Financial Statements and Report of Independent Certified Public Accountants

The University of Cincinnati Foundation

June 30, 2012 and 2011

Dave Yost • Auditor of State

Board of Trustees
The University of Cincinnati Foundation
PO Box 19970
Cincinnati, Ohio 45219-0970

We have reviewed the *Report Independent Certified Public Accountants* of The University of Cincinnati Foundation, Hamilton County, prepared by Grant Thornton LLP, for the audit period July 1, 2011 through June 30, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Dave Yost

Dave Yost
Auditor of State

December 7, 2012

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Contents

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Grant Thornton

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Report of Independent Certified Public Accountants

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The Board of Trustees
The University of Cincinnati Foundation

We have audited the accompanying statements of financial position of The University of Cincinnati Foundation (a nonprofit organization) (the "Foundation") as of June 30, 2012 and 2011, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The University of Cincinnati Foundation as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2012 on our consideration of the Foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation'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* and should be considered in assessing the results of our audits.

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Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Detail of Operating Expenses and Activities – Unrestricted Net Assets are presented for purposes of additional analysis and are not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Grant Thornton LLP

Cincinnati, Ohio
October 15, 2012

THE UNIVERSITY OF CINCINNATI FOUNDATION

STATEMENTS OF FINANCIAL POSITION

June 30, 2012 and 2011

	2012	2011
ASSETS		
Cash and cash equivalents	$ 3,093,405	$ 2,256,535
Due from University of Cincinnati	1,118,488	1,147,063
Accrued interest receivable	661,023	673,617
Stock proceeds receivable	231,180	4,092
Prepaid expenses	282,345	267,973
Pledges receivable, net of allowance	51,877,735	52,451,737
Trusts held by others	8,161,590	8,249,515
Cash surrender value of life insurance policies	1,298,017	1,189,553
Other	29,089	5,811
Investments:		
Mutual funds	18,103,189	18,115,088
Common stocks and exchange traded funds	10,547,556	10,431,096
U.S. Government and agency obligations	1,997,019	2,518,785
Corporate bonds	10,808,273	9,967,419
Other	2,053,721	2,625,235
University pooled investments	210,208,643	212,474,420
Total investments	253,718,401	256,132,043
Property and equipment:		
Leasehold improvements, net of accumulated amortization of $888,796 in 2012 and $798,283 in 2011	453,161	543,674
Equipment and automobile, net of accumulated depreciation of $1,891,815 in 2012 and $1,802,777 in 2011	234,645	349,674
	$ 321,159,079	$ 323,271,287
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 493,766	$ 325,417
Accrued liabilities	471,308	316,544
Accrued compensated absences	596,374	589,986
Agency payable	2,498,326	1,666,677
Refundable deposits	1,473,861	1,550,576
Accrued interest income due to investment pool	253,674	219,859
Present value of annuities payable	6,880,714	7,442,583
TOTAL LIABILITIES	12,668,023	12,111,642
NET ASSETS		
Unrestricted	(25,364,185)	(18,009,905)
Temporarily restricted	82,553,702	89,451,430
Permanently restricted	251,301,539	239,718,120
TOTAL NET ASSETS	308,491,056	311,159,645
	$ 321,159,079	$ 323,271,287

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

THE UNIVERSITY OF CINCINNATI FOUNDATION

STATEMENT OF ACTIVITIES

Year ended June 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and other additions:				
Contributions:				
University	$ 1,407,905	$ 26,133,057	$ 12,932,080	$ 40,473,042
Foundation	-	55,507	-	55,507
Donated services	257,264	-	-	257,264
University fee	922,325	-	-	922,325
Assessment fee	11,571,591	-	-	11,571,591
Change in value of split interest agreements	(22,040)	99,128	(165,013)	(87,925)
Other income	5,994	702,156	15,873	724,023
Investment income (loss):				
Dividend and interest income	426,604	9,420,433	46,731	9,893,768
Net unrealized and realized gains (losses)	(7,773,309)	95,194	1,331,782	(6,346,333)
Bad debt loss	-	(1,745,858)	(2,855,118)	(4,600,976)
Net assets released from restrictions - satisfaction of donor restrictions	41,150,439	(41,150,439)	-	-
Total revenues and other additions	47,946,773	(6,390,822)	11,306,335	52,862,286
Expenses and other deductions:				
Distributions to or for the University of Cincinnati	37,523,509	-	-	37,523,509
Operating expenses	13,978,502	-	-	13,978,502
Assessment fee	3,799,042	-	-	3,799,042
Total expenses	55,301,053	-	-	55,301,053
Change in present value of annuities payable	-	506,906	(277,084)	229,822
Total expenses and other deductions	55,301,053	506,906	(277,084)	55,530,875
Change in net assets	(7,354,280)	(6,897,728)	11,583,419	(2,668,589)
Net assets at beginning of year	(18,009,905)	89,451,430	239,718,120	311,159,645
Net assets at end of year	$ (25,364,185)	$ 82,553,702	$ 251,301,539	$ 308,491,056

