

**Hoxworth  
Blood Center  
Report on Audits  
of Financial Statements  
for the Years Ended  
June 30, 2001 and 2000**





**STATE OF OHIO**  
**OFFICE OF THE AUDITOR**

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street, 1<sup>st</sup> Floor  
Columbus, Ohio 43215

Telephone 614-466-4514  
800-282-0370

Facsimile 614-728-7398

Board of Trustees of the University of Cincinnati  
Community Advisory Board of Hoxworth Blood Center

We have reviewed the Independent Auditor's Report of the Hoxworth Blood Center Hamilton County, prepared by Pricewaterhouse Coopers LLP for the audit period July 1, 2000 through June 30, 2001. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

JIM PETRO  
Auditor of State

November 14, 2001

**This Page is Intentionally Left Blank.**

**Report of Independent Accountants**

To: Mr. Jim Petro,  
Auditor of State of Ohio;  
The Board of Trustees of  
the University of Cincinnati; and  
The Community Advisory Board of  
Hoxworth Blood Center

In our opinion, the accompanying balance sheets and the related statements of operations of unrestricted funds, changes in fund balances, and cash flows of unrestricted funds present fairly, in all material respects, the financial position of Hoxworth Blood Center (“Hoxworth”) (a division of the University of Cincinnati) at June 30, 2001 and 2000, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of Hoxworth's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

*PricewaterhouseCoopers LLP*

August 29, 2001

**Hoxworth Blood Center**  
**Balance Sheets**  
**at June 30, 2001 and 2000**

---

	<u>2001</u>	<u>2000</u>
<b>ASSETS</b>		
Unrestricted Funds:		
Current assets:		
Cash and cash equivalents	\$ 9,433,386	\$ 5,923,600
Accounts receivable, net of allowance for doubtful accounts of approximately \$27,000 and \$28,000 at June 30, 2001 and 2000, respectively	2,615,104	3,811,521
Inventories	405,171	405,751
Prepaid expenses and other assets	<u>17,009</u>	<u>16,569</u>
Total current assets	<u>12,470,670</u>	<u>10,157,441</u>
Property and equipment:		
Land and buildings	14,613,239	14,585,982
Furniture and equipment	7,088,193	6,757,860
Leasehold improvements	<u>339,420</u>	<u>334,755</u>
	22,040,852	21,678,597
Less accumulated depreciation	<u>7,640,626</u>	<u>6,694,835</u>
Property and equipment, net	<u>14,400,226</u>	<u>14,983,762</u>
Assets whose use is limited by bond indenture	<u>1,039,648</u>	<u>1,031,177</u>
Total assets	<u>\$ 27,910,544</u>	<u>\$ 26,172,380</u>
Restricted Funds:		
Cash and cash equivalents	<u>\$ 10,983</u>	<u>\$ 8,994</u>
Total assets	<u>\$ 10,983</u>	<u>\$ 8,994</u>

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

**Hoxworth Blood Center  
Balance Sheets, Continued  
at June 30, 2001 and 2000**

---

	<u>2001</u>	<u>2000</u>
<b>LIABILITIES AND FUND BALANCES</b>		
Unrestricted Funds:		
Current liabilities:		
Current portion of bonds payable	\$ 657,875	\$ 617,870
Accounts payable	1,158,871	1,012,874
Accrued salaries and benefits	1,029,889	1,387,943
Accrued interest payable	<u>19,829</u>	<u>23,349</u>
Total current liabilities	<u>2,866,464</u>	<u>3,042,036</u>
 Bonds payable, net of current portion	 <u>3,936,873</u>	 <u>4,594,758</u>
Total liabilities	<u>6,803,337</u>	<u>7,636,794</u>
 Unrestricted fund balance	 <u>21,107,207</u>	 <u>18,535,586</u>
 Total liabilities and unrestricted fund balance	 <u>\$ 27,910,544</u>	 <u>\$ 26,172,380</u>
 Restricted Funds:		
Fund balance	<u>\$ 10,983</u>	<u>\$ 8,994</u>

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

**Hoxworth Blood Center**  
**Statements of Operations of Unrestricted Funds**  
**for the years ended June 30, 2001 and 2000**

