

University of Cincinnati

Financial Statements as of and for the
Years Ended June 30, 2010 and 2009 and
Independent Auditors' Report



Dave Yost • Auditor of State

January 18, 2011

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 10, 2011. Thus, I am certifying this audit report for release under the signature of my predecessor.

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

DAVE YOST
Auditor of State

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Mary Taylor, CPA
Auditor of State

Board of Trustees
University of Cincinnati
University Hall, Suite 540
51 Goodman Drive
P.O. Box 210637
Cincinnati, Ohio 45221-0637

We have reviewed the *Independent Auditors' Report* of the University of Cincinnati, Hamilton County, prepared by Deloitte & Touche LLP, for the audit period July 1, 2009 through June 30, 2010. 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 is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

January 4, 2011

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees of
The University of Cincinnati

We have audited the accompanying statements of net assets of the University of Cincinnati (the "University"), a component unit of the State of Ohio, as of June 30, 2010 and 2009 and the related statements of revenues, expenses and changes in net assets and of cash flows for the years then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the University of Cincinnati Foundation or the University of Cincinnati Physicians, Inc., discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the University of Cincinnati Foundation and the University of Cincinnati Physicians, Inc. is based solely on the reports of such other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 University'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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, such financial statements present fairly, in all material respects, the financial position of the University as of June 30, 2010 and 2009, and the results of its operations and its cash flows (where applicable) for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the financial statements include investments valued at \$266 million (16% of net assets) and \$278 million (17% of net assets) as of June 30, 2010 and 2009, respectively, whose fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers or the general partners.

Management's Discussion and Analysis on pages 2-12 is not a required part of the basic financial statements but are supplementary information required by Governmental Accounting Standards Board. The supplementary information is the responsibility of the University's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Deloitte & Touche LLP

October 13, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

The following discussion and analysis provides an overview of the financial position and activities of the University of Cincinnati (the "University") for the year ended June 30, 2010, with comparative information for the years ended June 30, 2009 and 2008. Comments relate only to the University and do not pertain to either the University of Cincinnati Foundation or UC Physicians, Inc. (UCP), component units of the University. UCP is a legally separate nonprofit corporation through which the faculty of the University of Cincinnati's College of Medicine engage in clinical practice. During 2010, UCP amended and restated its Code of Regulations including changes in governance structure. Per GASB standards, these changes resulted in the University accounting for UCP as a component unit effective July 1, 2009 (see Note 16 for further information). Component unit financial results are included in the accompanying financial statements in a discrete columnar format and included in the notes to the financial statements. This overview has been prepared by management and should be read in conjunction with the financial statements and the notes that follow this section.

The University was founded in 1819 and was city owned until becoming a state university in 1977. The University is composed of 13 colleges, including Clermont and Raymond Walters branch campuses plus the Graduate School. The University has been designated by the Ohio Board of Regents as one of only two comprehensive graduate public universities in the state. Enrollment for autumn quarter 2009 totaled 39,667 students, an increase of 2,595 students from 37,072 students in autumn quarter 2008. The University employs approximately 2,600 full-time faculty and 3,200 part-time faculty. In total, there are more than 16,000 people employed by the University, making it one of the largest employers in the Cincinnati region with an economic impact of more than \$3 billion.

The University and its Board of Trustees are declared by statute to be a public body performing essential governmental functions serving public purposes and an instrumentality of the State of Ohio. The Board of Trustees is comprised of nine members appointed by the Governor of Ohio for overlapping terms of nine years. The Board also includes two non-voting student trustees.

FINANCIAL HIGHLIGHTS

Fiscal responsibility is a core value of the University that is exemplified by the focus to increase revenue, control expenses, and abide by financial policies that identify appropriate funding levels for operating cash, repayment of existing overdrafted funds, and the utilization of funds requirements.

In addition to the positive impact the financial policies have had on the University's financial performance, there have been notable other factors that have contributed to a successful year despite the difficult economic conditions. Successes include increases in student tuition and fee income as a result of increased enrollment and limited increases in tuition (excluding in-state undergraduate tuition) and fees, increased revenues related to auxiliary enterprises, effective cost containment initiatives, and implementation of performance-based budgeting. Notable improvements are evidenced below:

- 1) Cash, cash equivalents, and investments (current and noncurrent), excluding endowment investments and other long-term investments, increased by \$52 million for 2010 and \$57 million for 2009 reflecting a positive trend in liquidity improvement.
- 2) Despite globally challenging economic conditions, the University maintained its bond rating of A+ from Standard & Poor's. Although Moody's rating scale changed during the year, the University maintained the same relative rating.
- 3) As a result of improved operations and a continued focus on fiscal responsibility, unrestricted net assets increased by \$54 million in 2010 and \$64 million in 2009.
- 4) Operating revenues continue to increase. In 2010, 2009, and 2008, operating revenues totaled \$665 million, \$616 million, and \$599 million, respectively; reflecting an increase of \$49 million in 2010 and an increase of \$17 million in 2009.
- 5) Prudent fiscal management at all levels within the University has allowed the University to control operating expenses. During 2010 and 2009, operating expenses increased minimally by \$25 million (2.6%) and \$11 million (1.2%), respectively, as a result of enrollment growth.

USING THE FINANCIAL STATEMENTS

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

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

These financial statements are prepared in accordance with accounting and financial reporting standards issued by the Governmental Accounting Standards Board. These standards apply to external financial reporting by state and local governments, including public universities. The standards require that financial statements focus on the University as a whole, with resources classified for accounting and reporting purposes into four net asset categories.

This discussion and analysis does not include specific narrative on the Statement of Cash Flows. Major sources and uses of cash by the institution for the fiscal year are addressed elsewhere in the Management's Discussion and Analysis including investments, capital assets, debt, revenues, and expenses.

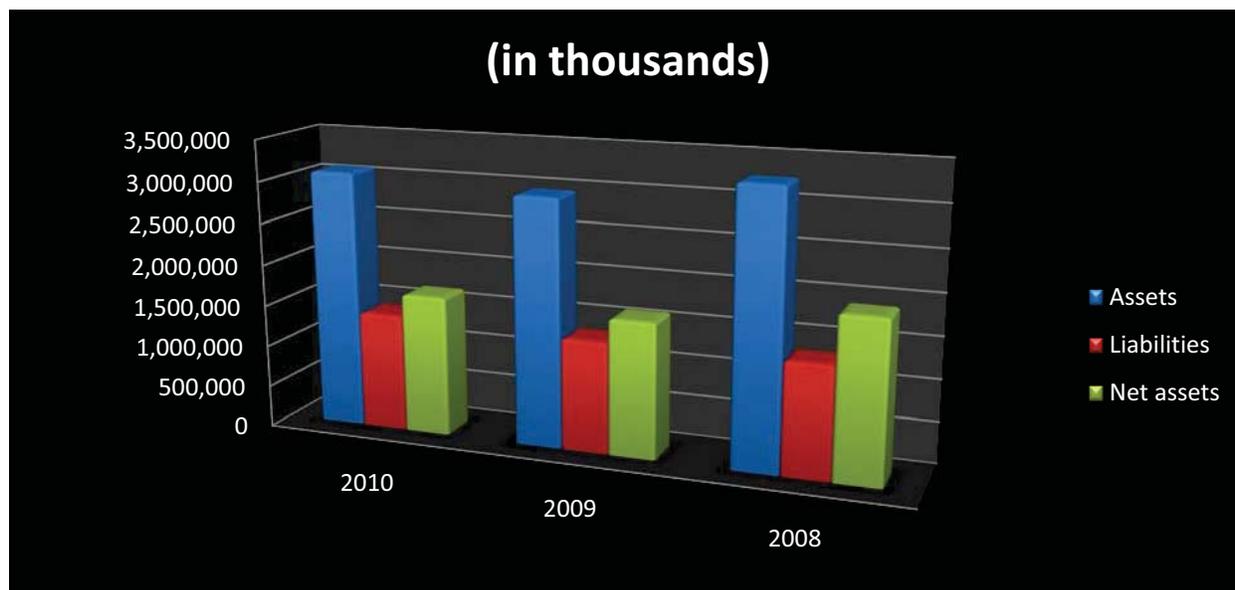
STATEMENT OF NET ASSETS

The **Statement of Net Assets** reflect the total assets, liabilities, and net assets (equity) of the University as of June 30, 2010, with comparative information as of June 30, 2009. Liabilities due within one year and assets available to pay those liabilities are classified as current. Other assets and liabilities are classified as noncurrent. Investment assets are carried at fair value. Capital assets are separated into two lines on the statement: those assets that are depreciated and those that are not depreciated. Items that are depreciated include buildings, equipment, infrastructure, land improvements, and library books. Items that are not depreciated include land, construction in progress, and art & rare book collections. There is no requirement to fund the accumulated depreciation. Instead, capital assets are largely funded by state capital appropriations, issuance of debt, and by major gifts. A summary of the University's assets, liabilities, and net assets at June 30, 2010, 2009, and 2008 follows.