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

THE UNIVERSITY OF CINCINNATI FOUNDATION

STATEMENT OF ACTIVITIES

Year ended June 30, 2011

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues and other additions:				
Contributions:				
University	$ 554,578	$ 22,707,530	$ 13,300,154	$ 36,562,262
Foundation	-	16,684	-	16,684
University fee	1,074,611	-	-	1,074,611
Assessment fee	12,255,892	-	-	12,255,892
Change in value of split interest agreements	53,189	583,321	943,752	1,580,262
Other income	875	611,066	232,935	844,876
Investment income:				
Dividend and interest income	520,570	8,927,169	46,417	9,494,156
Net unrealized and realized gains	8,941,975	16,290,519	1,871,670	27,104,164
Bad debt loss	-	(1,639,649)	(1,539,337)	(3,178,986)
Net assets released from restrictions - satisfaction of donor restrictions	40,945,228	(40,945,228)	-	-
Total revenues and other additions	64,346,918	6,551,412	14,855,591	85,753,921
Expenses and other deductions:				
Distributions to or for the University of Cincinnati	37,098,165	-	-	37,098,165
Operating expenses	13,880,267	-	-	13,880,267
Assessment fee	3,881,124	-	-	3,881,124
Total expenses	54,859,556	-	-	54,859,556
Change in present value of annuities payable	-	708,480	239,687	948,167
Total expenses and other deductions	54,859,556	708,480	239,687	55,807,723
Change in net assets	9,487,362	5,842,932	14,615,904	29,946,198
Net assets at beginning of year	(27,497,267)	83,608,498	225,102,216	281,213,447
Net assets at end of year	$ (18,009,905)	$ 89,451,430	$ 239,718,120	$ 311,159,645

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

THE UNIVERSITY OF CINCINNATI FOUNDATION

STATEMENTS OF CASH FLOWS

Years ended June 30, 2012 and 2011

	2012	2011
Operating activities:		
Payments to or for the University of Cincinnati	$ (39,441,269)	$ (37,038,988)
University fees, assessment fees and other	9,409,822	10,062,596
Cash paid for compensation	(9,715,285)	(9,637,351)
Cash received for gifts	26,273,169	23,447,950
Investment income available for distribution	9,169,845	8,762,511
Cash paid for operating expenses	(3,514,985)	(3,747,018)
Net cash used in operating activities	(7,818,703)	(8,150,300)
Investing activities:		
Proceeds from sale of investments	36,514,014	36,626,993
Purchase of investments	(40,521,951)	(54,390,029)
Purchase of property and equipment	(62,878)	(97,367)
Net cash used in investing activities	(4,070,815)	(17,860,403)
Financing activities:		
Proceeds from contributions to endowment and similar funds	11,989,871	21,355,281
Investment income restricted for reinvestment	736,517	834,858
Net cash provided by financing activities	12,726,388	22,190,139
Net increase (decrease) in cash and cash equivalents	836,870	(3,820,564)
Cash and cash equivalents, beginning of year	2,256,535	6,077,099
Cash and cash equivalents, end of year	$ 3,093,405	$ 2,256,535
Reconciliation of change in net assets to net cash used in operating activities:		
Change in net assets	$ (2,668,589)	$ 29,946,198
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Provision for losses on pledges receivable	4,629,434	3,222,414
Depreciation and amortization	255,744	251,357
Decrease (increase) in due from University of Cincinnati	28,575	(117,733)
Decrease in accrued interest receivable	12,594	103,212
(Increase) decrease in stock proceeds receivable	(227,088)	36,532
Increase in prepaid expenses	(14,372)	(131,766)
(Increase) decrease in pledges receivable	(3,967,520)	7,213,574
Increase in cash surrender value of life insurance policies	(108,464)	(254,253)
(Increase) decrease in other assets	(23,278)	17,840
Increase (decrease) in accounts payable	168,349	(5,530)
Increase in accrued liabilities	154,764	129,665
Increase in accrued compensated absences	6,388	61,168
Increase in agency payable	831,659	412,480
(Decrease) increase in refundable deposits	(76,715)	988,272
Increase (decrease) in accrued interest income due to investment pool	33,815	(197,616)
(Decrease) increase in present value of annuities payable	(561,869)	1,048,451
Contributions to endowment and similar funds	(11,989,871)	(21,355,281)
Change in value of split interest agreements	87,925	(1,580,262)
Investment income restricted for reinvestment	(736,517)	(834,858)
Net loss (gain) on investments	6,346,333	(27,104,164)
Net cash used in operating activities	$ (7,818,703)	$ (8,150,300)

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

NOTE A – DESCRIPTION OF ORGANIZATION

The University of Cincinnati Foundation (the Foundation) is a not-for-profit organization that operates exclusively for the benefit of the University of Cincinnati (the University). Its principal function is to solicit, receive, hold, invest and administer funds and to make distributions to or for the benefit of the University.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Presentation

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

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

Unrestricted – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time.

Permanently restricted – Net assets subject to donor-imposed stipulations that must be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on related investments for general or specific purposes.