---

	<u>2001</u>	<u>2000</u>
Operating revenues:		
Patient and community service	\$ 24,725,424	\$ 22,652,363
Other	<u>469,996</u>	<u>477,845</u>
Total operating revenues	<u>25,195,420</u>	<u>23,130,208</u>
Operating expenses:		
Salaries and employee benefits	10,958,848	13,546,599
Routine supplies and facility maintenance	7,878,911	7,297,517
Blood component inventory support	1,159,465	666,037
General and administrative	1,505,118	1,697,852
Depreciation	<u>1,238,720</u>	<u>1,222,102</u>
Total operating expenses	<u>22,741,062</u>	<u>24,430,107</u>
Revenues (loss) from operations	<u>2,454,358</u>	<u>(1,299,899)</u>
Non-operating revenues (expenses):		
Interest income	434,812	385,488
Interest expense	(339,150)	(378,365)
Other	<u>21,601</u>	<u>7,107</u>
Total non-operating revenues (expenses), net	<u>117,263</u>	<u>14,230</u>
Excess (deficiency) of revenues over expenses	<u>\$ 2,571,621</u>	<u>\$ (1,285,669)</u>

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



**Hoxworth Blood Center**  
**Statements of Changes in Fund Balances**  
**for the years ended June 30, 2001 and 2000**

---

	<u>Unrestricted Funds</u>	<u>Restricted Funds</u>
Fund balances at June 30, 1999	\$ 19,821,255	\$ 1,071
Deficiency of revenues over expenses	(1,285,669)	-
Revenues in excess of expenditures for restricted purposes	<u>-</u>	<u>7,923</u>
Fund balances at June 30, 2000	18,535,586	8,994
Excess of revenues over expenses	2,571,621	-
Revenues in excess of expenditures for restricted purposes	<u>-</u>	<u>1,989</u>
Fund balances at June 30, 2001	<u>\$ 21,107,207</u>	<u>\$ 10,983</u>

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

**Hoxworth Blood Center**  
**Statements of Cash Flows of Unrestricted Funds**  
**for the years ended June 30, 2001 and 2000**

	<u>2001</u>	<u>2000</u>
Cash flows from operating activities:		
Revenue (loss) from operations	\$ 2,454,358	\$ (1,299,899)
Adjustments to reconcile revenue (loss) from operations to net cash provided by (used in) operating activities:		
Depreciation	1,238,720	1,222,102
Decrease (increase) in accounts receivable	1,196,417	(997,311)
Decrease in inventories	580	145,185
Increase in prepaid expenses and other assets	(440)	(14,292)
Increase (decrease) in accounts payable	145,997	(458,498)
(Decrease) increase in accrued salaries and benefits	<u>(358,054)</u>	<u>468,029</u>
Total adjustments	<u>2,223,220</u>	<u>365,215</u>
Net cash provided by (used in) operating activities	<u>4,677,578</u>	<u>(934,684)</u>
Cash flows from non-capital financing activities:		
Contributions received	<u>14,843</u>	<u>13,779</u>
Cash flows from capital and related financing activities:		
Capital expenditures	(681,474)	(991,303)
Proceeds from sale of equipment	33,050	-
Increase in assets whose use is limited	(8,471)	(1,521)
Principal payments on bonds payable	(670,000)	(635,000)
Interest paid on bonds payable	<u>(290,552)</u>	<u>(329,531)</u>
Net cash used in capital and related financing activities	<u>(1,617,447)</u>	<u>(1,957,355)</u>
Cash flows from investing activities:		
Interest income	<u>434,812</u>	<u>385,488</u>
Net increase (decrease) in cash and cash equivalents	3,509,786	(2,492,772)
Cash and cash equivalents at beginning of year	<u>5,923,600</u>	<u>8,416,372</u>
Cash and cash equivalents at end of year	<u>\$ 9,433,386</u>	<u>\$ 5,923,600</u>