SUMMARY STATEMENT OF NET ASSETS

	(in thousands)	2010	2009	2008
Current assets		\$ 255,744	\$ 259,900	\$ 207,565
Noncurrent assets				
Endowment investments		867,123	815,226	1,095,327
Investments and other assets & long-term investments		445,551	413,164	444,045
Capital assets, net of depreciation		1,383,620	1,424,792	1,469,215
Other		143,710	51,284	53,856
Total assets		3,095,748	2,964,366	3,270,008
Current liabilities		324,664	308,254	259,593
Noncurrent liabilities		1,084,063	1,031,741	1,084,900
Deferred outflow of resources		2,771	0	0
Total liabilities and deferred outflow of resources		1,411,498	1,339,995	1,344,493
Net assets		\$ 1,684,250	\$ 1,624,371	\$ 1,925,515

The following graph illustrates the University's total assets, liabilities, and net assets:



CURRENT ASSETS

Current assets consist primarily of cash and cash equivalents, short-term investments and receivables. Current assets decreased by \$4 million in 2010 and increased by \$52 million in 2009. Increases in current assets for both 2010 and 2009 were a result of revenue over expenses from those years.

NONCURRENT ASSETS

Investments

Investments at June 30, 2010, totaled \$109 million, an increase of \$48 million from June 30, 2009. The increase in investments is a result of improved operating performance. Funds are invested in the University's temporary investment pool and are available to fund operations and construction projects. Investments during 2009 increased from \$54 million to \$61 million, an increase of \$7 million which was also a result of improved operations.

Bond proceeds receivable

The University traded/sold new bonds totaling \$96 million on June 25, 2010 and, accordingly, are reported as bond proceeds receivable and long-term debt at June 30, 2010. Bond issues were settled in July 2010 and are being used to fund construction projects with a majority of the funding to be used for the Medical Sciences Building project, Phases 2-3.

Endowment Investments

According to the National Association of College and University Business Officers - Commonfund Study of Endowments published in January 2010, the value of the University's endowment at June 30, 2009 ranked number seventy-two out of eight hundred and sixty-four participating institutions (top 9%) in the United States and Canada. This is the largest and longest running annual study of higher education endowments.

In 2010, endowment investments increased \$51 million (6.1%) from \$833 million to \$884 million. This is a partial recovery from the significant decline in value that occurred in 2009 and reflects the rebound in global equity markets that commenced over a year ago. During 2009, the endowment decreased \$267 million (23.9%) from \$1.095 billion due mainly to the economic crisis and its negative impact on financial markets

Endowment investments of \$884 million at June 30, 2010 include:

- \$867 million in endowment investments (as reflected on the Statement of Net Assets), and
- \$17 million in cash, accounts/notes receivable, and accrued interest related to Neighborhood Development Corporations loans.

Fund A is the principal investment pool and comprises 73% of the endowment. Excluding the Neighborhood Development Corporations loans, it consists of approximately 47% public equities, 33% public fixed income, and 20% other investments, including private equity, real estate, and hedge funds.

The University manages the endowment to support current operations in a way that generates a predictable stream of support while maintaining the purchasing power of endowment funds adjusted for inflation. The spending policy provides for annual distributions of 5% of the three-year quarterly moving-average market value of assets in the investment pool. During 2007, 2008, and 2009, the annual distribution was temporarily increased to 6%. The annual distribution was restored to 5% in 2010.

Other Assets and Long-term Investments

Other assets and long-term investments primarily represent the University's equity interest in The Health Alliance of Greater Cincinnati, valued at \$336 million and \$352 million at June 30, 2010 and 2009, respectively. The University and the Health Alliance entered into an operating and affiliation agreement in 2006, under which the Alliance provides support to the University's Academic Health Center. Such support totaled \$9 million for both 2010 and 2009 providing a return on asset of 2.7% and 2.6%, respectively. For further discussion of the Health Alliance, please refer to Note 11, Investment in the Health Alliance.

Capital Assets, Net of Depreciation

Since the approval of the University Campus Master Plan (the "Master Plan") in 1991, more than \$1.7 billion in capital projects have been completed. Signature, national, and local architects were selected for the design of major capital projects and the work has been the subject of much press coverage and many awards. In-house University staff typically develop the programs for major projects and design the projects costing less than \$1 million. Numerous new academic and auxiliary facilities have been built in addition to renovation and rehabilitation of many existing facilities. The University's Master Plan transformed the Uptown Campus into a cohesive community that enhances the student experience by providing improved teaching, research, and quality of student life facilities. The dramatically improved campus has attracted new students and supported enrollment growth. Capital dollars are aligned with University and State of Ohio priorities to advance academic priorities; Science, Technology Engineering, Mathematics, and Medicine (STEMM) initiatives; renovations of existing academic space; highest and best use of existing space; and sustainability of energy and operations.

Development and renewal of capital assets are critical factors in continuing the quality of the University's instruction, research, and service missions. Capital asset additions are funded through state capital appropriations, gifts, debt, federal grants and university funds. Capital additions totaled \$57 million in 2010, \$54 million in 2009, and \$90 million in 2008 and depreciation expense amounted to \$97 million, \$93 million, and \$88 million in 2010, 2009 and 2008, respectively. Capital additions primarily comprise capital projects that were either completed during the fiscal year or are in either the construction or design phase at June 30 of each fiscal year.

Significant major capital projects in design or construction at June 30, 2010

- Medical Sciences Building Rehabilitation, Phases 2-4 – \$204 million
- Morgens Residence Hall Renovation – \$27 million
- DAAP Façade Improvement - \$20 million
- Rieveschl 500 Level Teaching Lab Renovation Phase 3 & 4 – \$15 million
- Jefferson Avenue Sports Complex - \$15 million

LIABILITIES

Debt

Total debt representing bonds, notes, and certificates of participation was \$1.154 billion at June 30, 2010, an increase of \$63 million from \$1.091 billion at June 30, 2009.

During 2010, the University refunded debt on two occasions to decrease the University's exposure to variable rate debt, to roll-over non-permanent debt and to current refund fixed rate maturities that were callable to reduce future debt service. As a result of the refunding, exposure to variable rate debt was decreased from \$136 million to \$30 million, a decrease of \$106 million. Total net economic gains to be realized from the refunding are \$3.5 million over 21 years.

The University entered into an interest rate swap which became effective May 1, 2009, and is associated with Series 2010A Bond Anticipation Notes (BANS). The intent of this derivative instrument is to protect the University against the potential of rising interest rates. Market conditions in the spring of 2009 and 2010 prevented the University from issuing a variable rate bond series to coincide with this interest rate swap. The University will again reevaluate the municipal market and the fair value of the interest rate swap in the spring of 2011, and will take appropriate actions relating to the Series 2010A BANS and the outstanding swap. Due to a new reporting requirement beginning in 2010, the fair value of the swap at June 30, 2010 of \$2.8 million is reflected as a deferred outflow of resources in the noncurrent liability section of the Statement of Net Assets.