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors or by the change of restrictions specified by the donors. In 2012, the Foundation released approximately $41,150,000 in restricted assets ($3,613,000 for operations, maintenance, plant, $17,018,000 for college programs, $3,391,000 for instruction, $4,837,000 for auxiliary, $6,299,000 for scholarship, $2,303,000 for academic support, and $3,689,000 for other). In 2011, the Foundation released approximately $40,945,000 in restricted assets ($4,245,000 for operations, maintenance, plant, $15,024,000 for college programs, $3,858,000 for instruction, $4,996,000 for auxiliary, $6,121,000 for scholarship, $2,238,000 for academic support, and $4,463,000 for other).

Contributions received by the Foundation for the benefit of the University are classified as University contributions on the Statements of Activities. Revenues from sources other than contributions are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Contributions are reported as increases in the appropriate category of net assets. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions recognized on net assets (i.e., the donor-imposed purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as released from restriction from temporarily restricted net assets to unrestricted net assets. The Foundation recognizes temporarily restricted contributions and investment income in which donor-imposed restrictions are met within the same period as temporarily restricted net assets and then

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. Basis of Presentation (continued)

reclassifies the revenue to unrestricted net assets through net assets released from restriction on the accompanying Statements of Activities. If a donor requests a change in purpose or time period for use of funds, the change is recorded as a reclassification of contributions pursuant to donor stipulation on the Statements of Activities. Temporary restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are acquired or placed in service.

Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law.

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

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

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

2. Cash Equivalents

Cash equivalents consist principally of overnight funds, money market securities and certificates of deposit. As of June 30, 2012, cash equivalents are held in a non-interest bearing account. There is no collateral required and the funds are fully insured. As of June 30, 2011, approximately $1,794,000 of cash and cash equivalents were in excess of federally insured limits. The overnight funds were collateralized by U.S. government backed securities. Cash equivalents are carried at amortized cost, and mature in 90 days or less.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Investment Securities

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

4. Property and Equipment

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

5. Agency Transactions

The Foundation has received funds whereby the Foundation is named as the trustee of the related assets. The gift arrangements direct the Foundation to distribute portions of the related assets to other charitable organizations when restrictions are met. A portion of the assets will benefit the Foundation. The amount of assets that are due to other third party organizations is recorded as a payable of approximately $2,498,000 and $1,667,000 at June 30, 2012 and 2011, respectively.

6. Contributed Services

Contributed services are recognized as revenue if they (a) create or enhance nonfinancial assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by the donor. For the year ended June 30, 2012, the Foundation received donated services with a fair value of $257,264. No donated services were received during the year ended June 30, 2011.

7. Income Taxes

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

The Foundation evaluates its uncertain tax positions as to whether it is more likely than not a tax position could be sustained in the event of an audit by the applicable taxing authority. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements, and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. Open tax years for the Foundation include 2011, 2010 and 2009. As of June 30, 2012 and 2011, the Foundation has no assets or liabilities recorded related to uncertain tax positions.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

8. Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of contributions, revenues, gains, and expenses during the reporting period. Actual results could differ from those estimates.

9. Risks and Uncertainties

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

10. Fair Value Measurements

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

11. Reclassifications

Certain amounts in the 2011 financial statements have been reclassified to conform with the 2012 presentation.

NOTE C – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30 are restricted for the following purposes:

	2012	2011
Capital projects	$ 8,701,801	$ 10,131,524
College programs	30,080,488	25,979,977
Instruction	6,204,108	8,546,466
Scholarships	17,129,695	18,778,176
Academic support	4,163,453	4,500,114
Auxiliary	3,408,323	4,331,847
Research	2,501,940	7,026,575
Annuity and life income funds	4,376,147	4,764,068
Other	5,987,747	5,392,683
Total temporarily restricted net assets	$ 82,553,702	$ 89,451,430

NOTE C – TEMPORARILY RESTRICTED NET ASSETS (continued)

Endowment funds included in temporarily restricted net assets are $50,888,885 and $55,514,218 as of June 30, 2012 and 2011, respectively.

NOTE D – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets as of June 30 are restricted for the following purposes:

	2012	2011
College programs	$ 122,529,160	$ 113,243,104
Instruction	24,733,667	24,055,087
Scholarships	48,288,093	46,739,577
Academic support	31,414,729	30,674,343
Auxiliary	6,855,735	7,683,415
Research	11,542,512	11,486,646
Annuity and life income funds	2,058,385	1,942,904
Other	3,879,258	3,893,044
Total permanently restricted net assets	$ 251,301,539	$ 239,718,120

Endowment funds included in permanently restricted net assets are $216,909,852 and $206,682,483 as of June 30, 2012 and 2011, respectively.

