30, 2023 was $1,423,000, which includes both lease revenue and interest.

5. UC Health Affiliation Agreement

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

UC Health operates under an affiliation agreement entered into between the university, UC Health, and UC Healthcare System on June 28, 2012. The affiliation agreement supports the mission of UC Health and its commitment to patient care, education, and research. Pursuant to the agreement, the university retained its interest in the net assets of UC Health. This intangible asset is recorded on the university's Statement of Net Position as a noncurrent asset at $420,645,000 and is valued based on historical cost as of July 1, 2011. Management believes that the historical cost is the preferred valuation method based on the university's participation interest defined in the affiliation agreement. The university monitors any potential changes to the asset valuation such as impairment. There has been no change to the value of the asset since 2011.

UCMC purchases common services from the university, such as utilities and various other administrative services for which the university charges UCMC. Charges for 2023 were approximately $14,907,000.

UC Health provides support for education and research activities of the academic departments of the College of Medicine. The level of funding is based on a percentage of UC Health's earnings before interest, depreciation, and amortization. UC Health also provides support which may be used at the discretion of the Dean of the College of Medicine for the growth and development of teaching, research, and service programs. Support payments received from UC Health and related affiliates for 2023 were $17,736,000 and are included in support from affiliates on the Statement of Revenues, Expenses, and Changes in Net Position.

Additionally, faculty and non-faculty UCPC physicians and certain other UCPC clinical staff members are dually compensated by both the university and UC Health. The university charges UCPC for these employees' salaries and benefits. Total salaries and benefits for 2023 were approximately $77,822,000 and are included in sales and services of educational departments on the Statement of Revenues, Expenses, and Changes in Net Position.

6. Capital Assets

Capital asset activity for the year ended June 30, 2023 is summarized as follows *(in thousands):*

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Capital assets not being depreciated:					
Land	$ 42,151	$ —	$ (93)	$ —	$ 42,058
Construction in progress	152,674	181,732	—	(230,098)	104,308
Collections	16,132	54	—	—	16,186
Total nondepreciable assets	210,957	181,786	(93)	(230,098)	162,552
Capital assets being depreciated:					
Land improvement	119,504	—	—	2,544	122,048
Buildings	2,911,110	—	(416)	215,466	3,126,160
Infrastructure	147,357	—	—	11,438	158,795
Building equipment	17,785	—	—	—	17,785
Moveable equipment	280,355	21,898	(8,502)	650	294,401
Computer software	73,297	—	—	—	73,297
Library books	235,974	8,086	(636)	—	243,424
Total depreciable assets	3,785,382	29,984	(9,554)	230,098	4,035,910
Less Accumulated depreciation:					
Land improvement	87,655	5,039	—	—	92,694
Buildings	1,610,952	96,872	(416)	—	1,707,408
Infrastructure	113,738	5,022	—	—	118,760
Building equipment	16,251	228	—	—	16,479
Moveable equipment	218,123	19,323	(8,301)	—	229,145
Computer software	44,168	3,020	—	—	47,188
Library books	201,303	7,862	(543)	—	208,622
Total accumulated depreciation	2,292,190	137,366	(9,260)	—	2,420,296
Total depreciable assets, net	1,493,192	(107,382)	(294)	230,098	1,615,614
Capital assets, net	$ 1,704,149	$ 74,404	$ (387)	$ —	$ 1,778,166

Lease asset activity for the year ended June 30, 2023 is summarized as follows *(in thousands):*

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Lease assets being amortized:					
Buildings	$ 164,189	$ 8,871	$ (16,008)	$ —	$ 157,052
Moveable equipment	244	—	—	—	244
Total lease assets	164,433	8,871	(16,008)	—	157,296
Less: Accumulated amortization	42,551	28,929	(16,008)	—	55,472
Lease assets, net	$ 121,882	$ (20,058)	$ —	$ —	$ 101,824

Subscription-based information technology asset activity for the year ended June 30, 2023 is summarized as follows *(in thousands):*

	Beginning Balance	Additions	Retirements	Transfers	Ending Balance
Subscription-based IT assets	$ —	$ 19,301	$ —	$ —	$ 19,301
Less: Accumulated amortization	—	5,366	—	—	5,366
Subscription-based IT assets, net	$ —	$ 13,935	$ —	$ —	$ 13,935

7. Debt

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

Debt activity for the year ended June 30, 2023 is as follows *(in thousands):*

	Interest Rates	Final Maturity	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
General Receipts Bonds - Fixed Rate							
2012C	4.00-5.00%	2033	$ 155	$ —	$ 155	$ —	$ —
2013A	3.12-3.25%	2031	2,405	—	—	2,405	—
2013D (a)	4.64-4.74%	2028	9,230	—	—	9,230	—
2014B	3.00-5.00%	2036	68,780	—	3,370	65,410	3,545
2014C	3.25-5.00%	2041	29,530	—	450	29,080	475
2014D	5.00%	2036	34,885	—	6,520	28,365	14,170
2016A	5.00%	2034	46,215	—	—	46,215	—
2016B (a)	3.95%	2042	25,165	—	—	25,165	—
2016C	5.00%	2046	37,980	—	—	37,980	—
2017A	4.00-5.00%	2047	93,545	—	—	93,545	—
2017B	3.00-5.00%	2031	21,935	—	2,475	19,460	2,130
2018A	3.38-5.00%	2048	75,645	—	215	75,430	175
2018B (a)	3.88-4.18%	2035	20,645	—	—	20,645	—
2019A	3.00-5.00%	2039	82,005	—	1,450	80,555	1,515
2019B (a)	2.03-3.25%	2039	211,715	—	14,515	197,200	11,330
2020A (a)	3.00%	2050	74,115	—	—	74,115	—
2020B (a)	1.78-2.15%	2033	28,135	—	—	28,135	—
2021A (a)	3.19%	2051	39,655	—	—	39,655	—
2021B (a)	0.48-2.46%	2033	42,685	—	3,130	39,555	6,875
Total Fixed Rate			944,425	—	32,280	912,145	40,215
General Receipts Bonds - Variable Rate							
2017C (a,b)	2.77%	2027	50,150	—	—	50,150	1,555
2021C (a,b)	6.38%	2031	49,075	—	—	49,075	—
			99,225	—	—	99,225	1,555
Other Debt							
Stratford Heights 2020 (b,c)	6.51%	2025	41,075	—	—	41,075	—
Premium			46,820	—	5,262	41,558	4,809
Less: Current portion of debt			(37,290)	—	—	(46,579)	
Net long-term debt			$ 1,094,255	$ —	$ 37,542	$ 1,047,424	$ 46,579

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

Debt Issuances

During the year ended June 30, 2023, the university did not issue general receipts obligations.