Ratings of University bonds by Standard & Poor's (S&P) were maintained at A+ in 2009 and in 2010; ratings on the University's certificates of participation (COPS) were maintained at A in 2009 and 2010, and the note rating of SP-1+ was also maintained through 2009 and 2010. S&P's outlook for the University remained at stable during 2009 and 2010. Moody's revised the rating for bonds from A2 to A1 in 2010. This was not a rating upgrade; rather this rating change was a result of actions taken by Moody's to recalibrate its long term U.S. municipal ratings to its global rating scale to enhance the comparability of ratings across all Moody's-rated sectors. The rating for COPS was maintained at A3 in 2009 and in 2010 and the MIG1 rating for notes was maintained through 2009 and 2010. Moody's stable outlook for the University was maintained during 2009 and 2010. Series 2010D/E BANS issued subsequent to June 30, 2010, maintained the same ratings and outlooks as those received during 2010.

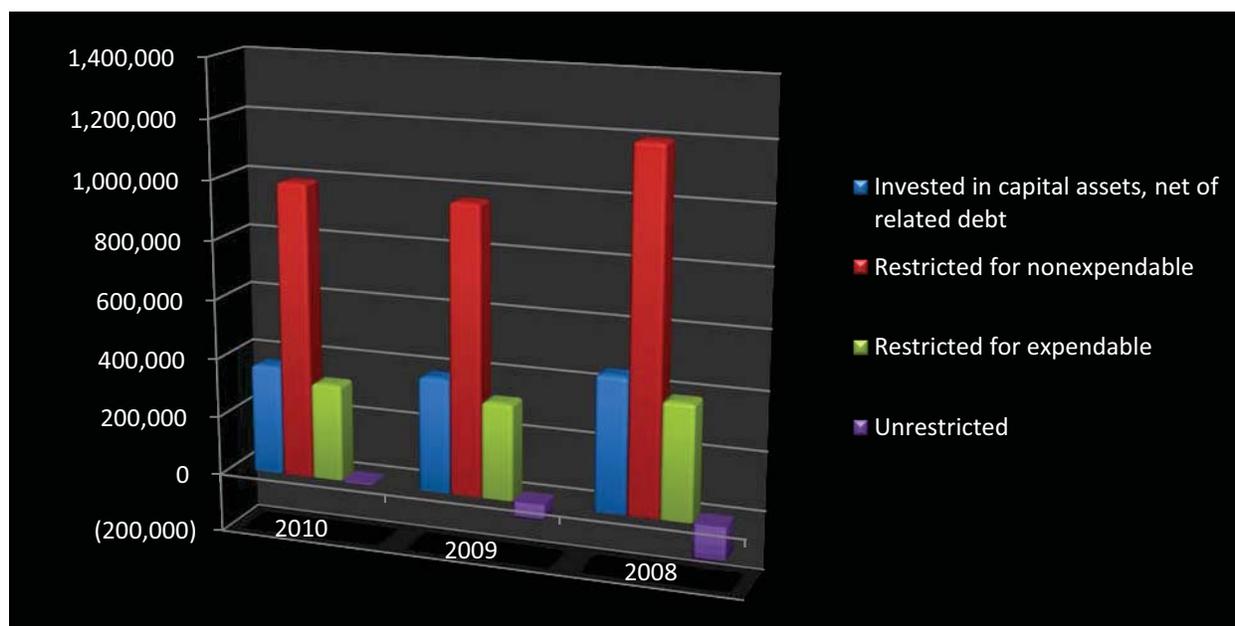
The University continues to invest in its expansion of research and educational facilities beyond the level provided by state capital appropriations through the issuance of additional debt. The extensive investment in these facilities was necessary to attract high quality students, faculty, and research grants in an increasingly competitive environment. The University's debt financing activity in the future will focus on Academic Health Center projects, renovations of existing facilities and building systems, and the overall management of the debt portfolio.

NET ASSETS

The four net asset categories represent the residual interest in the University's assets after liabilities are deducted. The University's net assets at June 30, 2010, 2009, and 2008 are summarized below.

(in thousands)	2010	2009	2008
Invested in capital assets, net of related debt	\$ 369,666	\$ 387,422	\$ 455,967
Restricted			
Nonexpendable	994,069	971,430	1,202,523
Expendable	327,069	326,346	391,590
Unrestricted	(6,554)	(60,827)	(124,565)
Total net assets	\$ 1,684,250	\$ 1,624,371	\$ 1,925,515

Components of the University's Net Assets



Capital assets, net of depreciation and related debt, represent both the University's non-depreciable and depreciable assets. Non-depreciable assets include land, construction in progress, and art & rare book collections. Depreciable assets include buildings, equipment, land improvements, and infrastructure. The amount included as invested in capital assets is also net of outstanding principal balances of debt attributable to the acquisition, construction, and improvement of those assets. During fiscal years 2010 and 2009, investments in capital assets decreased by \$18 million and \$69 million, respectively. The decrease is a result of depreciation expense of \$97 million in 2010 and \$93 million in 2009 partially offset by additions of \$57 million in 2010 and \$54 million in 2009.

Restricted nonexpendable net assets include, as a primary component, the University's permanently invested endowment funds. It also includes the University's investment in The Health Alliance of Greater Cincinnati. The \$23 million increase in restricted nonexpendable net assets in 2010 and the \$231 million decrease in 2009 reflect the changes in the fair value of investments, net of gifts.

Restricted expendable net assets are subject to externally imposed provisions governing their use. This category of net assets mainly includes restricted quasi-endowments of \$221 million in 2010 and \$207 million in 2009 that were temporarily invested in the endowment.

Unrestricted net assets have improved significantly over the past several years. During 2010, the deficit decreased from negative \$61 million to negative \$7 million, a decrease of \$54 million. During 2009, the deficit decreased from negative \$125 million to negative \$61 million, a decrease of \$64 million. The University has been strategically addressing the deficit position through specific measures focusing on reorganizing around principles of greater accountability, disciplined financial activities, and integrated budget planning. Additionally, the University's endowment spending policy distribution was temporarily increased from 5% to 6% for 2007, 2008, and 2009 to address the deficit in unrestricted net assets. The endowment spending policy distribution reverted back to 5% in 2010.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The **Statement of Revenues, Expenses and Changes in Net Assets** presents the University's results of activities for the year. Presented below is a summarized statement of the University's revenues, expenses, and changes in net assets for the years ended June 30, 2010, 2009, and 2008.

SUMMARY STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

(in thousands)	2010	2009	2008
Operating revenues	\$664,783	\$615,657	\$598,542
Operating expenses	968,688	944,168	933,041
Operating loss	(303,905)	(328,511)	(334,499)
Nonoperating revenues (expenses)			
State appropriations	211,291	211,836	193,814
Federal and state grants (nonexchange)	41,089	30,064	27,633
Gifts	42,172	46,809	56,310
Investment income (loss) and increase (decrease) in fair value of investments	85,052	(241,350)	(23,877)
Other net nonoperating expenses	(47,729)	(49,589)	(42,864)
Net nonoperating revenues (expenses)	331,875	(2,230)	211,016
Income (loss) before other revenues, expenses, gains, or losses	27,970	(330,741)	(123,483)
Capital appropriations, gifts, and grants	21,343	9,264	40,590
Additions to permanent endowments	10,566	20,333	37,668
Total other revenues	31,909	29,597	78,258
Increase (decrease) in net assets	59,879	(301,144)	(45,225)
Net assets, beginning of year	1,624,371	1,925,515	1,970,740
Net assets, end of year	\$1,684,250	\$1,624,371	\$1,925,515

Under GASB standards, revenues and expenses are categorized as either operating or nonoperating. Significant recurring sources of the University's revenues, including state appropriations, federal and state grants (nonexchange), investment income, and gifts are considered nonoperating as defined by GASB. Consequently, the operating loss of \$304 million does not account for these important revenue sources. Adding these three revenue sources, which total \$295 million for the fiscal year, almost entirely offsets the operating loss. This provides a more accurate view of the University's operating results.

REVENUES

One of the University's greatest strengths is the diverse stream of revenues that supplements its student tuition and fees including voluntary private support from individuals, foundations, and corporations along with government and other sponsored programs; state appropriations; and investment income. The University has aggressively sought, and will continue to seek, funding from all possible sources consistent with its mission to supplement student tuition and will prudently manage the financial resources realized from these efforts to fund its operating activities.