NOTE E – PLEDGES RECEIVABLE

Contributors to the Foundation have made unconditional pledges totaling approximately $68,293,000 and $68,041,000 as of June 30, 2012 and 2011, respectively. For payments that extend beyond one year, these pledges receivable have been discounted at rates ranging from 1.0% to 6.0% to a net present value of approximately $55,433,000 and $54,758,000 as of June 30, 2012 and 2011, respectively. As of June 30, the unpaid pledges are due as follows:

	2012	2011
Less than one year	$ 20,738,551	$ 19,839,663
One to five years	18,567,568	18,013,374
More than five years	16,126,616	16,904,700
	55,432,735	54,757,737
Less allowance for uncollectible pledges	(3,555,000)	(2,306,000)
	$ 51,877,735	$ 52,451,737

Amounts due from irrevocable bequests, which are unconditional promises to give, as of June 30, 2012 and 2011 of approximately $14,154,000 and $14,409,000, respectively, are included in the total amount of unconditional pledges due in more than five years.

NOTE E – PLEDGES RECEIVABLE (continued)

Twenty-two donors currently have outstanding conditional pledges to the Foundation. As of June 30, 2012, 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 $12,500,000 as of June 30, 2012. There were twenty donors with outstanding conditional pledges as of June 30, 2011. The net present value of the conditional pledges at June 30, 2011 was approximately $10,563,000.

NOTE F – INVESTMENTS

In July 2002, the Foundation combined its pooled investment securities with the investment pool of the University. This action was taken 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 quarter. Income is allocated to each fund in the pool based on units of participation. As of June 30, 2012 and 2011, the University is holding approximately $819,000 and $831,000, respectively, that is to be invested in the University investment pool. These amounts are recorded as cash equivalents in the Statements of Financial Position.

The Foundation also manages other investments, which amounted to approximately $42,691,000 and $42,826,000 as of June 30, 2012 and 2011, respectively. These funds represent separately invested endowments, temporary cash investments, and split-interest trusts where the Foundation is the remainderman.

The following presents investments held by the Foundation as of June 30, 2012 and 2011:

	2012 Fair Value	2012 Cost	2011 Fair Value	2011 Cost
Cash equivalents	$ 2,053,721	$ 2,054,477	$ 2,625,235	$ 2,625,235
U.S. Government and agency obligations	1,997,019	1,927,811	2,518,785	2,457,561
Corporate bonds	10,808,273	10,804,228	9,967,419	9,927,686
Mutual funds	18,103,189	17,118,322	18,115,088	16,784,056
Common stocks and exchange traded funds	10,547,556	9,285,761	10,431,096	8,911,311
University pooled investments	210,208,643	240,829,211	212,474,420	234,062,720
Total	$ 253,718,401	$ 282,019,810	$ 256,132,043	$ 274,768,569

NOTE F – INVESTMENTS (continued)

The number of units in the University investment pool owned by the Foundation totaled 2,671,165 and 2,534,507, which represents 30% and 29% share of the University investment pool, as of June 30, 2012 and 2011, respectively. The University pool 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 pool invests in loans to certain not-for-profit entities for the purpose of developing residential and commercial facilities near the University's main campus. These loans are secured by mortgages, some of which are subordinated to external financing arrangements, on parcels of land purchased by these not-for-profit entities for development. Certain investments in the University investment pool are stated at fair value, as provided by the investment managers. Audited financial statements of the underlying investments in the University investment pool as of June 30, 2012 and 2011, 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, 2012 and 2011. The Foundation believes that the carrying value of these investments is a reasonable estimate of fair value at June 30, 2012 and 2011. Certain underlying investments in the University investment pool 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 the University investment pool as of June 30, 2012 and 2011 are as follows:

	2012	2011
U.S. equity securities	24%	24%
International equity securities	18	19
Fixed income securities	14	27
Private equity capital	19	11
Hedge funds	14	6
Real estate and community development	11	13
Total	100%	100%

NOTE G – 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.

NOTE G – ENDOWMENT FUNDS (continued)

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 directors to function as endowments, are classified and reported based on the absence or existence of donor imposed restrictions.

The Board of Trustees has interpreted the State of Ohio's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent 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/depreciation earned on investments held in the permanently restricted endowment funds are credited to either unrestricted or temporarily restricted net assets, unless otherwise stipulated by the donor. 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 884 and 840 endowment funds, at June 30, 2012 and 2011, respectively. As of June 30, 2012 and 2011, the fair value of these funds collectively was $33,851,303 and $26,027,898 less than the original gift amounts, respectively.

The Foundation has adopted a spending rate policy that limits the distribution of endowment income. The spending rate is 5% 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 2012 and 2011, income earned in the investment pool was less than the amount allocated for expenditure by approximately $6,708,600 and $7,632,000, respectively. This shortfall was funded by cumulative capital gains in the investment pool for the years ended June 30, 2012 and 2011.