Debt Retirement

During 2023, the university retired $155,000 of callable obligations associated with fixed rate bonds (Series 2012C). This series are now fully retired.

Variable Rate Direct Placement and Other Debt

Series 2017C taxable variable rate bonds were previously issued via direct placement contract in an aggregate principal amount of $50,150,000. These bonds bear interest at an index-based rate plus a spread. The rate period can range from one month to twelve months as selected by the university at each reset date. The effective interest rate for the bonds on June 30, 2023 is 2.77%.

Series 2021C taxable variable rate bonds, with an aggregate principal amount up to $49,075,000, were previously issued on June 3, 2021, via direct placement with a bank. These bonds bear interest at an index-based rate plus a spread. The rate period can range from one month to twelve months as selected by the university at each reset date. The effective interest rate for the bonds on June 30, 2023 is 6.38%. Interest is payable semi-annually on December 1 and June 1; the bonds mature on June 1, 2031. These bonds will be held by the registered holder(s) through bond maturity. Accordingly, the university has classified the outstanding principal on these bonds as a long-term liability.

Stratford Heights 2020 direct placement bonds bear interest at an index-based rate plus a spread. The effective interest rate for the bonds on June 30, 2023 is 6.51%. Interest is payable semi-annually on December 1 and June 1; the bonds mature on December 1, 2025. These bonds will be held by the registered holder(s) through bond maturity. Accordingly, the university has classified the outstanding principal balance on these bonds as a long-term liability.

As of July 1, 2023, the benchmark rate used for the direct placement is no longer being published. The university transitioned each of the variable rate direct placements as well as the related derivatives to daily simple Secured Overnight Financing Rate (SOFR).

Collateralization

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

Derivative Transactions

Interest Rate Swaps

The university has two pay-fixed interest rate swaps in effect at June 30, 2023. The swaps were entered into to protect the university against the potential of rising interest rates. The first swap, entered into in 2009, has been determined to be an ineffective hedge and is reported as an investment derivative. The second swap, entered into in fiscal year 2021, has been determined to be an effective hedge and is reported as a hedging derivative.

The following table summarizes the university's swap agreements as of June 30, 2023 *(in thousands):*

Effective Date	Counterparty	Counter-party Rating	Associated Debt Series	Outstanding Notional Amount	Fixed Rate Paid	Variable Rate Index Received	Fair Value	Swap Termination Date
5/1/2009	Royal Bank of Canada (RBC)	AA-/Aa3	2017C	$24,075	3.16%	USD-67% LIBOR-BBA-1M	($244)	6/1/2030
7/8/2020	PNC Bank	A2/A	2017C	$34,020	0.39%	USD-100% LIBOR-BBA-1M	$4,384	6/1/2027

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

The fair value of the RBC swap on June 30, 2023 is ($244,000), which is reported as a noncurrent liability on the Statement of Net Position and indicates the amount the university would be required to pay to the counterparty to terminate the swap agreement. The fair value was estimated using the income approach, which converts future cash flows to a single present value using discounting. That value is then adjusted to incorporate non-performance risk for the university since the swap is a liability. The fair value of the swap agreement was developed by an independent third party with no vested interest in the swap transaction. During 2023, the fair value of the swap increased $976,000, which is reported as investment income within the Statement of Revenues, Expenses, and Changes in Net Position.

The fair value of the PNC Bank swap on June 30, 2023 is $4,384,000, which is reported as a noncurrent asset and offset by a deferred inflow of resources on the Statement of Net Position. The fair value was also estimated using the income approach described above. During 2023, the fair value of the swap increased $700,000.

Interest Rate Cap

The university has an interest rate cap in effect at June 30, 2023. Based on the terms of the interest rate cap, the university will receive a payment from PNC Bank if 100% of 1-Month LIBOR exceeds:

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

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

The following table summarizes the university's interest rate cap agreement as of June 30, 2023:

Effective Date	Counterparty	Counter-party Rating	Associated Debt Issue	Outstanding Notional Amount	Floating Rate Option	Fair Value	Cap Termination Date
3/23/2021	PNC Bank	A2/A	Stratford Heights	$41,075	USD-100% LIBOR-BBA-1M	$6,977	6/01/2031

The fair value of the interest rate cap on June 30, 2023 is $6,977,000, which is reported as a noncurrent asset and offset by a deferred inflow of resources on the Statement of Net Position. The fair value was estimated using the income approach which converts future cash flows to a single present value using discounting. The fair value of the interest rate cap agreement was developed by an independent third party with no vested interest in the cap transaction.

Risks

Credit: There are no counterparty collateral posting requirements on the derivative contracts. However, the university is exposed to $11,361,000 in credit risk associated with the PNC swap and interest rate cap agreements with a positive fair value through fiscal year 2023. A derivative management guideline is in place at the university, which addresses diversifying counterparty risk and limiting the university's credit exposure on derivative transactions.

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

Debt Service Commitments

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

	Fixed Rate Bonds		Direct Placement/Variable Debt		
Fiscal Year	Principal	Interest	Principal	Interest	Total
2024	$ 40,215	$ 34,242	$ 1,555	$ 3,238	$ 79,250
2025	43,925	32,881	1,590	3,223	81,619
2026	46,055	31,537	42,705	2,725	123,022
2027	45,210	29,886	45,375	2,226	122,697
2028	43,965	28,223	0	883	73,071
2029-2033	207,320	117,120	49,075	2,650	376,165
2034-2038	149,090	84,854	—	—	233,944
2039-2043	114,050	57,258	—	—	171,308
2044-2048	108,545	30,335	—	—	138,880
2049-2051	113,770	8,242	—	—	122,012
Total	$ 912,145	$ 454,578	$ 140,300	$ 14,945	$ 1,521,968

Defeased Debt

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

Bond Series	Maturity Dates	Interest Rate(s)	Amount Defeased	Amount Outstanding at June 30, 2023
Series 2012C	2023-2033	4.00% - 5.00%	$ 42,685	$ —
Series 2013A	2030-2034	5.00%	13,715	—
Series 2013C	2033-2039	5.00%	54,125	54,125
Series 2013D	2029-2033	5.15%	28,135	28,135
Total			$ 138,660	$ 82,260

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

Other

Interest expense on capital asset related debt in 2023 was $42,734,000.