SUMMARY OF REVENUES

	(in thousands)	2010	2009	2008
Operating revenues				
Student tuition and fees, net		\$304,482	\$279,822	\$272,910
Federal, state, & local grants and contracts		174,767	154,782	154,853
Nongovernmental grants and contracts		20,456	19,792	17,485
Sales & services of educational departments		64,878	64,326	66,041
Auxiliary enterprises, net		91,460	90,776	82,415
Other		8,740	6,159	4,838
Total operating revenues		664,783	615,657	598,542
Nonoperating revenues				
State appropriations		211,291	211,836	193,814
Federal and state grants (nonexchange)		41,089	30,064	27,633
Gifts (exclusive of endowment additions)		42,172	46,809	56,310
Investment income (loss)		80,341	88,280	72,739
Increase (decrease) in fair value of investments		4,711	(329,630)	(96,616)
Other revenues				
Capital appropriations, grants, and gifts		21,343	9,264	40,590
Additions to permanent endowments		10,566	20,333	37,668
Total nonoperating and other revenues		411,513	76,956	332,138
Total revenues		\$1,076,296	\$692,613	\$930,680

Operating Revenues

Student tuition and fees are the primary source of revenue for the University. Tuition and fees increased by \$25 million for fiscal year 2010 and \$7 million for fiscal year 2009. The tuition cap that had previously been mandated by the State for undergraduate in-state tuition was lifted during fiscal year 2010. While the University did not raise undergraduate tuition during fiscal year 2010, a tuition increase of 3.5% was deferred until fiscal year 2011. In 2010, graduate and professional tuition and fees were increased 3% with the exception of medical students whose tuition and fees were increased 5%.

The University is ranked 18th among public universities for federal research expenditures by the National Science Foundation and is classified as a “very high” research activity university by the Carnegie Commission. The University’s commitment to research is also evidenced by its improvement in increased revenue from federal, state, and local grants and contracts. Revenue from this source increased for fiscal year 2010 by \$20 million and remained level during fiscal year 2009.

Total operating revenues for the institution increased by \$49 million in 2010 compared to \$17 million in 2009. Increases for 2010 were a result of increased enrollment and student retention, plus the receipt of record levels of sponsored research awards. Increases for 2009 were a result of increased enrollment and student retention along with increased auxiliary revenue related to athletics.

Nonoperating Revenues

State operating appropriations were \$211 million and \$212 million for 2010 and 2009, respectively, reflecting a \$1 million decrease. State operating appropriations increased by \$18 million in 2009. Of the \$211 million of State appropriations for 2010, \$28 million originated from State Fiscal Stabilization Funds (SFSF) provided through Federal stimulus funds. While State appropriations contribute a significantly lower percentage of the overall funding of University operations particularly compared to tuition, the resources remain a vital source of funding for academic programs and administrative costs.

Revenues from federal and state grants (nonexchange) provide for the recovery of direct and indirect costs. Such revenues increased by \$11 million in 2010 and \$2 million in 2009. In a time of heightened competitiveness, especially for federal research funding, the University is maintaining its research base.

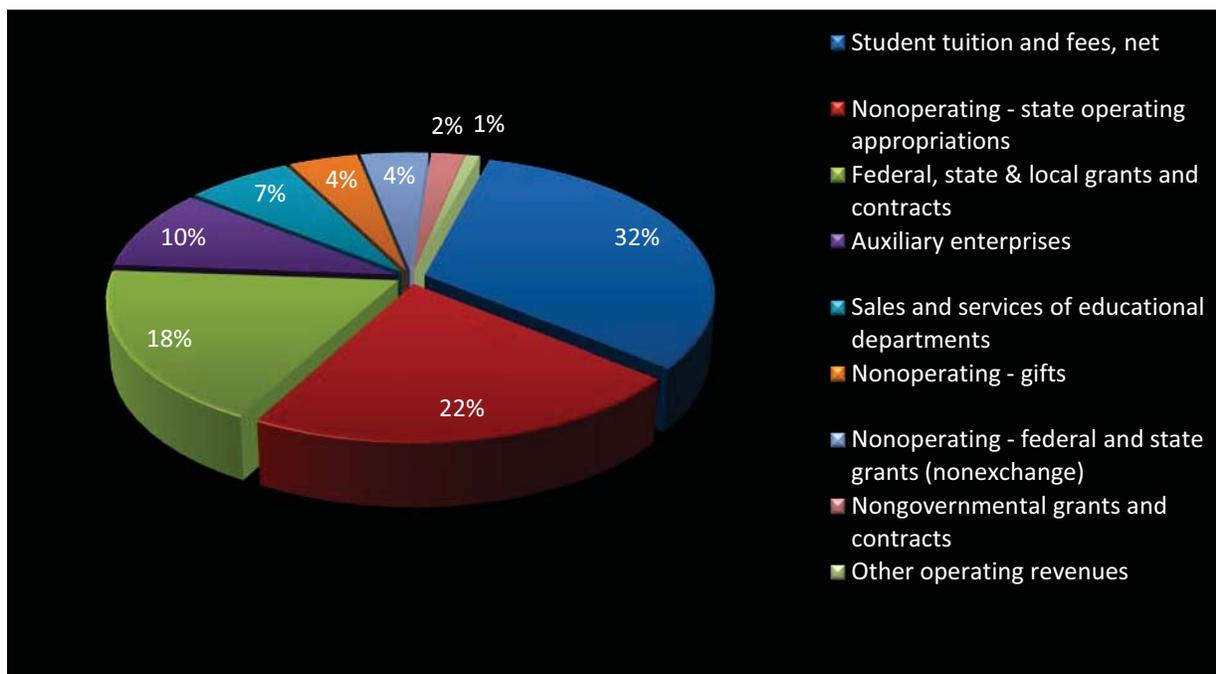
The results of fund-raising efforts have been an important component of financial resources. Expendable gifts to the University totaled \$42 million and \$47 million in 2010 and 2009, respectively. While there was a \$5 million decline in

gift funds raised for 2010, a decrease was anticipated due to the challenging economic climate. It will be difficult to sustain the current level of operations without continued increases in donor support, which highlights the importance of the success of the University's Proudly Cincinnati \$1 billion gift campaign that spans 2005 – 2013. Gifts totaling \$683 million have been raised through June 30, 2010.

The University's investment income totaled \$80 million and \$88 million in 2010 and 2009, respectively, a decrease of \$8 million and an increase of \$16 million. Investment income includes both endowment income and temporary investment pool income. Temporary investment pool income remained stable at \$6 million for both 2010 and 2009. The decline in investment income for 2010 and the increase for 2009 were attributable to changes in endowment income.

The nonoperating revenue associated with the fair value of investments has rebounded after two years of declines. Revenue of \$4.7 million was recorded for 2010 while losses of \$329.6 million and \$96.6 million were recorded for 2009 and 2008, respectively; an increase of \$334 million for 2010 and a decrease of \$233 million for 2009. These changes are attributable to fluctuations in the investment market.

Below is a chart listing revenues by source including revenues used for operating activities and those classified as nonoperating such as state operating appropriations, federal and state grants (nonexchange), and gifts. As noted earlier, GASB requires state appropriations, federal and state grants (nonexchange), and gifts to be classified as nonoperating revenues.