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

# Hoxworth Blood Center

## Notes to Financial Statements

---

### 1. Summary of Significant Accounting Policies:

- a. **Organization:** Hoxworth Blood Center (“Hoxworth”), a division of the University of Cincinnati (the “University”), a state of Ohio assisted governmental institution, provides blood components, cellular and apheresis therapies, transplantation immunology, and compatibility and reference laboratory services to area hospitals, health care facilities, and patients.
- b. **Financial Statements:** The accompanying financial statements have been prepared in accordance with the principles contained in “Health Care Organizations” published by the American Institute of Certified Public Accountants. As a governmental institution, Hoxworth applies standards applicable to governmental units as prescribed in statements issued by the Governmental Accounting Standards Board (“GASB”) and other recognized authoritative sources. Hoxworth also applies the Financial Accounting Standards Board's Statements and Interpretations issued prior to November 30, 1989, unless those pronouncements conflict with GASB pronouncements. The statements of cash flows have been prepared in accordance with GASB Statement No. 9, “Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting.”
- c. **Cash Equivalents:** Hoxworth considers its unrestricted and undesignated portion of the University's pooled cash account to be cash and cash equivalents. The University's pooled cash account includes investments in U.S. Government agency issues; U.S. Treasury bonds, notes and bills; corporate notes and bonds; preferred and common stocks; and other marketable securities. In addition, Hoxworth maintains an unrestricted and undesignated quasi-endowment fund consisting of cash and cash equivalents amounting to approximately \$1,418,000 at June 30, 2001.
- d. **Inventories:** Blood components inventory is stated at net realizable value, which is defined as sales price (net of an allowance for spoilage) less distribution costs. Such valuation treatment approximates the lower of cost or market. Blood bags, accessories, and other supplies are stated at cost, which is determined by the first-in, first-out method.
- e. **Property and Equipment:** Property and equipment is recorded at cost and depreciated on a straight-line basis over the estimated useful lives of the assets, ranging from 3 to 30 years for furniture and equipment and 25 to 39 years for buildings. Leasehold improvements are amortized on a straight-line basis over the estimated remaining period of occupancy. Maintenance, repairs, and minor renewals are charged to expense as incurred, while major renewals and betterments are capitalized. The cost and related accumulated depreciation for assets retired or otherwise disposed of are removed from the related accounts, and any resulting gains or losses are reflected in income.

# Hoxworth Blood Center

## Notes to Financial Statements

---

- f. Assets Whose Use is Limited:** At June 30, 2001 and 2000, assets whose use is limited consists principally of debt securities, the use of which is limited by bond indenture. These securities are carried at amortized cost. Gains or losses on sales of securities are based on average cost.
- g. Restricted Funds:** Restricted funds consist of externally restricted donations for use in bone marrow registry testing.
- h. Revenue Recognition:** Hoxworth has arrangements with organized groups and individuals under which it receives whole units of blood donated for processing and ultimate distribution in various forms to hospitals and other users for patient care purposes. Fees are charged to cover the cost of acquiring, processing, and distributing blood components and other blood services. These fees are recorded as revenue at the time such products and services are provided.
- i. Contributed Service:** A substantial number of unpaid volunteers have made significant contributions of their time to develop Hoxworth's programs. The value of this contributed time is not reflected in these statements since it is not susceptible to objective measurement or valuation.
- j. Income Taxes:** Through its affiliation with the University, Hoxworth is a tax-exempt organization under Section 115 of the Internal Revenue Code. Accordingly, no provision for income taxes is made in the accompanying financial statements.
- k. Estimates:** The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- l. New Pronouncement:** The financial statements do not incorporate GASB Statement 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments". GASB 34 establishes new financial reporting requirements for state and local governments. The pronouncement becomes effective for Hoxworth in 2002. Hoxworth's financial statements are not expected to be impacted by GASB 34.

## 2. Concentrations and Credit Risk:

In the normal course of business, Hoxworth extends credit to various area hospitals. One hospital group accounted for approximately 41% and 57% of accounts receivable at June 30, 2001 and 2000, respectively.

# Hoxworth Blood Center

## Notes to Financial Statements

---

### 3. Inventories:

Inventories at June 30 consist of the following:

	<u>2001</u>	<u>2000</u>
Blood components	\$ 296,831	\$ 325,524
Blood bags and accessories	75,904	48,948
Other supplies	<u>32,436</u>	<u>31,279</u>
	<u>\$ 405,171</u>	<u>\$ 405,751</u>

### 4. Assets Whose Use is Limited:

Assets whose use is limited consist of amounts held on deposit, in the name of the University, under an indenture agreement by an independent trustee in connection with the \$4,415,000 University of Cincinnati General Receipts Bonds, Series R-11 (see Note 5).