Lease Liabilities

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

Lease liabilities as of June 30, 2023 are as follows *(in thousands):*

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Noncurrent Portion
Lease liabilities:						
Buildings	$ 124,384	$ 8,872	$ 28,314	$ 104,942	$ 14,688	$ 90,254
Moveable equipment	172	—	67	105	68	37
Total lease liabilities	$ 124,556	$ 8,872	$ 28,381	$ 105,047	$ 14,756	$ 90,291

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

Fiscal Year	Principal	Interest	Total
2024	$ 14,756	$ 1,559	$ 16,315
2025	4,828	1,424	6,252
2026	4,749	1,354	6,103
2027	4,734	1,300	6,034
2028	5,204	1,230	6,434
2029-2033	28,906	4,596	33,502
2034-2038	36,927	1,832	38,759
2039	4,943	11	4,954
Total	$ 105,047	$ 13,306	$ 118,353

Subscription-based Information Technology Arrangements

The university obtains the right to use vendors' information technology software through various long-term contracts, the terms of which expire in various years through 2033.

Subscription-based IT liabilities as of June 30, 2023 are as follows *(in thousands):*

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Noncurrent Portion
Total subscription-based IT liabilities	$ —	$ 19,301	$ 6,638	$ 12,663	$ 5,221	$ 7,442

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

Fiscal Year	Principal	Interest	Total
2024	$ 5,221	$ 112	$ 5,333
2025	4,224	103	4,327
2026	2,037	62	2,099
2027	733	18	751
2028	105	3	108
2029-2033	343	11	354
Total	$ 12,663	$ 309	$ 12,972

8. Other Long-Term Liabilities

Other long-term liabilities as of June 30, 2023 are as follows *(in thousands):*

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion	Noncurrent Portion
Other long-term liabilities:						
Compensated absences	$ 71,845	$ 8,962	$ 5,989	$ 74,818	$ 50,559	$ 24,259
Conference withdraw fee	11,253	—	2,278	8,975	2,191	6,784
Government loan advances	12,132	435	2,077	10,490	—	10,490
Interest rate swap liability	1,220	—	976	244	—	244
Total other long-term liabilities	$ 96,450	$ 9,397	$ 11,320	$ 94,527	$ 52,750	$ 41,777

9. Federal and State Support

The university is a state-assisted institution of higher education and receives from the State of Ohio a state share of instruction that is student-enrollment, degree completion, student risk and course cost based. This subsidy is determined annually by the Ohio Board of Regents. The State also provides line-item appropriations that support, in part, the current operations of various activities including clinical teaching expenditures.

In addition to the operating subsidies, the State of Ohio provides funding for construction and renovation of major plant facilities on the university's campuses. The state passes a capital appropriations bill biannually for both major capital projects and basic renovation projects of which the university receives a share. Such facilities are reported as capital assets on the Statement of Net Position.

10. Retirement Plans and Other Postemployment Benefits

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

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

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

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

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

Benefits Provided

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

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

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

OPERS offers a combined plan that has elements of both a defined benefit and defined contribution plan. In the combined plan, employee contributions are invested in self-directed investments, and the employer contribution is used to fund a reduced defined benefit. Eligibility requirements under the combined plan for age and years of service are identical to the defined benefit plan described earlier. The benefit formula for the defined benefit component of the plan for state and local members in transition groups A and B applies a factor of 1.0% to the member's final average salary for the first 30 years of service. A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition group C applies a factor of 1.0% to the member's final average salary for the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Members retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. Effective January 1, 2022, new members may no longer select this plan, and current members may no longer make a plan change to this plan.

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

Plan benefits for STRS Ohio are established by ORC Chapter 3307. The STRS Ohio defined benefit plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2% of final average salary for the five highest years of earnings multiplied by all years of service. Effective August 1, 2021 to July 1, 2023, any member can retire with unreduced benefits with 34 years of service at any age or five years of service credit and age 65. Retirement eligibility for reduced benefits is 30 years of service at any age; or 29 years of service credit and age 55; or five years of service credit and age 60. On or after August 1, 2023, any member can retire with unreduced benefits with 35 years of service credit at any age or five years of service credit at age 65. Retirement eligibility for reduced benefits is 30 years of service credit at any age or five years of service credit and age 60.

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

In April 2017, the STRS Ohio Board reduced the cost of living adjustment granted on or after July 1, 2017 to 0% for all retirees in order to preserve the financial integrity of the retirement system. Benefit recipients' base benefit and past COLA increases were not affected by this change. Effective July 1, 2022, an ad hoc COLA of 3% of the base benefit was granted to eligible benefit recipients to begin on the anniversary of their retirement benefit in fiscal year 2023 as long as they retired prior to July 1, 2018.

Pension Contributions

The ORC provides OPERS and STRS Ohio statutory authority over employee and employer contributions. The required contractually determined contribution rates, respectively of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The contractually required contribution rates for the employee and the university are as follows for the year ended June 30, 2023:

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

For the year ended June 30, 2023, contributions to the pension plans from the university were $33,068,000 for OPERS and $23,343,000 for STRS Ohio.

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

At June 30, 2023, the university reported a liability of $380,958,000 and $331,535,000 for OPERS and STRS Ohio, respectively, for its proportionate share of the net pension liability. This was an increase of $277,283,000 for OPERS and an increase of $138,041,000 for STRS Ohio compared to the liabilities reported as of June 30, 2022. The net pension liability was measured as of December 31, 2022 for OPERS and June 30, 2022 for STRS Ohio and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of those dates. The university's proportion of the net pension liability was based on the university's actual contributions, employee and employer, for OPERS Traditional Pension Plan, employer only for OPERS Combined Plan and employer only for STRS Ohio, during the respective measurement periods in relation to total contributions for the same groups by all employers for the same periods. At June 30, 2023, the university's proportion was 1.31% for OPERS Traditional Pension Plan, 1.96% for OPERS Combined Plan and 1.49% for STRS Ohio. At June 30, 2022, the university's proportion was 1.28% for OPERS Traditional Pension Plan, 1.97% for OPERS Combined Plan and 1.51% for STRS Ohio. The changes reflect 2.34% increase for OPERS Traditional Pension Plan, 0.51% decrease for OPERS Combined Plan and a decrease of 1.32% for STRS Ohio.

For the year ended June 30, 2023, the university recognized an increase of expense of $30,615,000 for OPERS and $10,529,000 for STRS Ohio, for a total increase of expense of $41,144,000.