EXPENSES

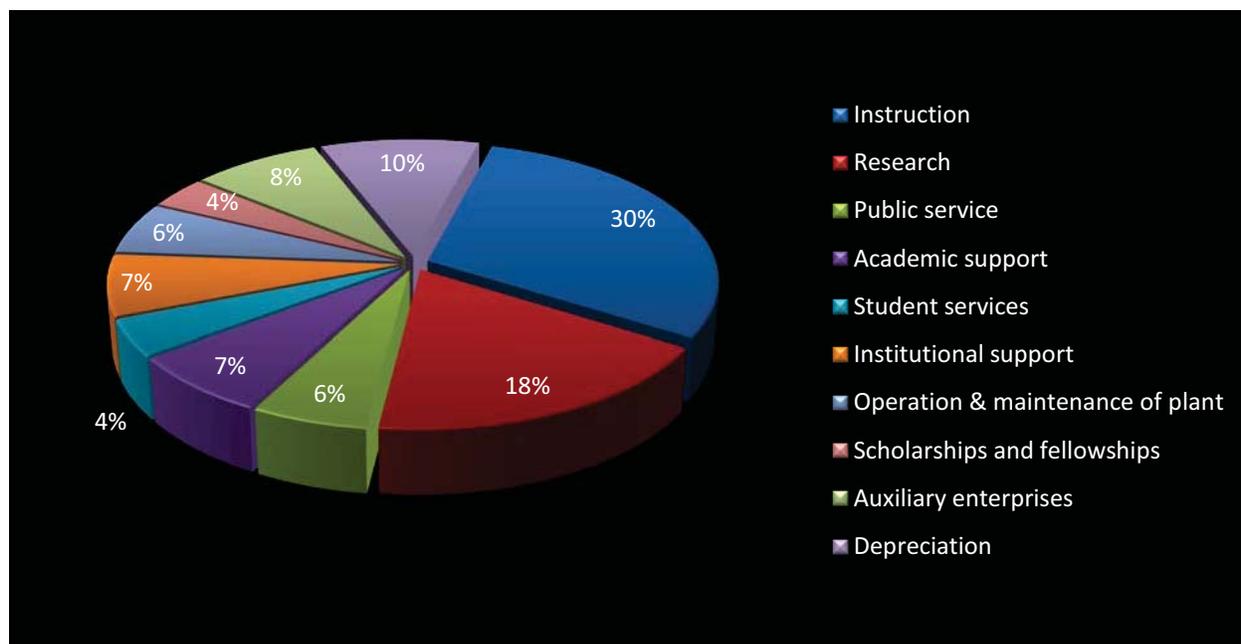
The University continues to employ cost containment initiatives to control expenses.

SUMMARY OF EXPENSE

	(in thousands)	2010	2009	2008
Operating expenses				
Instruction		\$288,177	\$281,437	\$283,503
Research		175,532	161,964	157,843
Public service		54,917	56,820	57,247
Academic support and student services		109,888	106,595	101,666
Institutional support		69,035	72,969	79,664
Operation & maintenance of plant		58,285	60,118	63,560
Scholarships and fellowships		36,118	25,611	23,630
Auxiliary enterprises		79,284	85,261	78,163
Depreciation		97,452	93,393	87,765
Total operating expenses		968,688	944,168	933,041
Nonoperating expenses				
Interest on capital asset related debt		46,310	44,783	41,264
Other nonoperating expenses		1,419	4,806	1,600
Total nonoperating expenses		47,729	49,589	42,864
Total University expenses		\$1,016,417	\$993,757	\$975,905

Total expenses (operating and nonoperating) were contained to an increase of \$23 million in 2010 compared to an increase of \$18 million in 2009. The increase in 2010 was mainly attributable to additional instruction costs associated with increased student enrollment and an increase in the costs associated with research grants. The increase in 2009 mainly resulted from increases in the following items: research activity expenditures, academic support & student services, auxiliary enterprises, and depreciation.

Below is a chart reflecting operating expenses by category and percentage of total operating expenses.



ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

During 2006 and prior to the current economic crisis, the University began a renewed mission to ensure financial stability, fiscal responsibility, and improved liquidity. Numerous new policies, including those affecting operating cash and overdrafted funds, were implemented. These policies have had a dramatic effect on improving cash balances and reducing or eliminating fund deficits. Additionally, performance-based budgeting was implemented in 2010. While the current state of the economy has been challenging, the University continues to successfully fulfill its academic mission as evidenced by the following:

- Record-breaking enrollment of 41,250 students in autumn 2010, up 4% from autumn 2009
- Average ACT scores of entering Uptown Campus class increasing from 24.0 in 2006 to 25.0 in 2010
- In-coming freshman class includes a record 45 National Merit Scholars
- First-year retention rates increasing from 80% in 2006 to 85% in 2010
- Six-year graduation rates increasing from 52% in 2006 to 56% in 2010
- Research funding increasing from \$332 million in 2006 to \$378 million in 2009
- Ranked 18th among public universities for federal research expenditures by the National Science Foundation
- U.S. News & World Report ranks the University in the Top Tier of the country's "Best National Universities" and ranks as 11th among institutions identified as "up and comers"
- Number of undergraduate students engaged in internships and co-ops increasing from 3,654 in 2003 to 5,383 in 2009

As mentioned above, great strides in improving liquidity have been achieved as reflected in cash, cash equivalents, and investments (current and noncurrent) increasing from \$183 million in 2008 to \$240 million in 2009 and to \$291 million in 2010. To ensure the continuation of liquidity improvements, a general funds deficit repayment budget of \$4 million is annually allocated with incremental increases scheduled for future years to reduce certain longstanding fund deficits. Additionally, deficit repayments of accounts that were a result of prior departmental overdrafts are being addressed by those departments.

In March 2010, the Board of Trustees approved tuition and fee increases for the 2011 academic year. Undergraduate tuition was increased by 7%, while graduate and professional tuition was increased by 4% with the exception of law and medical students whose tuition and fees were increased by 5%.

The University is state supported with appropriations accounting for 21% and 23% of the total revenues, excluding investment income (loss), of the University in 2010 and 2009, respectively. With the exception of 2010, Ohio's trend in funding higher education has been positive in actual dollar amount over the past five years. Fiscal year 2011's state appropriations were reduced by \$13 million as a result of conference committee reductions prior to finalization of the State's budget bill. A reserve account (University funds set aside for future use) was funded in both 2010's and 2011's operating budgets. The \$16 million reserve will be available to fund the 2011 reduced appropriation and to offset a portion of the \$31 million of 2011 federal stimulus funds that are due to expire after fiscal year 2011. Federal stimulus funds were allocated to the University by the State as a part of the State share of instruction appropriations.

The University's first budgeting model using performance based budgeting was adopted in fiscal year 2010 for general funds. It offers incentives for growth in student enrollment and efficiencies targeted to reduce costs. The model will continue to evolve over time and encompass an all-funds model.

Private gifts will continue to be a critically important financial resource and a significant factor in the growth of instruction, research, and services. To address the issue, the University through the University Foundation launched a \$1 billion gift campaign know as "Proudly Cincinnati." The campaign is the largest in the University's 191-year history and will span eight years ending on June 30, 2013. The campaign has raised \$683 million through June 30, 2010. Expected campaign priorities are student scholarships, fellowships to encourage advanced scholarship and research, endowed appointments for top-notch faculty, academic program support, and campus enhancements. Throughout the campaign, the Foundation expects to actively engage more than 500 volunteers. Regional committees will also focus on cultivating relationships with alumni and friends.

The University's endowment is invested with a long-term focus. The University's primary objective is to earn investment returns net of management expense that exceed the 5% spending policy plus inflation. The huge decline in global equity markets during calendar year 2008 through March of 2009 has been a challenge to achievement of this objective, especially considering returns for trailing periods between three and ten years. However, during the past 15 years, endowment returns nearly match the primary objective. While the University is not particularly optimistic about the near term environment, as equity markets regain lost ground in the years ahead, endowment performance relative to the primary objective will improve for the shorter time periods.

The University is committed to continuing its strategic vision while continuing to build upon its financial strength. On September 19, 2010, President Gregory Williams introduced the *UC2019* document that sets the agenda of the University for the near future, as the University community builds toward its bicentennial celebration.