At June 30, the carrying amount and market value of assets whose use is limited are as follows:

	<u>2001</u>		<u>2000</u>	
	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Carrying Amount</u>	<u>Market Value</u>
By Bond Indenture:				
Cash and cash equivalents	\$ 43	\$ 43	\$ 67	\$ 67
U.S. agency obligations	1,032,493	1,004,754	1,024,338	945,939
Accrued interest	<u>7,112</u>	<u>7,112</u>	<u>6,772</u>	<u>6,772</u>
	<u>\$ 1,039,648</u>	<u>\$ 1,011,909</u>	<u>\$ 1,031,177</u>	<u>\$ 952,778</u>

# Hoxworth Blood Center

## Notes to Financial Statements

---

### 5. Bonds Payable:

Bonds payable at June 30 consist of the following:

	<u>2001</u>	<u>2000</u>
Series K General Receipts Bonds, with interest ranging from 6.5% to 6.6%, with various maturities through 2002, net of unamortized discount of approximately \$9,500 and \$19,000, at June 30, 2001 and 2000, respectively	\$ 650,500	\$ 1,261,000
Series R-11 General Receipts Bonds; with interest ranging from 4.1% to 5%; with various maturities through 2007; net of unamortized deferred loss on bond refunding of approximately \$260,000 and \$304,000, unamortized premium of approximately \$16,000 and \$19,000, and unamortized issuance costs of approximately \$12,000 and \$13,000 at June 30, 2001 and 2000, respectively	<u>3,944,248</u>	<u>3,951,628</u>
	4,594,748	5,212,628
Less current portion	<u>657,875</u>	<u>617,870</u>
	<u>\$ 3,936,873</u>	<u>\$ 4,594,758</u>

The Series K bonds were issued in 1991 to provide funds to construct a new facility for Hoxworth and to pay the cost of the issuance of the bonds. On February 1, 1998, the University issued \$4.415 million in Series R-11 General Obligation Bonds with interest rates ranging from 3.7 percent to 5.0 percent to advance refund \$4.045 million of the outstanding 1991 Series K bonds with an interest rate of 6.9 percent and a maturity of June 1, 2007. The net proceeds of \$4.422 million (after payment of approximately \$26,000 of issuance costs and accrued interest) were used to purchase U.S. Treasury obligations. Those securities were deposited in an escrow fund to provide for future debt service payments for the advance refunded portion of the 1991 Series K bonds. As a result, this portion of the 1991 Series K bonds are considered to be defeased and the liability for those bonds has been removed from long-term debt. On June 30, 2001, \$4.045 million of bonds outstanding are considered defeased.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of approximately \$434,000. The difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through 2007 using the straight-line method. The advance refunding reduced Hoxworth's total debt service payments through 2007 by approximately \$302,000 and caused an economic gain (difference between the present values of the old and new debt service payments) of approximately \$246,000.

# Hoxworth Blood Center

## Notes to Financial Statements

---

The bonds are collateralized by the general receipts of the University. Interest expense related to the bonds was approximately \$339,000 and \$378,000 for 2001 and 2000, respectively.

Principal cash payments due on the debt outstanding at June 30, 2001, are as follows:

2002	\$ 710,000
2003	760,000
2004	795,000
2005	825,000
2006	865,000
2007	<u>905,000</u>
	<u>\$ 4,860,000</u>

### 6. Operating Leases:

Hoxworth is obligated under a number of operating leases, principally for neighborhood donor centers, expiring at various dates through 2006. Total operating lease expense under noncancelable leases was approximately \$208,000 and \$222,000 in 2001 and 2000, respectively.

At June 30, 2001, estimated future lease payments under noncancelable leases approximate the following:

2002	\$ 207,000
2003	192,000
2004	167,000
2005	121,000
2006	<u>59,000</u>
Total	<u>\$ 746,000</u>

### 7. Related Party Transactions:

The relationship between Hoxworth and the University requires that common resources, such as facilities, computing services, and other administrative services, be shared at a cost to Hoxworth. In 2001 and 2000, costs for such resources, including indirect overhead charges from the University, were approximately \$990,000 and \$1,104,000, respectively.