At June 30, 2023, the university reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources *(in thousands):*

	Deferred Outflows of Resources		
	OPERS	STRS Ohio	Total
Differences between expected and actual experience	$ 12,969	$ 4,312	$ 17,281
Changes in assumptions	4,056	40,259	44,315
Net difference between projected and actual earnings on pension plan investments	118,964	10,014	128,978
Changes in proportion	4,899	2,010	6,909
University's contributions subsequent to the measurement date	18,103	27,248	45,351
	$ 158,991	$ 83,843	$ 242,834

	Deferred Inflows of Resources		
	OPERS	STRS Ohio	Total
Differences between expected and actual experience	$ 614	$ 1,291	$ 1,905
Changes in assumptions	—	$ 29,864	29,864
Changes in proportion	256	7,541	7,797
	$ 870	$ 38,696	$ 39,566

At June 30, 2023, the university reported $18,103,000 and $27,248,000 for OPERS and STRS Ohio, respectively, as deferred outflows of resources related to pensions resulting in university contributions subsequent to the measurement date that will be used as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2023 related to pensions will be recognized in pension expense as follows *(in thousands):*

Year ended June 30,	OPERS	STRS Ohio	Total
2024	$ 22,027	$ (50)	$ 21,977
2025	29,060	(4,094)	24,966
2026	34,338	(11,580)	22,758
2027	54,534	33,623	88,157
2028	(21)	—	(21)
Thereafter	80	—	80
	$ 140,018	$ 17,899	$ 157,917

Actuarial Assumptions

For OPERS, the total pension liability was determined by an actuarial valuation as of December 31, 2022 using the following actuarial assumptions, applied to all prior periods in the measurement:

OPERS	Traditional Pension Plan	Combined Plan
Valuation date	December 31, 2022	December 31, 2022
Date of last experience study	Period ended December 31, 2020	Period ended December 31, 2020
Inflation	2.75%	2.75%
Projected salary increases	2.75% - 10.75% including inflation at 2.75%	2.75% - 8.25% including inflation at 2.75%
Investment rate of return	6.90%	6.90%
Cost-of-living adjustments	Pre-1/7/2013 retirees: 3.00% simple; post-1/7/2013 retirees: 3.00% simple through 2023, then 2.05% simple	Pre-1/7/2013 retirees: 3.00% simple; post-1/7/2013 retirees: 3.00% simple through 2023, then 2.05% simple

For STRS Ohio, the total pension liability was determined by an actuarial valuation as of June 30, 2022 using the following actuarial assumptions, applied to all prior periods included in the measurement:

STRS Ohio	
Valuation date	June 30, 2022
Date of last experience study	Period of 5 years ended June 30, 2021
Inflation	2.50%
Projected salary increases	Varies by service from 2.5% to 8.5%
Investment rate of return	7.00%, net of investment expenses, including inflation
Payroll increases	3.00%
Cost-of-living adjustments	0% effective July 1, 2017

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

Pre-retirement mortality rates for STRS Ohio are based on Pub-2010 Teachers Employee Table adjusted 95% for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement mortality rates are based on Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110% for males, projected forward generationally using mortality improvement scale MP-2020. Post-retirement disabled mortality rates are based on the Pub-2010 Teachers Disable Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

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

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

	OPERS	
Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return**
Domestic equities	22%	4.60%
International equities	21%	5.51%
Fixed income	22%	2.62%
Real estate	13%	3.27%
Private equity	15%	7.53%
Risk parity	2%	4.37%
Other investments	5%	3.27%
	100%	

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

	STRS Ohio	
Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return**
Domestic equities	26%	6.60%
International equities	22%	6.80%
Fixed income	22%	1.75%
Real estate	10%	5.75%
Alternatives	19%	7.38%
Liquidity reserves	1%	1.00%
	100%	

Discount Rate

The discount rate used to measure the total pension liability was 6.90% for OPERS and 7.00% for STRS Ohio. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that participating employer contributions will be made at statutorily required rates. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease	Current Discount Rate	1% Increase
	5.9%	6.9%	7.9%
OPERS	$575,175	$380,958	$219,491

	1% Decrease	Current Discount Rate	1% Increase
	6.0%	7.0%	8.0%
STRS Ohio	$500,829	$331,535	$188,365

Pension Plan Fiduciary Net Position

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

Defined Contribution Plans

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

STRS Ohio also offers a defined contribution plan in addition to its long established defined benefit plan. All employee contributions and employer contributions at a rate of 9.53% are placed in an investment account directed by the employee. Disability benefits are limited to the employee's account balance. Employees electing the defined contribution plan receive no postretirement health care benefits.

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

At June 30, 2023, there were 2,898 members in the plan. Under the provisions of ARP, the required rate for plan participants electing out of OPERS and STRS Ohio was 10% and 14%, respectively. The employer contribution rate for participants electing out of OPERS and STRS Ohio was 14% for 2023. During 2023, the employer contributions were $26,910,000. A portion of the employer contribution rate for those employees that elect to participate in the ARP is directed to the unfunded liability accounts for both OPERS and STRS Ohio. The rates for fiscal year 2023 were 2.24% to OPERS and 2.91% to STRS Ohio. The employer contributions to the OPERS and STRS Ohio unfunded liability accounts during 2023, were $2,544,000 and $3,905,000, respectively.

Payables to the Pension Plans

At June 30, 2023, the university reported a payable of $5,227,000 and $4,323,000 for OPERS and STRS Ohio, respectively, for the outstanding amount of contributions to the pension plans required for the year ended June 30, 2023.

Other Postemployment Benefits

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

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

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

Each year the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding of post employment health care benefits. Since January 1, 2018, OPERS has not allocated any portion of employer contributions to fund the health care program for members in the Traditional Pension Plan and Combined Plan, and is expected to remain at that level. Therefore, no university employer contributions to OPERS were allocated to fund OPEB for 2022. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. A portion of employer contributions for Member-Directed Plan participants is allocated to an RMA.

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

STRS Ohio also provides access to health care coverage to eligible retirees who participate in the Defined Benefit and Combined Plans. Coverage under the current program includes hospitalization, physicians' fees, prescription drugs, and partial reimbursement of monthly Medicare Part B premiums. Health care premiums will be reduced by a Medicare Part B premium credit beginning in 2023. Pursuant to Chapter 3307 of the ORC, STRS Ohio has discretionary authority over how much, if any, of the associated health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of monthly premiums. Since July 1, 2014, STRS Ohio has not allocated any employer contributions of covered payroll to the Health Care Fund from which payments for health care benefits are paid.

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

At June 30, 2023, the university reported a liability of $8,401,000 for OPERS for its proportionate share of the net OPEB liability. This was a decrease of $49,353,000 compared to the asset reported as of June 30, 2022. The net OPEB liability was measured as of December 31, 2022 and the total OPEB liability used to calculate the net OPEB liability was determined by actuarial valuations as of that date. The university's proportion of the net OPEB liability was based on the university's actual contributions during the measurement period to the plan relative to the contributions to the plan of all participating employers for the same period. At June 30, 2023, for the measurement period, the university's proportion was 1.33% for OPERS, which was an increase of 1.53% compared the previous fiscal year. At June 30, 2022, for the measurement period, the university's proportion was 1.31% for OPERS.