University of Cincinnati
Statement of Net Assets (in thousands)
as of June 30, 2010 and 2009

	University		University Related Organizations	
	2010	2009	2010	2009
ASSETS				
Current assets				
Cash and cash equivalents	\$ 56,925	\$ 57,550	\$ 18,666	\$ 9,927
Investments	126,000	121,638	58,237	
Accounts and pledges receivable, net	60,206	65,693	49,035	21,609
Inventories	1,984	2,040		
Deposits with bond trustees	4,079	7,484		
Notes receivable, net	6,275	2,938	116	
Other assets	275	2,557	518	147
Total current assets	255,744	259,900	126,572	31,683
Noncurrent assets				
Investments	108,535	60,664		
Accounts and pledges receivable, net	14,883	9,636	26,865	40,126
Bond proceeds receivable	96,205			
Deposits with bond trustees	4,387	7,034		
Endowment investments	867,123	815,226	15,185	13,496
Notes receivable, net	28,235	34,614	409	
Other assets and long-term investments	337,016	352,500	8,249	
Capital assets not being depreciated	82,723	65,959	3,177	
Capital assets being depreciated, net	1,300,897	1,358,833	31,816	1,159
Total noncurrent assets	2,840,004	2,704,466	85,701	54,781
Total assets	3,095,748	2,964,366	212,273	86,464
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	171,818	157,203	21,661	8,855
Deferred revenue	31,039	33,738		
Long-term debt - current portion	121,807	117,313	3,270	
Total current liabilities	324,664	308,254	24,931	8,855
Noncurrent liabilities				
Deposits	5,424	4,535	562	523
Accrued liabilities	22,017	28,723	2,985	
Refundable advances for federal loans	24,788	25,152		
Long-term debt	1,031,834	973,331	22,078	
Total noncurrent liabilities	1,084,063	1,031,741	25,625	523
Deferred outflow of resources	2,771	-	1,366	-
Total liabilities and deferred outflow of resources	1,411,498	1,339,995	51,922	9,378
NET ASSETS				
Invested in capital assets, net of related debt	369,666	387,422	34,993	1,159
Restricted for:				
Nonexpendable	994,069	971,430	42,292	43,422
Expendable	327,069	326,346	37,453	26,860
Unrestricted	(6,554)	(60,827)	45,613	5,645
Total net assets	\$ 1,684,250	\$ 1,624,371	\$ 160,351	\$ 77,086

University of Cincinnati
Statement of Revenues, Expenses and Changes in Net Assets (in thousands)
For the Years Ended June 30, 2010 and 2009

	University		University Related Organizations	
	2010	2009	2010	2009
REVENUES				
Operating Revenues				
Student tuition and fees (net of scholarship allowances of \$87,976 and \$85,459; and bad debt expense of \$3,172 and \$1,347)	\$ 304,482	\$ 279,822	\$	\$
Federal grants and contracts	169,500	149,606		
State and local grants and contracts	5,267	5,176		
Nongovernmental grants and contracts	20,456	19,792		
Sales and services	64,878	64,326	154,523	
Auxiliary enterprises				
Residential life	37,411	29,624		
Athletics	20,335	24,528		
Other Auxiliary enterprises	33,714	36,624		
Other operating revenues	8,740	6,159	88,288	
Total operating revenue	664,783	615,657	242,811	-
EXPENSES				
Operating Expenses				
Instruction	288,177	281,437		
Research	175,532	161,964		
Public Service	54,917	56,820		
Academic Support	68,591	67,464		
Student Services	41,297	39,131		
Institutional Support	69,035	72,969	227,221	5,974
Operation Maintenance and Plant	58,285	60,118	2,641	
Scholarships and Fellowships	36,118	25,611		
Auxiliary Expenses	79,284	85,261		
Depreciation	97,452	93,393	4,544	271
Total operating expenses	968,688	944,168	234,406	6,245
Operating income (loss)	(303,905)	(328,511)	8,405	(6,245)
NONOPERATING REVENUES (EXPENSES)				
State operating appropriations	211,291	211,836		
Federal and state grants (nonexchange)	41,089	30,064		
Gifts, including \$28,441 and \$31,197 from the University Foundation	42,172	46,809	30,072	33,446
Investment income, net	80,341	88,280	4,226	3,901
Increase (decrease) in fair value of investments	4,711	(329,630)	10,649	(3,131)
Interest on capital asset-related debt	(46,310)	(44,783)	(2,018)	
Loss on disposal of assets	(1,243)	(1,914)		
Payments to University of Cincinnati	-	-	(28,441)	(31,197)
Other nonoperating expenses	(176)	(2,892)	(12,756)	
Net nonoperating revenues (expenses)	331,875	(2,230)	1,732	3,019
Income (loss) before other revenues, expenses, gains, or losses	27,970	(330,741)	10,137	(3,226)
State capital appropriations	10,276	2,917		
Capital grants and gifts	11,067	6,347		
Additions to permanent endowments	10,566	20,333		
Total other revenues	31,909	29,597	-	-
Increase (decrease) in net assets	59,879	(301,144)	10,137	(3,226)
NET ASSETS				
Net assets - beginning of year	1,624,371	1,925,515	77,086	80,312
Change in University Related Organizations - beginning of year	-	-	73,128	
Net assets, end of year	\$ 1,684,250	\$ 1,624,371	\$ 160,351	\$ 77,086

University of Cincinnati
Statements of Cash Flows (in thousands)
Years Ended June 30, 2010 and 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 306,536	\$ 281,887
Grants and contracts	246,239	227,652
Sales and services of educational departments and auxiliary enterprises	151,059	151,357
Expenditures and other deductions:		
Compensation	(589,667)	(579,312)
Payments for materials, services and other	(306,867)	(303,958)
Loans issued	(1,430)	(3,436)
Loan principal collected	4,922	4,317
Interest on loans receivable	728	-
Other revenue	5,474	4,502
Cash used for operating activities	(183,006)	(216,991)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	211,291	211,836
Federal and state grants (non-exchange)	41,090	30,064
Gifts for other than capital purposes (including additions to permanent endowments)	52,775	66,971
Interest on loans receivable	-	792
Cash from noncapital financing activities	305,156	309,663
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State appropriations - capital	9,792	1,827
Private gifts for capital purposes	4,836	6,992
Grants for capital purposes	51	-
Other	(4,961)	(8,629)
Proceeds from capital debt	205,376	202,818
Purchases of capital assets	(51,817)	(49,789)
Principal paid on capital debt and leases	(238,584)	(203,262)
Interest paid on capital debt and leases	(48,194)	(47,402)
Cash used for capital financing activities	(123,501)	(97,445)
CASH FLOWS FROM INVESTING ACTIVITIES		
Endowment income	66,544	73,457
Income from deposits with trustees	11,613	10,630
Purchase of investments	(492,242)	(460,016)
Sale of investments	407,025	357,134
Investment income	7,786	5,833
Cash from (used for) investing activities	726	(12,962)
NET DECREASE IN CASH AND CASH EQUIVALENTS		
	(625)	(17,735)
Cash and cash equivalents - beginning of the year	57,550	75,285
Cash and cash equivalents - end of the year	\$ 56,925	\$ 57,550

University of Cincinnati
 Statements of Cash Flows (in thousands)
 Years Ended June 30, 2010 and 2009
 (continued)

	2010	2009
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES		
Operating loss	\$ (303,905)	\$ (328,511)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation expense	97,452	93,393
Loss on disposal of capital assets	1,243	1,914
Changes in assets and liabilities:		
Receivables, net	6,177	11,525
Inventories	56	(39)
Other assets	2,270	(18,031)
Accounts payable and accrued liabilities	9,427	6,406
Deferred revenue	8,048	14,961
Compensated absences	(5,055)	839
Deposits	1,281	552
Net cash used for operating activities	\$ (183,006)	\$ (216,991)
Noncash transactions		
Capital asset acquired by incurring note payable	\$ -	\$ 4,071
Accrued liabilities for property, plant and equipment	7,953	3,849
Gift of real estate held in the endowment fund	-	2,700
Gift of rare books to Law Library	-	1,218
Gifts of moveable equipment	845	-
Debt traded not settled	96,205	-

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2010 and 2009

1. Organization and Summary of Significant Accounting Policies

Organization

The University of Cincinnati (the University) was founded in 1819 with the first charter granted by the State of Ohio in 1870. The University, formerly city owned, became a State University on July 1, 1977. As such, it is a component unit of the State of Ohio. Under provisions of the Internal Revenue Code, Section 115, and the applicable income tax regulations of the State of Ohio, the University, as a state institution, is exempt from taxes on income other than unrelated business income. Since the University has no material net unrelated business income during the year ended June 30, 2010, no provision for income taxes has been made.

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

- The University of Cincinnati Foundation, described more fully in Note 15, is a legally separate not-for-profit organization engaged in fundraising activities exclusively for the benefit of the University.
- University of Cincinnati Physicians, Inc., described more fully in Note 16, is a legally separate not-for-profit organization through which the faculty of the College of Medicine engages in clinical practice. Effective July 1, 2009, the corporation became a component unit of the University and therefore, is not included in the 2009 amounts.

These entities are reported as discrete component units of the University in accordance with the provisions of the Governmental Accounting Standards Board and are aggregated as University Related Organizations on the Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets.