# Hoxworth Blood Center

## Notes to Financial Statements

---

Additionally, cash receipts of Hoxworth are deposited into the University's pooled cash account. Disbursements are made from this account as required. Hoxworth's share of the University's pooled cash account was approximately \$7,843,000 and \$5,788,000 at June 30, 2001 and 2000, respectively, and is included in cash and cash equivalents in unrestricted funds in the accompanying balance sheets. Interest of approximately \$258,000 in 2001 and \$333,000 in 2000 was earned by Hoxworth on the pooled cash account.

### **8. Self-Insurance Funds:**

Hoxworth currently provides for medical professional and general liability insurance, along with the University, through a combination of actuarially funded self-insurance and purchased commercial insurance in excess of the self-insurance amount. Additionally, several Physician Practice Plans are covered under the medical professional insurance program. Medical professional liability self-insurance retention limits were \$1.5 million per occurrence for 2001 and 2000, and \$6.0 million and \$5.0 million in the aggregate for 2001 and 2000, respectively. Excess commercial professional liability coverage in the amount of \$15 million and \$10 million existed at June 30, 2001 and 2000, respectively. Excess commercial general liability coverage in the amount of \$100 million and \$50 million existed at June 30, 2001 and 2000, respectively.

Funding for Hoxworth, the University, and the Physician Practice Plans is determined by independent actuaries and is made directly to a Self-Insurance Trust Fund (the "Trust"), which is administered by an independent trustee.

The Trust is divided into two separate funds, one for professional liability and one for general liability. Separate amounts by participating entity are not maintained since the assets of each fund are available for claims of all participants. Accordingly, the assets of the Trust and related reserves are not included in the accompanying Hoxworth balance sheet. In the opinion of management, Trust assets are adequate to cover estimated liabilities resulting from known claims and incidents, and incurred but not reported incidents, at June 30, 2001.



# Hoxworth Blood Center

## Notes to Financial Statements

---

Trust assets and funds at June 30 approximate the following:

	<u>2001</u>		<u>2000</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Cash and short-term investments	\$ 1,332,000	\$ 1,332,000	\$ 1,720,000	\$ 1,720,000
U.S. Treasury bonds and notes	1,264,000	1,309,000	1,057,000	1,042,000
Federal agency bonds and notes	1,139,000	1,117,000	2,667,000	2,511,000
State agency bonds and notes	185,000	194,000	-	-
Corporate obligations	<u>7,721,000</u>	<u>7,564,000</u>	<u>6,775,000</u>	<u>6,225,000</u>
Total	<u>\$ 11,641,000</u>	<u>\$ 11,516,000</u>	<u>\$ 12,219,000</u>	<u>\$ 11,498,000</u>

### 9. Employee Retirement Plans and Other Post Employment Benefits:

#### Public Employee Retirement Plans

Retirement benefits are available for substantially all employees under one of several contributory retirement plans. Prior to July 1, 1977, when the University became a state institution, employees were covered by either the City of Cincinnati Retirement System (CRS) or the Teachers' Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF). Full-time certified teachers appointed on or after July 1, 1977, are covered by the State Teachers' Retirement System (STRS). Non-certified full-time employees appointed on or after that date are covered by the Public Employees Retirement System (PERS). Both STRS and PERS are statewide systems.

The PERS, STRS and CRS plans are cost-sharing, multiple-employer, defined-benefit, public-employee retirement systems. Each provides retirement, disability and death benefits to plan members and beneficiaries. These plans also provide health-care benefits to vested retirees. Benefits provided under the plans are established by State statute or the Cincinnati Municipal Code.

All three plans issue separate, publicly available financial reports that include financial statements and required supplementary information. These reports may be obtained by contacting each system as follows: Public Employee Retirement System of Ohio, 277 East Town Street, Columbus, Ohio 43215, Telephone (614) 466 - 2085; State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215, Telephone (614) 227 - 4090; and City of Cincinnati Retirement System, 801 Plum Street, Cincinnati, Ohio 45202, Telephone (513) 352 - 3227.