At June 30, 2023, the university reported an asset of $38,617,000 for STRS Ohio for its proportionate share of the net OPEB asset. This was an increase of $6,710,000 compared to the asset reported as of June 30, 2022. The net OPEB asset was measured as of June 30, 2022 for STRS Ohio and the total OPEB asset used to calculate the net OPEB asset was determined by actuarial valuations as of that date. The university's proportion of the net OPEB asset was based on the university's actual contributions during the measurement period to the plan relative to the contributions to the plan of all participating employers for the same period. At June 30, 2023, for the measurement period, the university's proportion was 1.49% for STRS Ohio, which was a decrease of 1.32% compared to the previous fiscal year. At June 30, 2022, for the measurement period, the university's proportion was 1.51% for STRS Ohio.

For the year ended June 30, 2023, the university recognized OPEB reduction of expense of $14,173,000 for OPERS and reduction of expense of $6,553,000 for STRS Ohio, for a total reduction of expense of $20,726,000.

At June 30, 2023, the university reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources *(in thousands):*

	Deferred Outflows of Resources		
	OPERS	STRS Ohio	Total
Differences between expected and actual experience	$ —	$ 562	$ 562
Changes in assumptions	8,205	1,676	9,881
Net difference between projected and actual earnings on OPEB plan investments	17,263	591	17,854
Changes in proportion	362	199	561
	$ 25,830	$ 3,028	$ 28,858

	Deferred Inflows of Resources		
	OPERS	STRS Ohio	Total
Differences between expected and actual experience	$ 2,092	$ 5,904	$ 7,996
Changes in assumptions	663	27,505	28,168
Net difference between projected and actual earnings on OPEB plan investments	—	—	—
Changes in proportion	—	25	25
	$ 2,755	$ 33,434	$ 36,189

Amounts reported as deferred outflows of resources and deferred inflows of resources at June 30, 2023 related to OPEB will be recognized in OPEB expense as follows *(in thousands):*

Year ended June 30,	OPERS	STRS Ohio	Total
2024	$ 3,502	$ (8,893)	$ (5,391)
2025	6,256	(8,761)	(2,505)
2026	5,256	(4,166)	1,090
2027	8,061	(1,764)	6,297
2028	—	(2,256)	(2,256)
Thereafter	—	(4,566)	(4,566)
	$ 23,075	$ (30,406)	$ (7,331)

Actuarial Assumptions

For OPERS, the total OPEB asset was determined by an actuarial valuation as of December 31, 2021 rolled forward to December 31, 2022 using the following actuarial assumptions, applied to all prior periods in the measurement.

OPERS	
Actuarial Valuation Date	December 31, 2021
Rolled-Forward Measurement Date	December 31, 2022
Experience Study	5-Year Period Ended December 31, 2020
Actuarial Cost Method	Individual entry age normal
Single Discount Rate	5.22%
Investment Rate of Return	6.00%
Municipal Bond Rate*	4.05%
Wage Inflation	2.75%
Projected Salary Increases	2.75% - 10.75% (includes wage inflation at 2.75%)
Health Care Cost Trend Rate	5.50% initial, 3.50% ultimate in 2036

*Fidelity 20-year Municipal GO AA index

For STRS Ohio, the total OPEB asset was determined by an actuarial valuation as of June 30, 2022 using the following actuarial assumptions, applied to all prior periods in the measurement.

STRS Ohio	
Actuarial Valuation Date	June 30, 2022
Experience Study	For the 5 years ended June 30, 2021
Inflation	2.50%
Salary increases	Varies by service from 2.5% to 8.5%
Payroll increases	3.00%
Investment Rate of Return	7.00%, net of investment expenses, including inflation
Health Care Cost Trend Rate	-68.78% to -5.47% initial, 3.94% ultimate
Cost-of-living adjustments	0% effective July 1, 2017

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

For STRS Ohio, pre-retirement mortality rates are based on Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 95% for females, projected forward generationally using mortality improvement scale MP-2020. Post-retirement healthy mortality rates are based on Pub-2010 Teachers Healthy Annuitant Mortality Table, adjusted 110% for males, projected forward generationally using mortality improvement scale MP-2020. For disabled retirees, mortality rates are based on Pub-2010 Teacher Disabled Annuitant Table projected forward generationally using mortality improvement scale MP-2020.

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

	OPERS	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equities	26%	4.6%
International equities	25%	5.51%
Fixed income	34%	2.56%
REITs	7%	4.7%
Risk parity	2%	4.37%
Other investments	6%	1.84%
	100%	

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

	STRS Ohio	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equities	26%	6.6%
International equities	22%	6.8%
Fixed income	22%	1.75%
Real estate	10%	5.75%
Alternatives	19%	7.38%
Liquidity reserves	1%	1%
	100%	

Discount Rate

The discount rates used to measure the total OPEB asset were 5.22% for OPERS and 7.00% for STRS Ohio.

For OPERS, a single discount rate of 5.22% was used to measure the OPEB asset on the measurement date of December 31, 2022. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 4.05%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the OPEB plan's fiduciary net position and future contributions were sufficient to finance the health care costs through the year 2054. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2054, and the municipal bond rate was applied to all health care costs after that date.

For STRS Ohio, the projection of cash flows used to determine the discount rate assumes STRS Ohio continues to allocate no employer contributions to the health care fund. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2022. Therefore, the long-term expected rate of return on health care plan investments of 7.00% was applied to all periods of projected health care costs to determine the total OPEB asset as of June 30, 2022.

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

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

	1% Decrease 4.22%	Current Discount Rate 5.22%	1% Increase 6.22%
OPERS	$28,595	$8,401	($8,261)

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
STRS Ohio	($35,700)	($38,617)	($41,115)

The university's proportionate share of the net OPEB liability (asset) has been calculated using health care trend rates of 5.5% for OPERS and a range of -68.8% to -5.5% for STRS Ohio. The following presents the university's proportionate share of the net OPEB liability (asset) calculated using health care cost trend rates 1% higher and 1% lower than the current health care cost trend rates.

	1% Decrease	Current Health Care Cost Trend Rate	1% Increase
OPERS	$7,875	$8,401	$8,994

	1% Decrease	Current Health Care Cost Trend Rate	1% Increase
STRS Ohio	($40,055)	($38,617)	($36,801)

OPEB Plans' Fiduciary Net Position

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

Assumption Changes—During the measurement periods ended December 31 2021 and June 30, 2021 respectively, certain assumption changes were made by the plans. The OPERS pension discount was reduced from 7.20% to 6.90%, which impacted the annual actuarial valuation for the pension liability as of December 31, 2021. The STRS Ohio pension and OPEB discount rates were reduced from 7.45% to 7.00%, which impacted the annual actuarial valuation for the pension liability and the OPEB asset as of June 30, 2021.