Basis of Presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by the GASB. The University has elected not to apply those Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989.

In June 2008, GASB issued a statement related to accounting and financial reporting for derivative instruments. This statement addresses the recognition, measurement and disclosure of information regarding derivative instruments entered into by state and local governments. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2009. See Note 6 for the impact on the financial statements related to the adoption of this statement.

The University's financial resources are classified for accounting and reporting purposes into the following three net asset categories:

Invested in Capital Assets Net of Related Debt—Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Restricted for—

Nonexpendable restricted net assets are subject to externally imposed stipulations that they be maintained permanently by the University. Such assets include the University's permanent endowment funds.

Expendable restricted net assets are subject to externally imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time.

Unrestricted—Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net assets are designated for academic and research programs and initiatives and for capital programs.

Summary of Significant Accounting Policies

The accompanying financial statements have been prepared on the accrual basis. The University reports as an entity engaged in business-type activities because its operations are financed, in part, by fees charged to external parties for goods and services provided.

Investments in marketable securities (other than the University's alternative investments) are carried at fair value as established by the major securities markets (quoted market prices). Investment income is recorded on the accrual basis. Realized and unrealized gains and losses are reported as nonoperating revenues (expenses).

The University's financial statements include alternative investments, such as limited partnerships, that are not publicly traded. Certain of these alternative investments are carried at estimated fair value as of March 31, 2010 and 2009, as adjusted by cash receipts, cash disbursements and securities distributions through June 30, 2010 and 2009, at a total estimated fair value of \$69 million and \$80 million, respectively. In addition, the University also has alternative investments in investment funds that are not themselves publicly traded and thus do not have publicly reported market values, but whose underlying assets consist of publicly traded investments for which fair values are established by the major securities markets. Such alternative investments are carried at fair value of \$146 million and \$198 million at June 30, 2010 and 2009. The University believes that the total carrying amount of its alternative investments valued at \$266 million and \$278 million at June 30, 2010 and 2009 is a reasonable estimate of fair value. The University's outstanding commitment to alternative investments is \$56 million and \$64 million as of June 30, 2010 and 2009, respectively.

The University's investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investments could occur in the near term and that such changes could materially affect the investment amounts reported in the accompanying Statement of Net Assets.

Inventories are held primarily by the Hoxworth Blood Center and the Utilities Service Center. Inventory is stated at the lower of cost or net realizable market value. The moving-average basis for all inventories is used to determine inventory cost.

Capital Assets—Land, land improvements, infrastructure, buildings and equipment are recorded at cost at date of acquisition, or market value at date of donation. The University's capitalization threshold is \$100,000 for major capital projects and intangible assets. For all other items the capitalization threshold is \$5,000. Interest on related borrowing, net of interest earnings on invested proceeds, is capitalized during the period of construction. The University and its component unit's property and equipment are depreciated using the straight-line method over the estimated useful lives (from three to fifty years) of the respective assets. When plant assets are sold or disposed of, the carrying value of such assets and the associated depreciation are removed from the University's records.

The University does not capitalize works of art or historical treasures that are held for public exhibition, education or research in furtherance of public service. These collections are neither disposed of for financial gain nor encumbered in any way. In addition, the University requires the proceeds from the sale of collection items be used to acquire other collection items. Accordingly, such collections are not recognized or capitalized for financial statement purposes. All other works of art or historical treasures are capitalized at historical or fair value at date of donation.

Gift Pledges—The University receives pledges and bequests of financial support from corporations, foundations and individuals. Revenue is recognized when a pledge representing an unconditional promise to pay is received and all eligibility requirements, including time requirements, have been met. In the absence of such promise, revenue is recognized when the gift is received. Endowment pledges do not meet eligibility requirements, as defined by GASB standards, and are not recorded as assets until the related gift is received.

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flows. The discounts on these amounts are computed using a discount rate commensurate with the risks involved. At June 30, 2010, these discount rates ranged from 4% to 6%. An allowance for uncollectible pledges receivable is provided based on management's judgment of potential uncollectible amounts. The determination includes such factors as prior collection history, type of gift and nature of fundraising.

Deferred Revenue includes receipts relating to tuition, student fees and athletic events received in advance of services to be provided. Deferred revenue also includes the amounts received from grant and contract sponsors that have not yet been earned under the terms of the agreement. The University will recognize such amounts into revenue when these services are provided over the coming fiscal year.

Compensated Absences includes liabilities related to the vacation and sick leave accruals (See Note 6 for additional information). University employees earn vacation and sick leave on a monthly basis.

Vacation benefits may be accrued up to a maximum of three years' credit, and earned but unused days are payable upon termination. The liability for accrued vacation approximated \$34,889,000 and \$33,231,000 as of June 30, 2010 and 2009, respectively.

Sick leave may be accrued without limit; however, unused days are payable only upon retirement from the University, subject to 30- or 60-day limits depending on the date of hire. Before fiscal year 2010, the sick leave accrual was calculated under the vesting method. The termination payment method was adopted in 2010 to calculate the sick leave liability. The University believes that utilizing current data and trends under the termination payment method is more reliable than the vesting method, which applies actuarial assumptions and probabilities. Since this is a change in accounting estimate, prior periods have not been restated. The sick leave liability as of June 30, 2010 approximated \$23,760,000 and \$30,473,000 as of June 30, 2009.

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

Student Tuition and Residence Fees are presented net of scholarship and fellowship allowances of \$87,976,000 in 2010 and \$85,459,000 in 2009 and bad debt provisions of \$3,172,000 in 2010 and \$1,347,000 in 2009. Payments made directly to students are presented as scholarship and fellowship expenses.

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

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

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

Related Party Transaction—During fiscal year 2009 the University received and recorded a gift of real estate valued at \$2,700,000 from a member of the Board of Trustees and reported such as additions to permanent endowments in the accompanying 2009 Statement of Revenues, Expenses and Changes in Net Assets. There were no related party transactions during fiscal year 2010.

2. Cash and Investments

Summary—The University maintains centralized management for substantially all of its cash and investments. With the exception of insurance reserves, charitable remainder trusts, and other trust funds the terms of which require separate management, the University invests its reserves and relatively short-duration assets in the Temporary Investment Pool, and invests substantially all of the assets of the University endowment in the Endowment Investment Pool.

Distributions are made from the University endowment to the University entities that benefit from those funds. The endowment spending policy provides for an annual distribution of 5% of the twelve-quarter moving-average market value of endowment units. However, for 2007 and continuing through the end of fiscal year 2009, a temporary 6% endowment spending policy was in effect.

Effective June 1, 2009 Ohio's version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) became effective and replaced the Ohio Uniform Management of Institutional Funds Act. UPMIFA provides new statutory rules for the management and investment of endowment funds owned and controlled by charitable institutions.

Authorizations—The Temporary Investment Pool is invested principally in investment-grade money-market and fixed-income securities. Balances in the Temporary Investment Pool are primarily for operating expenses or for funding capital projects.

Investment policies are governed and authorized by University rules. For endowment investments the approved asset mix for both variable investments and fixed income investments range from 15% to 85% of total investments. The Investment Committee has established target allocations and allowable ranges for more narrowly defined categories of investments.

The University has an established set of investment guidelines related to targeted asset allocation and allowable ranges for alternative investments. For alternative investment categories, as defined by investment practitioners, the Investment Committee target allocations are: Private Real Estate 5%, Private Equity including Natural Resources 9.5%, and Hedge Funds 5%. Maximum allowable holdings for these three categories are 10%, 18% and 10%, respectively.

Diversification is a fundamental risk-management strategy for the endowment portfolio. Accordingly, the portfolio includes investments in domestic and non-U.S. stocks, bonds and loans; real estate; and limited partnerships for investment in real estate, private equity and hedge funds.

Off-Balance-Sheet Risk— The University's investment strategy incorporates certain financial instruments which involve, to varying degrees, elements of market risk and credit risk in excess of amounts recorded in the financial statements. Market risk is the potential for changes in the value of financial instruments due to market movements, including interest and foreign exchange rate movements and fluctuations embodied in forward, futures, and commodity or security prices. Market risk is directly impacted by the volatility and liquidity of the markets in which the related underlying assets are traded. Credit risk is the possibility that a loss may occur due to the failure of a counterparty to perform according to the terms of the contract. The University's risk of loss in the event of counterparty default is typically limited to the amounts recognized in the Statement of Net Assets and is not represented by the contract or notional amounts of the instruments.