# Hoxworth Blood Center

## Notes to Financial Statements

---

The Ohio Revised Code and the Cincinnati Municipal Code provide PERS, STRS and CRS statutory authority, respectively, over employer and employee contributions. The required, actuarially determined contribution rates for the University and for employees are 10.65% (4.3% relating to health care benefits) and 8.5% of covered payroll, respectively, for PERS; 14% (8% relating to health care benefits) and 9.3%, respectively, for STRS; and 7% and 7%, respectively, for CRS. The University's contributions, representing 100% of employer contributions for the year ended June 30, 2001, and for each of the two preceding years, approximate the following:

<u>Fiscal Year</u>	<u>PERS</u>	<u>STRS</u>	<u>CRS</u>
1999	\$14,829,000	\$12,894,000	\$1,112,000
2000	13,890,000	13,450,000	635,000
2001	10,462,000	12,792,000	375,000

PERS and STRS provide postretirement and postemployment health care benefits in addition to the retirement benefits described above. PERS Other Post Employment Benefits (OPEB) is advance-funded on an actuarially determined basis. The assumptions and calculation below were based on the system's latest actuarial review performed as of December 31, 1999. An entry age normal actuarial cost method of valuation is used in determining the present value. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For valuation purposes, a smoothed market approach is used. Under this approach, assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets. The actuaries' assumptions were as follows: investment return 7.75%, annual wage increase (compounded annually) 4.75%, and health care costs 4.75%. At December 31, 1999 the actuarial value of the Retirement System's net assets available for OPEB was \$10,806,000. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$12,474,000 and \$1,668,000, respectively. There are 401,339 active contributing participants. Of the \$10,462,000 University employer contributions to PERS for 2001, \$4,225,000 were to fund OPEB.

STRS has discretionary authority, pursuant to the Revised Code, over how much, if any, of the health care costs will be absorbed by STRS. All benefit recipients are required to pay a portion of the health care cost in the form of a monthly premium. The balance in the Health Care Reserve Fund was \$3,419,000 at June 30, 2000 (the latest information available). For the year ended June 30, 2000, the net health care costs paid by STRS were \$283,137,000. There were 99,011 eligible benefit recipients.

# Hoxworth Blood Center

## Notes to Financial Statements

---

In addition to the pension benefits described above, the University provides postretirement healthcare and dental benefits (under its labor agreement with the American Association of University Professors) to all retirees who are participants of TIAA-CREF when they retire. During 2001, 2000 and 1999, the net cost of these benefits recorded on a pay-as-you-go basis totaled approximately \$1,960,000, \$1,855,000 and \$987,000, respectively.

### **Ohio Alternative Retirement Plan**

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 eight investment management companies that allows the participant to manage the investment of all retirement funds. New employees who qualify for the ARP have 90 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.

At June 30, 2001, there were 1,224 members of the plan. During fiscal year 2001, the employer contributions were \$7,422,000. The employee contribution rates were 13.31% for participants electing out of PERS and 14.0% for participants electing out of STRS. As required by law, a portion of the employer contributions goes to PERS and STRS, respectively, to fund past service liabilities. For the period from July 1, 1999, to April 30, 2000, the contribution rates for PERS and STRS were 6%. Effective May 1, 2000, there was no longer a requirement to contribute to PERS and the contribution rate for STRS was reduced to 5.76%.

**Report of Independent Accountants on Internal Control**

August 29, 2001

The Community Advisory Board of  
Hoxworth Blood Center and  
The Board of Trustees of the  
University of Cincinnati

We have audited the financial statements of Hoxworth Blood Center (“Hoxworth”) (a division of the University of Cincinnati) as of and for the year ended June 30, 2001, and have issued our report thereon dated August 29, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

In planning and performing our audit, we considered Hoxworth’s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Trustees, the Community Advisory Board, management, and the Auditor of the State of Ohio and is not intended to be and should not be used by anyone other than those specified parties.

*PricewaterhouseCoopers LLP*



STATE OF OHIO  
OFFICE OF THE AUDITOR  

---

JIM PETRO, AUDITOR OF STATE

88 East Broad Street  
P.O. Box 1140  
Columbus, Ohio 43216-1140  
Telephone 614-466-4514  
800-282-0370  
Facsimile 614-466-4490

**HOXWORTH BLOOD CENTER**

**HAMILTON COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 27, 2001**