Benefit Changes—Effective in 2022, OPERS replaced the current self-insured group plan with a marketplace concept for pre-Medicare retirees. There were no significant benefit terms changed for the pension or OPEB plans since the two measurement dates for STRS Ohio.

11. Risk Management and Self-Insurance Funds

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

The university provides for medical professional and general liability insurance through a combination of an actuarially funded self-insurance program sponsored by the university and has purchased commercial insurance coverage in excess of the self-insurance amount. The medical professional liability insurance program also includes qualified not-for-profit physician practice corporations, largely subsumed into University of Cincinnati Physicians, Inc. Medical professional self-insurance limits were $4 million per occurrence for 2023. An additional $30 million in commercial excess professional liability insurance was provided above the self-insured retention.

The university's self-insurance program is based on calculations by independent actuaries and funds are deposited directly into two irrevocable self-insurance trust funds, one for medical and professional liability and one for general liability. In the opinion of management, trust assets totaling approximately $21,878,000 are adequate to cover estimated liabilities resulting from known claims and incidents and incurred-but-not-reported incidents as of June 30, 2023 for the university and University of Cincinnati Physicians, Inc. Trust assets related to the university total $2,241,000 and are included in current portion of other assets; liabilities of $843,000 are included in accrued liabilities in the Statement of Net Position as of June 30, 2023.

General liability coverage is also provided as part of a group insurance program of Ohio state universities known as the Inter-University Council Risk Management & Insurance Consortium (IUC-RMIC). This program provided for $15 million retention per occurrence with the first $100,000 funded by the university, $1,400,000 funded by pooled funds held through the IUC-RMIC and $14 million reinsured through a commercial reinsurance agreements. Excess commercial coverage for general liability was provided with a total dedicated limit of $35 million. In addition, educators' legal liability coverage was provided through the IUC-RMIC program with $35 million in a dedicated limit. The IUC-RMIC self-insurance pools are funded by an agreed formula among the participating universities. This program qualifies as a public entity risk pool as defined by GASB standards and is classified as a risk-sharing pool. Under this arrangement, there is a transfer of risk from the university to the pool. Therefore, there is no recognition in the university's financial statements of assets or liabilities related to the IUC-RMIC program.

Property and casualty insurance is also provided through the IUC-RMIC program, consisting of commercial property insurance with a $500,000 retention, and a self-insurance pool to fund retained losses subject to a $100,000 university deductible. Total insurance expense paid through the IUC-RMIC program was $4,399,000.

The university is also self-insured for a portion of medical, dental, and pharmacy benefits provided to employees. Changes to the self-insured health care claims liability as of June 30, 2023 and 2022 are as follows *(in thousands):*

	2023	2022
Liability at beginning of fiscal year	$ 6,761	$ 7,389
Current year claims including changes in estimates	105,756	99,764
Claim payments	(104,967)	(100,392)
Liability at the end of fiscal year	$ 7,550	$ 6,761

12. Capital Project Commitments

At June 30, 2023, the university is committed to future capital expenditures as follows *(in thousands):*

Contractual commitments	$ 169,065
Estimated completion costs of projects	464,446
Total	$ 633,511

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

State appropriations	$ 38,914
Internal and other sources	594,597
Total	$ 633,511

13. Other Commitments and Contingencies

The university is currently a defendant in various legal actions. Although the final outcome of such actions cannot currently be determined, the university's administration is of the opinion that the eventual liability, if any, will not have a material effect on the financial position or operations of the university.

The university receives grants and contracts from certain federal, state and local agencies to fund research and other activities. The costs, both direct and indirect, that have been charged to the grants or contracts are subject to examination and approval by the granting agency. It is the opinion of management that any disallowance or adjustment of such costs would not have a material effect on the financial statements.

The university's utility plant is exposed to market price fluctuations on its purchase of natural gas. Purchase commitments have been issued with certain suppliers of natural gas whereby the university has locked in the price of natural gas for specified amounts to stabilize costs.

14. Restricted Net Position

Restricted net position is either nonexpendable or expendable. Nonexpendable restricted net position consists primarily of endowments whose corpus is held in perpetuity. Only the income and net appreciation is used for the purpose specified by the donor. The principal of expendable restricted net position may be used for the donor-specified purpose or is related to a net OPEB asset. Restricted nonexpendable and expendable net position is held for the following purposes *(in thousands):*

Restricted nonexpendable:	
Instruction	$ 124,304
Research	42,056
Academic support	50,841
College/programs	101,471
Scholarships	92,430
Interest in UC Health	420,645
Other	15,838
	847,585
Less: UHCURC Elimination	10,413
Total	$ 837,172

Restricted expendable:	
Instruction	$ 36,186
Research	127,158
Academic support	31,475
College/programs	205,803
Scholarships	53,210
Student loans	11,640
Capital projects	4,907
Net OPEB asset	38,617
Total	$ 508,996

15. University Heights Community Urban Redevelopment Corporation

University Heights Community Urban Redevelopment Corporation (UHCURC) is organized as a not-for-profit corporation under the laws of the state of Ohio. Its mission is to revitalize the University Heights neighborhood adjacent to the University of Cincinnati. UHCURC was organized by three founding members: The Heights Community Council, the Greek Affairs Council and the University of Cincinnati. The corporation owns a student housing complex that consists of 20 buildings with the capacity to house approximately 700 students.

The governance structure of UHCURC's Board of Trustees gives the university a voting majority on the board. Due to this structure and the fact the university can impose its will on UHCURC, the organization is reported as a blended component unit of the university. Accordingly, all significant intercompany accounting transactions have been eliminated as required by generally accepted accounting principles.

UHCURC's fiscal year end is August 31. As required, the reporting entity should incorporate financial statements for the blended component unit's fiscal year ended during the reporting entity's fiscal year. Therefore, UHCURC's financial statements for the year ended August 31, 2022 have been blended with the university's financial statements for the fiscal year ended June 30, 2023.