NOTE G – ENDOWMENT FUNDS (continued)

The endowment net asset composition by type of fund as of June 30, 2012, was as follows:

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	$ 2,738,196	$ 50,888,885	$ 216,909,852	$ 270,536,933
Board designated endowment funds	(32,350,917)	-	-	(32,350,917)
Total	$ (29,612,721)	$ 50,888,885	$ 216,909,852	$ 238,186,016

The change in endowment fund net assets for the year ended June 30, 2012, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ (21,910,826)	$ 55,514,218	$ 206,682,483	$ 240,285,875
Investment income (loss):				
Interest and dividend income	426,607	9,161,374	17,682	9,605,663
Net realized/unrealized loss	(7,794,682)	(5,272,749)	-	(13,067,431)
Total investment income (loss)	(7,368,075)	3,888,625	17,682	(3,461,768)
Contributions and other transfers	100,383	1,073,728	10,916,143	12,090,254
Appropriation of endowment assets for expenditure	(478,588)	(10,265,216)	(2,089,427)	(12,833,231)
Other changes:				
Other income	-	307,217	962,313	1,269,530
Income reinvestment	44,385	370,313	420,658	835,356
Endowment net assets, end of year	$ (29,612,721)	$ 50,888,885	$ 216,909,852	$ 238,186,016

NOTE G – ENDOWMENT FUNDS (continued)

The endowment net asset composition by type of fund as of June 30, 2011 was as follows:

	2011			
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Donor restricted endowment funds	$ 2,723,829	$ 55,514,218	$ 206,682,483	$ 264,920,530
Board designated endowment funds	(24,634,655)	-	-	(24,634,655)
Total	$ (21,910,826)	$ 55,514,218	$ 206,682,483	$ 240,285,875

The change in endowment fund net assets for the year ended June 30, 2011, is as follows:

	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Endowment net assets, beginning of year	$ (30,985,047)	$ 43,865,915	$ 186,132,303	$ 199,013,171
Investment return:				
Investment income	520,570	8,694,937	20,254	9,235,761
Net realized/unrealized gain	8,931,164	10,147,889	-	19,079,053
Total investment return	9,451,734	18,842,826	20,254	28,314,814
Contributions and other transfers	150,000	2,457,560	18,897,721	21,505,281
Appropriation of endowment assets for expenditure	(566,371)	(10,511,417)	(159,038)	(11,236,826)
Other changes:				
Other income	-	358,077	1,257,810	1,615,887
Income reinvestment	38,858	501,257	533,433	1,073,548
Endowment net assets, end of year	$ (21,910,826)	$ 55,514,218	$ 206,682,483	$ 240,285,875

Permanently restricted endowment assets appropriated for expenditure relate primarily to contributions received where a donor originally permanently restricted the donation and subsequently changed the nature of the restriction.

NOTE H – FAIR VALUE MEASUREMENTS

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

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

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

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

Financial instruments measured at fair value on a recurring basis using quoted prices for identical instruments in an active market (or level 1 inputs) include equity securities, mutual funds, certain U. S. Treasury and agency obligations, and certain corporate obligations. Financial instruments measured at fair value using inputs based on quoted market prices for similar instruments in active markets (or level 2 inputs) include certain U.S. Treasury and agency obligations and certain corporate obligations. U. S. Treasury and agency obligations are priced using auction data or yield curve analysis. Corporate obligations are priced using trading data if available, or when trading data is unavailable, pricing models, matrix pricing, or discounted cash flows using inputs such as weighted-average coupon rate, weighted-average maturity, and consideration of credit ratings. The Foundation also invests in the University investment pool which is stated at fair value using the net asset value of the underlying investments. For those investments in the pool where pricing information is not available as of the measurement date, the fair value is determined based on information as of an interim date, adjusted for distributions, redemptions, market changes, and other financial and operational information obtained by the Foundation's management. These fair value instruments are measured at fair value on a recurring basis using significant unobservable inputs (or level 3 inputs).

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

NOTE H – FAIR VALUE MEASUREMENTS (continued)

The following table summarizes the valuation of financial instruments measured at fair value on a recurring basis included in investments and trusts held by others on the Statement of Financial Position at June 30, 2012:

	Balance at June 30, 2012	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments:				
Equity securities:				
Consumer	$ 2,263,205	$ 2,263,205	$ -	$ -
Health Care	1,062,731	1,062,731	-	-
Financial	1,392,683	1,392,683	-	-
Technology	1,516,491	1,516,491	-	-
Materials	454,118	454,118	-	-
Energy	1,569,511	1,569,511	-	-
Industrial	971,917	971,917	-	-
Utilities	184,508	184,508	-	-
Telecommunication	358,767	358,767	-	-
Other	773,625	773,625	-	-
Total equity securities	10,547,556	10,547,556	-	-
Mutual funds:				
Fixed	7,823,787	7,823,787	-	-
Value	3,862,931	3,862,931	-	-
Growth	3,437,560	3,437,560	-	-
Index	759,707	759,707	-	-
Blended	1,754,651	1,754,651	-	-
Other	464,553	464,553	-	-
Total mutual funds	18,103,189	18,103,189	-	-
Corporate bonds	10,808,273	4,135,715	6,657,114	15,444
U.S. treasury and agency obligations	1,997,019	1,631,604	365,415	-
University pooled investments	210,208,643	-	-	210,208,643
Total investments at fair value	$ 251,664,680	$ 34,418,064	$ 7,022,529	$ 210,224,087
Trusts held by others	$ 8,161,590	$ -	$ -	$ 8,161,590

The Foundation's investments in cash equivalents are carried at amortized cost. These investments do not qualify as securities as defined in FASB ASC 320, *Investments – Debt and Equity Securities*, thus the fair value disclosures required by US GAAP are not provided.