A condensed statement of net position for UHCURC as of August 31, 2022 and the related statement of revenues, expenses, and changes in net position and statement of cash flows for the year then ended are as follows *(in thousands):*

Statement of Net Position

	8/31/2022
Current assets	$ 10
Capital assets not being depreciated	4,788
Capital assets being depreciated, net	31,952
Total assets	36,750
Current liabilities	391
Accrued interest payable – University of Cincinnati	18,724
Notes payable – University of Cincinnati	16,998
Other long-term debt	41,075
Total liabilities	77,188
Net investment in capital assets	(4,335)
Unrestricted	(36,103)
Total net position	$ (40,438)

Statement of Revenues, Expenses, and Changes in Net Position

	8/31/2022
Operating revenues	$ 933
Operating expenses	250
Depreciation	1,390
Operating loss	(707)
Other nonoperating expenses	1,920
Decrease in net position	(2,627)
Net position, beginning of the year	(37,811)
Net position, end of the year	$ (40,438)

Statement of Cash Flows

	8/31/2022
Net cash from operating activities	$ 27
Net cash used for capital and financing activities	(38)
Net decrease in cash and cash equivalents	(11)
Cash and cash equivalents, beginning of the year	21
Cash and cash equivalents, end of the year	$ 10

16. University of Cincinnati Foundation

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

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

THE UNIVERSITY OF CINCINNATI FOUNDATION NOTES TO FINANCIAL STATEMENTS

Pledges Receivable

Contributors to the Foundation have made unconditional pledges totaling approximately $124,536,000 as of June 30, 2023. For payments that extend beyond one year, these pledges receivable have been discounted at rates ranging from 0.5% to 6% to a net present value of approximately $114,356,000 as of June 30, 2023.

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

	2023
Less than one year	$ 30,477,854
One to five years	58,850,235
More than five years	35,207,882
	124,535,971
Less discount to present value	(10,179,595)
Less allowance for uncollectible pledges	(6,703,927)
	$ 107,652,449

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, 2023 of approximately $15,095,000 are included in the total amount of unconditional pledges due and fall within the due in more than five years category. The allowance for uncollectible pledges includes approximately $141,000 associated with the irrevocable bequests, as of June 30, 2023.

As of June 30, 2023, twenty seven donors currently have outstanding conditional pledges to the Foundation. As of June 30, 2023, 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 $9,978,000 as of June 30, 2023.

Endowment Funds

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

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

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

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

There are 1,511 endowment funds, at June 30, 2023.

The Foundation has adopted a spending rate policy that limits the distribution of endowment income. The spending rate in fiscal year 2023 was 4.1% of the moving average market value for the twelve-quarter period ended each December. Earnings above the spend rate limit are reinvested in the endowment fund for the purposes of promoting endowment fund growth. During 2023, income earned in the investment pool was less than the amount allocated for expenditure by approximately $21,570,000. This shortfall was funded by cumulative capital gains in the investment pool for the year ended June 30, 2023.

The endowment net asset composition by type of fund as of June 30, 2023 was as follows:

	2023		
	Without Donor Restriction	With Donor Restriction	Total
Donor restricted endowment funds:			
Original Amount	$ —	$ 494,343,717	$ 494,343,717
Accumulated Gains	—	71,069,393	71,069,393
Term Endowments	—	43,403,740	43,403,740
Board designated endowment funds	3,562,697	—	3,562,697
Total	$ 3,562,697	$ 608,816,850	$ 612,379,547

The change in endowment fund net assets for the year ended June 30, 2023, is as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	$ 3,534,550	$ 577,940,909	$ 581,475,459
Investment income:			
Interest and dividend income	140,921	7,317,530	7,458,451
Net realized/unrealized gain	215,848	22,558,686	22,774,534
Total investment income	356,769	29,876,216	30,232,985
Contributions and other transfers	—	23,645,342	23,645,342
Appropriation of endowment assets for expenditure	(328,622)	(28,701,325)	(29,029,947)
Other changes:			
Other income	—	4,456,474	4,456,474
Income reinvestment	—	1,599,234	1,599,234
Endowment net assets, end of year	$ 3,562,697	$ 608,816,850	$ 612,379,547

Investments

The Foundation combines its pooled investment securities with the investment pool of the university in order to maximize investment diversification and realize economies of scale with respect to costs of managing the investments. The Foundation continues to serve as trustee for these assets. The Foundation maintains individual records of each fund included in the transfer of assets to the investment pool of the university. Each fund subscribes to, or disposes of, units in the pool at the unit market value at the end of each month. Income is allocated to each fund in the pool based on units of participation. The investment pool consists of Fund A and Fund C. In July 2016, Fund C was created by segregating each share of Fund A into one share of Fund A, which owns the diversified portfolio of investment funds in separate accounts, and one share of Fund C, which owns neighborhood development corporations loans (NDCL) and strategic real estate. As NDCLs and strategic real estate produce distributions to Fund C unitholders, the proceeds will be used to periodically purchase newly-created Fund A units for the Fund C unitholders. No additional assets will be purchased within Fund C. It is expected that Fund C will cease to exist by June 30, 2040, as the last distributions are made from NDCLs. As of June 30, 2023, the university is holding approximately $4,810,000 that is to be invested in the university pooled investments. These amounts are recorded as other investments in the Statements of Financial Position.

The Foundation also manages other investments, which amounted to approximately $71,924,000 as of June 30, 2023. 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, 2023:

	2023 Fair Value	2023 Cost
Cash equivalents	$ 7,575,196	$ 7,575,196
U.S. Government and agency obligations	8,367,684	8,890,497
Corporate bonds	9,494,134	10,161,012
Mutual funds	14,642,719	14,952,314
Equities	25,635,232	19,506,559
Real estate and other	11,020,000	10,800,000
University pooled investments	564,119,869	534,491,141
Total	$ 640,854,834	$ 606,376,719

The number of units in Fund A owned by the Foundation totaled 6,445,895, which represents 40.9% share of the university investment pool as of June 30, 2023. Fund A holds primarily common stock, mutual funds, and corporate and government fixed income obligations, which are stated at fair value as determined by market prices. In addition, the Foundation owned 3,968,064 shares or 36.1% of Fund C as of June 30, 2023. Fund C invests in loans to certain not-for-profit entities for the purpose of developing residential and commercial facilities near the university's main campus. These loans are secured by mortgages, some of which are subordinated to external financing arrangements, on parcels of land purchased by these not-for-profit entities for development. Certain investments in the university pooled investments are stated at fair value, as provided by the investment managers. Audited financial statements of the underlying investments in the university pooled investments as of June 30, 2023, 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, 2023. The Foundation believes that the carrying value of these investments is a reasonable estimate of fair value at June 30, 2023. 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:

	2023
Fund A	
U.S. and international equity securities	30%
Hedge funds and private equity capital	52%
Fixed income securities	14%
Fund C	
Real estate and community development	4%
Total	100%

Beneficial Interest In Trusts — Other Trustees

The Foundation has been notified of twelve trusts held by other trustees where the remainder interest will irrevocably benefit the university. 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 $14,017,000 as of June 30, 2023.