NOTE H – FAIR VALUE MEASUREMENTS (continued)

The following table summarizes the valuation of financial instruments measured at fair value on a recurring basis, included in investments and trusts held by others on the Statement of Financial Position at June 30, 2011:

	Balance at June 30, 2011	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments:				
Equity securities:				
Consumer	$ 2,586,481	$ 2,586,481	$ -	$ -
Health Care	1,017,987	1,017,987	-	-
Financial	1,402,293	1,402,293	-	-
Technology	1,454,866	1,454,866	-	-
Materials	534,372	534,372	-	-
Energy	1,223,544	1,223,544	-	-
Industrial	953,932	953,932	-	-
Utilities	262,927	262,927	-	-
Telecommunication	458,782	458,782	-	-
Other	535,912	535,912	-	-
Total equity securities	10,431,096	10,431,096	-	-
Mutual funds:				
Fixed	7,537,119	7,537,119	-	-
Value	5,229,591	5,229,591	-	-
Growth	2,049,693	2,049,693	-	-
Index	790,400	790,400	-	-
Blended	2,259,388	2,259,388	-	-
Other	248,897	248,897	-	-
Total mutual funds	18,115,088	18,115,088	-	-
Corporate bonds	9,967,419	-	9,951,975	15,444
U.S. treasury and agency obligations	2,518,785	-	2,518,785	-
University pooled investments	212,474,420	-	-	212,474,420
Total investments at fair value	$ 253,506,808	$ 28,546,184	$ 12,470,760	$ 212,489,864
Trusts held by others	$ 8,249,515	$ -	$ -	$ 8,249,515

NOTE H – FAIR VALUE MEASUREMENTS (continued)

Realized and unrealized gains and (losses) related to these fair value instruments total $(6,346,333) and $27,104,164 as of June 30, 2012 and 2011, respectively, and are included in net unrealized and realized gains (losses) in the accompanying Statements of Activities, except for those fair value instruments where the Foundation is not the beneficiary.

A reconciliation of the balance of the Level 3 investments for the years ended June 30, 2012 and 2011 is as follows:

	2012	2011
Beginning balance	$ 212,489,864	$ 172,979,030
Purchases	11,429,536	25,969,010
Interest and dividend income	4,394,369	3,887,074
Reinvested income	815,101	1,048,155
Liquidations	(12,376,974)	(13,765,688)
Net realized and unrealized (losses) gains	(6,527,809)	22,372,283
Ending balance	$ 210,224,087	$ 212,489,864

A reconciliation of the balance of Level 3 trusts held by others for the years ended June 30, 2012 and 2011 is as follows:

	2012	2011
Beginning balance	$ 8,249,515	$ 6,722,470
Contributions	185,158	177,000
Liquidations	(301,153)	–
Net realized and unrealized gains	28,070	1,350,045
Ending balance	$ 8,161,590	$ 8,249,515

Gains and losses for these Level 3 fair value instruments are included in net unrealized and realized gains (losses) in the accompanying statements of activities. The total amount of gains (losses) above included in changes in net assets that is attributable to assets held at June 30, 2012 and 2011 is $(6,527,809) and $22,372,283, respectively.

Transfers from Level 2 to Level 1 in the amounts of $1,425,444 and $587,210 occurred during the year ended June 30, 2012, for corporate bonds and U. S. Treasury and agency obligations, respectively. These transfers occurred because certain securities were actively traded at or near June 30, 2012, that were not actively traded at or near June 30, 2011. The Foundation recognizes transfers between levels at the financial statement date. No such transfers occurred during the year ended June 30, 2011.

NOTE I – FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate fair value of each class of financial instruments for which it is practicable to estimate fair value:

The carrying amounts of cash and cash equivalents, receivables (other than pledges receivable), cash surrender value of life insurance policies, accounts payable and accrued liabilities approximate fair value because of the short maturity of these instruments.

The fair values of investments are generally estimated based on quoted market prices for those investments. Certain investments held in the University's investment pool do not have readily determinable market values. These investments are carried at estimated fair value provided by the investment managers. The majority of these investments are valued based upon independently audited financial information or other information provided as of an interim date, which is adjusted for cash receipts, cash disbursements, and other distributions made through June 30, 2012 and 2011, respectively. The Foundation believes that the carrying value of these investments in the University investment pool is a reasonable estimate of fair value at June 30, 2012 and 2011. See also Notes F and H.

The carrying amounts of pledges receivable and annuities payable, which are anticipated to be collected and distributed in cash, respectively, are recorded at the net present value of such amounts.

NOTE J – EQUIPMENT AND AUTOMOBILE

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

	2012	2011
Office equipment	$ 594,094	$ 587,961
Software	1,093,104	1,086,660
Automobile	22,320	22,320
Computer equipment	416,942	455,510
	2,126,460	2,152,451
Accumulated depreciation and amortization	(1,891,815)	(1,802,777)
	$ 234,645	$ 349,674

NOTE K – LEASES

Rental expense for operating leases was $239,470 for both 2012 and 2011. The Foundation leases certain office space directly from the University. The lease expires on September 30, 2024, and is renewable for two additional terms of 20 years each.

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

2013	$	239,470
2014		239,470
2015		239,470
2016		239,470
2017		239,470
Thereafter		1,736,160
Total minimum lease payments	$	2,933,510

NOTE L – LIFE INSURANCE POLICIES

The Foundation is the beneficiary of certain life insurance policies that are recorded at their cash surrender value in the Statements of Financial Position. The cash surrender value represents the amount the Foundation, as beneficiary, would realize if such policies were surrendered as of June 30, 2012 and 2011. The face value of these policies, which would be paid only upon death of the insured and maturity of the contracts, approximated $5,604,180 and $5,601,529 as of June 30, 2012 and 2011, respectively.

NOTE M – BENEFICIAL INTEREST IN TRUSTS – OTHER TRUSTEES

The Foundation has been notified of fourteen trusts held by other trustees where the remainder interest will irrevocably benefit the University. In addition, the Foundation has been notified of two charitable lead unitrusts held by other trustees where annual payments are received by the Foundation. 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 $8,162,000 and $8,250,000 as of June 30, 2012 and 2011, respectively. The Foundation received notification of one beneficial interest in trust amounting to approximately $185,000 during the year ended June 30, 2012. The Foundation received notification of one beneficial interest in trust amounting to approximately $177,000 during the year ended June 30, 2011.

NOTE N – UNIVERSITY FEE

In accordance with an agreement with the University, the Foundation receives interest income earned on unexpended gift fund balances held at the University. The Foundation also receives reimbursement from certain colleges of the University for salaries and fringe benefits paid to college development employees below the director level.

NOTE O – ASSESSMENT FEE

The Foundation is primarily funded by a fee assessed on certain endowment funds held by the University and the Foundation. Funds that are eligible for the fee assessment include quasi-endowment funds, funds that are broadly restricted by college or department, funds whereby the donor has given permission to assess the fee, and unrestricted funds that do not have an internal designation. The gross assessment rate was 2% in 2012 and 2011. Revenue to the Foundation from the fee was approximately $10,674,000 and $11,250,000 in 2012 and 2011, respectively, and is used to fund Foundation operations. Approximately $3,182,000 and $3,319,000 of this fee was recorded from funds held by the Foundation in 2012 and 2011, respectively.

Effective July 1, 2010, the Foundation implemented an endowment administrative fee to recover gift stewardship costs incurred by the Foundation for those endowments which are not charged the general endowment assessment fee. The endowment administrative rate was 4% in 2012 and 2011 of the spending policy distribution made to the endowment spending account. Revenue to the Foundation from the fee was approximately $348,000 and $520,000 in 2012 and 2011, respectively. Approximately $111,000 and $122,000 of this fee was recorded from funds held by the Foundation in 2012 and 2011, respectively.

Effective July 1, 2010, the Foundation implemented a fee to be assessed upon all spendable, cash gifts made to either the University or the Foundation. The gift administrative rate was 2% in 2012 and 2011 upon the receipt of cash to gift, plant and loan funds. Revenue to the Foundation from the fee was approximately $550,000 and $486,000 in 2012 and 2011, respectively. Approximately $506,000 and $440,000 of this fee was recorded from funds received by the Foundation in 2012 and 2011, respectively.

NOTE P – ANNUITY AND LIFE INCOME FUNDS

The Foundation actively markets annuities and life income agreements as part of the development program. These agreements include gift annuities and split-interest trusts where the income beneficiaries receive an income stream for their lifetimes, or a fixed number of years, and the Foundation is the remainderman. The assets and liabilities of these funds as of June 30 are:

	2012	2011
Annuities		
Investments, at fair value	$ 2,286,537	$ 2,095,751
Less present value of annuities payable	(1,390,426)	(1,423,895)
	$ 896,111	$ 671,856

	2012	2011
Trusts		
Investments, at fair value	$ 12,919,982	$ 13,403,158
Less present value of annuities payable	(5,490,288)	(6,018,688)
	$ 7,429,694	$ 7,384,470

NOTE P – ANNUITY AND LIFE INCOME FUNDS (continued)

For the year ended June 30, 2012, the Foundation received contributions of approximately $100,000 and $154,000 for annuities and trusts, respectively. For the year ended June 30, 2011, the Foundation received contributions of approximately $582,000 and $1,529,000 for annuities and trusts, respectively.

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

NOTE Q – RETIREMENT PLANS

The Foundation participates in a retirement plan (TIAA/CREF) covering employees who meet length of service requirements. Under this arrangement, the Foundation and plan participants make annual contributions to purchase individual annuities equivalent to retirement benefits earned. The Foundation's share of the cost of these benefits was approximately $497,000 and $441,000 for the years ended June 30, 2012 and 2011, respectively.