REQUIRED SUPPLEMENTARY INFORMATION

Schedules of the University's Proportionate Share of the Net Pension Liability

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)
STATE TEACHERS RETIREMENT SYSTEM OF OHIO (STRS OHIO)
LAST 10 YEARS*

OPERS *(dollar amounts in millions)*	2023	2022	2021	2020	2019
University's proportion of the net pension liability	1.31%	1.28%	1.22%	1.23%	1.19%
University's proportionate share of the net pension liability	$ 381.0	$ 103.7	$ 174.8	$ 238.3	$ 324.6
University's covered payroll	$ 222.0	$ 203.7	$ 188.8	$ 189.4	$ 178.5
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	171.59%	50.90%	92.61%	125.80%	181.85%
Plan fiduciary net position as a percentage of the total pension liability	76.06%	92.99%	87.19%	82.44%	74.90%

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

STRS Ohio *(dollar amounts in millions)*	2023	2022	2021	2020	2019
University's proportion of the net pension liability	1.49%	1.51%	1.53%	1.55%	1.50%
University's proportionate share of the net pension liability	$ 331.5	$ 193.5	$ 371.4	$ 343.3	$ 329.7
University's covered payroll	$ 156.8	$ 151.4	$ 151.0	$ 149.3	$ 139.8
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	211.38%	127.81%	246.04%	230.01%	235.84%
Plan fiduciary net position as a percentage of the total pension liability	78.88%	87.78%	75.48%	77.40%	77.31%

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

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

Schedules of the University's Contributions - Pension

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)
STATE TEACHERS RETIREMENT SYSTEM OF OHIO (STRS OHIO)
LAST 10 YEARS*

OPERS *(dollar amounts in millions)*	2023	2022	2021	2020	2019
Contractually required contribution	$ 33.1	$ 29.9	$ 27.1	$ 27.0	$ 25.9
Contributions in relation to the contractually required contribution	(33.1)	(29.9)	(27.1)	(27.0)	(25.9)
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —
University's covered-employee payroll	$ 234.7	$ 212.0	$ 192.3	$ 191.7	$ 183.8
Contributions as a percentage of covered-employee payroll	14.09%	14.10%	14.11%	14.11%	14.12%

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

STRS Ohio *(dollar amounts in millions)*	2023	2022	2021	2020	2019
Contractually required contribution	$ 23.3	$ 22.0	$ 21.2	$ 21.1	$ 20.9
Contributions in relation to the contractually required contribution	(23.3)	(22.0)	(21.2)	(21.1)	(20.9)
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —
University's covered-employee payroll	$ 166.7	$ 156.8	$ 151.4	$ 151.0	$ 149.3
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%	14.00%	14.00%

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

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

Schedules of the University's Proportionate Share of the Net OPEB Liability (Asset)

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)
STATE TEACHERS RETIREMENT SYSTEM OF OHIO (STRS OHIO)
LAST 10 YEARS*

OPERS *(dollar amounts in millions)*	2023	2022	2021	2020	2019	2018
University's proportion of the net OPEB liability (asset)	1.33%	1.31%	1.25%	1.26%	1.22%	1.21%
University's proportionate share of the net OPEB liability (asset)	$ 8.4	$ (40.9)	$ (22.2)	$ 173.6	$ 159.0	$ 131.2
University's covered-employee payroll	$ 222.0	$ 203.7	$ 188.8	$ 189.4	$ 178.5	$ 172.3
University's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	3.78%	-20.07%	-11.76%	91.65%	89.08%	76.15%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	94.79%	128.24%	115.57%	47.80%	46.33%	54.14%

STRS Ohio *(dollar amounts in millions)*	2023	2022	2021	2020	2019	2018
University's proportion of the net OPEB liability (asset)	1.49%	1.51%	1.53%	1.55%	1.50%	1.50 %
University's proportionate share of the net OPEB liability (asset)	$ (38.6)	$ (31.9)	$ (27.0)	$ (25.7)	$ (24.1)	$ 58.4
University's covered-employee payroll	$ 156.8	$ 151.4	$ 151.0	$ 149.3	$ 139.8	$ 136.7
University's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	-24.62%	-21.08%	-17.82%	-17.22%	-17.24%	42.73 %
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	230.73%	174.73%	182.13%	174.74%	176.00%	47.11 %

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

Schedules of the University's Contributions — OPEB

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)
STATE TEACHERS RETIREMENT SYSTEM OF OHIO (STRS OHIO)
LAST 10 YEARS*

OPERS *(dollar amounts in millions)*	2023	2022	2021	2010	2019	2018
Contractually required contribution	$ —	$ —	$ —	$ —	$ —	$ 0.9
Contributions in relation to the contractually required contribution	—	—	—	—	—	(0.9)
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —	$ —
University's covered-employee payroll	$ 234.7	$ 212.0	$ 192.3	$ 191.7	$ 183.8	$ 174.3
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.50%

STRS Ohio *(dollar amounts in millions)*	2023	2022	2021	2020	2019	2018
Contractually required contribution	$ —	$ —	$ —	$ —	$ —	$ —
Contributions in relation to the contractually required contribution	—	—	—	—	—	—
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —	$ —
University's covered-employee payroll	$ 166.7	$ 156.8	$ 151.4	$ 151.0	$ 149.3	$ 139.8
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

Notes to Required Supplementary Information

Defined Benefit Pension Plans

Changes of Benefit Terms

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

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

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

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

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

Amounts reported in 2023 for STRS Ohio reflect a one-time increase in COLA of 3% of the base benefit granted to eligible benefit recipients to begin on the anniversary of their retirement benefit in fiscal year 2023 as long as they retired prior to July 1, 2018, effective July 1, 2022.

Changes of Assumptions

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

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

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

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

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

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

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

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

Amounts reported in 2023 for STRS Ohio reflect the following change of assumptions based on an experience study for the five year period ending June 30, 2021:

- Salary increase rates based on actuarial experience study for period July 1, 2015 through June 30, 2021 were changed from age based to service based.
- Mortality assumptions changed from using RP-2014 to Pub-2010.

Other Postemployment Benefits

Changes of Benefit Terms

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

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

Changes of Assumptions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Amounts reported in 2023 for OPERS reflect the following change of assumptions based on an experience study for the five year period ending December 31, 2020:

- Discount rate decreased from 6.00% to 5.22%.
- Municipal bond rate increased from 1.84% to 4.05%.

Amounts reported in 2023 for STRS Ohio reflect the following change of assumptions based on an experience study for five year period ending June 30, 2022:

- Health care cost trend rates for 2022 valuation ranging from -68.78% to -5.47% initially and a 3.94% ultimate rate compared to prior year health care cost trend rates for 2021 valuation ranging from -16.18% to 29.98% initially and 4% ultimate rate.
- Salary increase rates based on actuarial experience study for period July 1, 2015 through June 30, 2021 were changed from aged based to service based.
- Mortality assumptions changed from using RP-2014 to Pub-2010.

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