The Foundation also maintains a Section 457 plan for highly compensated employees. Accounts for other participating employees are currently funded solely by salary reduction contributions. The plan is structured to permit Foundation contributions on behalf of the participants, as defined. There were no amounts contributed by the Foundation for the years ended June 30, 2012 and 2011.

NOTE R – RELATED PARTY TRANSACTIONS

Certain board members of the Foundation made contributions of $4,461,124 and $1,174,483 during fiscal year 2012 and 2011, respectively. In addition, certain board members are employees of organizations which provide services to the Foundation. Total fees paid to these organizations were $199,186 and $177,549 for the years ended June 30, 2012 and 2011 respectively.

NOTE S – SUBSEQUENT EVENTS

The Foundation evaluated its June 30, 2012 financial statements for subsequent events through October 15, 2012, the date the financial statements were available to be issued. The Foundation is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

SUPPLEMENTAL SCHEDULES

THE UNIVERSITY OF CINCINNATI FOUNDATION

SCHEDULE OF DETAIL OF OPERATING EXPENSES

Years ended June 30, 2012 and 2011

	Foundation Operations	College / University Expenses	Total 2012	Total 2011
Salaries and wages	$ 7,143,190	$ 272,234	$ 7,415,424	$ 7,216,383
Fringe benefits	2,611,506	106,767	2,718,273	2,611,801
Professional services	1,024,594	18,112	1,042,706	1,054,320
Telephone and postage	246,989	-	246,989	277,588
Promotional materials and events	221,799	-	221,799	443,765
Depreciation and amortization	255,744	-	255,744	251,356
Building lease	239,470	-	239,470	239,470
Public relations	317,492	-	317,492	320,910
Travel	190,550	-	190,550	215,297
General support - Alumni Association	429,180	-	429,180	274,535
Development and recruiting	229,752	-	229,752	155,274
Computer and word processing	111,909	-	111,909	158,707
Business meetings	87,142	-	87,142	114,637
Cleaning	106,418	-	106,418	106,867
Miscellaneous	25,796	28,458	54,254	105,121
Utilities, repairs and maintenance	53,973	-	53,973	55,705
Direct marketing	66,404	-	66,404	59,813
Copying charges	24,239	-	24,239	33,011
Parking	39,878	-	39,878	31,414
Resource materials	24,984	-	24,984	35,479
Membership dues	20,542	-	20,542	31,127
Insurance	32,361	-	32,361	33,496
Supplies	18,709	-	18,709	28,597
Gift annuity reserve	30,310	-	30,310	25,594
	$ 13,552,931	$ 425,571	$ 13,978,502	$ 13,880,267

THE UNIVERSITY OF CINCINNATI FOUNDATION

SCHEDULE OF ACTIVITIES - UNRESTRICTED NET ASSETS

Year ended June 30, 2012

	Gifts and Transfers	Foundation Operations	Total
Revenues and other additions:			
Contributions	$ 1,407,905	$ -	$ 1,407,905
Donated services	-	257,264	257,264
University fee	-	922,325	922,325
Assessment fee	-	11,571,591	11,571,591
Change in value of split interest agreements	(22,040)	-	(22,040)
Other income	980	5,014	5,994
Investment income (loss):			
Dividend and interest income	351,746	74,858	426,604
Net unrealized and realized gains (losses)	(7,815,470)	42,161	(7,773,309)
Bad debt loss	-	-	-
Net assets released from restrictions - satisfaction of donor restrictions	41,150,439	-	41,150,439
Total revenues and other additions	35,073,560	12,873,213	47,946,773
Expenses and other deductions:			
Distributions to or for the University of Cincinnati	37,523,509	-	37,523,509
Operating expenses	425,571	13,552,931	13,978,502
Assessment fee	3,799,042	-	3,799,042
Total expenses and other deductions	41,748,122	13,552,931	55,301,053
Change in net assets	(6,674,562)	(679,718)	(7,354,280)
Net assets, beginning of year	(19,559,551)	1,549,646	(18,009,905)
Net assets, end of year	$ (26,234,113)	$ 869,928	$ (25,364,185)

Report of Independent Certified Public Accountants on Internal Control Over Financial Reporting and on Compliance and Other Matters

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The Board of Trustees
The University of Cincinnati Foundation

We have audited the financial statements of The University of Cincinnati Foundation (the "Foundation") as of and for the year ended June 30, 2012, and have issued our report thereon dated October 15, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Foundation's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Foundation's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control would not necessarily identify all deficiencies in internal control over financial reporting that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in the Foundation's internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the audit committee, others within the Foundation, and the Auditor of State of Ohio, and is not intended to be and should not be used by anyone other than these specified parties.

Grant Thornton LLP

Cincinnati, OH
October 15, 2012

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Dave Yost • Auditor of State

THE UNIVERSITY OF CINCINNATI FOUNDATION

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
DECEMBER 20, 2012

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