Cash and Cash Equivalents— The University considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. At June 30, 2010, the carrying amount of the University's cash and cash equivalents for all funds is \$56,925,000 as compared to bank balances of \$48,696,000. The difference between the carrying amount and the bank balances is caused primarily by deposits in transit and outstanding checks.

Of the University's bank balances, \$392,000 is covered by federal depository insurance; money market funds account for \$46,511,000; \$1,351,000 is in public funds collateralized pools; and the balance of \$442,000 is uncollateralized. The University does not have a policy for custodial credit risk.

Investments

The fair value of University investments at June 30 is (in thousands):

	<u>2010</u>	<u>2009</u>
U.S. government, agency and treasury securities	\$ 70,941	\$ 19,701
Municipal Bonds and Notes	6,209	-
Corporate notes and bonds	196,703	190,499
Corporate stocks	127,184	176,903
Mutual funds	411,818	338,912
Other securities	87,396	79,644
Real estate	<u>14,540</u>	<u>14,426</u>
Total investments	914,791	820,085
Less current investments	<u>126,000</u>	<u>121,638</u>
Noncurrent investments	<u>\$788,791</u>	<u>\$698,447</u>

Current investment detail (in thousands):

	<u>2010</u>	<u>2009</u>
U.S. government, agency and treasury securities	\$ 861	\$ 919
Corporate notes and bonds	<u>125,139</u>	<u>120,719</u>
Total current investments	<u>\$ 126,000</u>	<u>\$121,638</u>

Alternate Investments of \$266 million are included within mutual funds and other securities in the summary schedule of investments above (please refer to Note 1, Summary of Significant Accounting Policies, regarding valuation of alternative investments).

At June 30, 2010 and 2009, other securities included \$89,940,000 and \$87,690,000 net of \$17,336,000 and \$17,074,000 of loan loss reserves, respectively, of loans made to certain nonprofit entities for the purpose of developing residential and commercial facilities on the borders of the campus. Currently, these loans are secured primarily by mortgages on parcels of land purchased by these nonprofit entities. Some of these mortgages are subordinated to external financing arranged by these entities. These loans bear interest at 6%. The University expects repayment once the residential and commercial facilities have streams of rental income. Loan loss reserves are estimated based on aggregate cash flows projections for the projects and independent appraisals of the underlying undeveloped real estate. The change in loan loss reserves are reflected in nonoperating revenues (expenses), as a component of the increase in fair value of investments.

At June 30, 2010 and 2009, the fair (market) value of land and other real estate held as investments was \$14,540,000 and \$14,426,000, respectively. Independent real estate appraisals are obtained on a three-year cycle; however, relevant real estate markets are reviewed between appraisal periods to determine if the reported market values remain accurate. Appraisers usually consider the use of three approaches to value when developing a market value opinion for real property. These are the cost approach, sales comparison approach, and income capitalization approach. The most recent appraisals were received in June of 2009.

The University has recorded the investments in the table above in the following categories: \$234,535,000 of investments and \$680,256,000 of endowment investments. Also, included in endowment investments as reported on the Statement of Net Assets are \$186,867,000 invested predominately in equities held in donor-stipulated irrevocable trusts.

University Investment Pools

Of the University investments, approximately \$51,786,000 is separately invested by donor stipulation. The remaining funds are invested in one of three pools. The Temporary Investment Pool represents the investment of substantially all University cash not otherwise invested in the endowment.

The Endowment Investment Pool A is the principal investment pool for the University endowments that may be pooled legally or by donor concurrence. The University employs the share method of accounting for the Endowment Investment Pool A investments and for proportionate distribution of income to each fund that

participates in the pool. At June 30, 2010, the Endowment Investment Pool A consisted of 8,343,000 shares. Effective July 1, 2002, substantially all endowments held in trust, by donor stipulation, by the University of Cincinnati Foundation were invested in the University's Endowment Investment Pool A. At June 30, 2010, such endowments own 2,193,000 pool shares with a market value of \$172,878,000, equating to approximately 26% of the Endowment Investment Pool A. The Endowment Investment Pool B comprises real estate holdings received by bequest.

The following tabulation summarizes the changes in relationships between cost and fair values of the Endowment Investment Pool A assets for the year (*in thousands*):

	<u>Net Cost</u>	<u>Fair Value</u>	<u>Net Gains/ (Losses)</u>	<u>Fair Value Per Share</u>
End of year	\$725,393	\$645,113	\$(80,280)	\$ 77.32
Beginning of year	737,504	607,573	<u>(129,931)</u>	75.88
Unrealized net gain for year			49,651	
Realized net loss for year			<u>(39,716)</u>	
Total net gain for year			<u>\$ 9,935</u>	
Total gain per share			<u>\$ 1.44</u>	

The University has adopted a spending rate policy which limits the distribution of endowment income earned in the investment pool to 5% of the moving-average market value for the twelve-quarter period ending each December. For fiscal year 2007 through fiscal year 2009, the spending policy has temporarily been increased to 6%.

Income allocated for spending during 2010 amounted to \$5.40 per share of the Endowment Investment Pool A. The average annual earnings per share, exclusive of capital appreciation, amounted to \$1.60.

GASB standards require government entities to categorize investments by interest rate risk, credit risk, and custodial credit risk.

Interest Rate Risk

The University's investments total \$914,791,000. The segmented time distribution method is used to portray interest rate risk of \$452,300,000 of bond and other fixed income investments. Investments for the years ended June 30, 2010 and 2009 are summarized as follows (in thousands):

Investment Maturities (In Years) 2010					
<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
US Treasury Obligations	\$ 4,109	\$ -	\$ 2,114	\$ -	\$ 1,995
US Government Agencies	64,561	97	43,558	10,039	10,867
US Treasury STRIPS	2,271	776	1,495	-	-
US Treasury Mutual Fund	12,092	-	-	12,092	-
Municipal Bonds and Notes	6,209	3,270	1,551	501	887
Corporate Bonds and Notes	196,703	121,869	67,285	5,726	1,823
Bond Mutual Funds	92,099	-	134	91,948	17
Local mortgage secured loans	72,604	3,010	155	29,615	39,824
Other	<u>1,652</u>	<u>367</u>	<u>1,285</u>	<u>-</u>	<u>-</u>
Total	<u>\$452,300</u>	<u>\$129,389</u>	<u>\$117,577</u>	<u>\$149,921</u>	<u>\$ 55,413</u>

Investment Maturities (In Years) 2009					
<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
US Treasury Obligations	\$ 883	\$ -	\$ -	\$ -	\$ 883
US Government Agencies	15,763	-	121	1,436	14,206
US Treasury STRIPS	3,055	860	2,195	-	-
US Treasury Mutual Fund	19,210	-	-	19,210	-
Corporate Bonds and Notes	190,499	121,829	60,725	6,151	1,794
Bond Mutual Funds	38,919	-	206	38,697	16
Local mortgage secured loans	70,616	3,221	1,663	6,863	58,869
Other	<u>2,019</u>	<u>367</u>	<u>1,652</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 340,964</u>	<u>\$ 126,277</u>	<u>\$ 66,562</u>	<u>\$ 72,357</u>	<u>\$ 75,768</u>

Local mortgage secured loans are comprised of demand notes receivable. Amounts reflected as maturities represent management's best estimate of anticipated collections of these receivables.

The University's investment policy stipulates that the weighted average maturity of investments in the Temporary Investment Pool will be no longer than 5 years. The weighted average of fixed income maturities in the Endowment portfolio will not exceed 20 years.

Credit Risk

The Temporary Investment Pool permits investments in securities rated A or higher at the time of purchase. Securities downgraded below an A rating after purchase are permitted to be retained. Endowment investment-grade bonds are limited to those in the first four grades of any rating system. Below-investment grade high yield bond investments and certain unrated investments having strategic value to the University are permitted. In accordance with the University's investment policy, the University's bond and other fixed income investments are rated by nationally recognized rating organizations as follows as of June 30 (in thousands):

<u>Rating</u>	<u>2010</u>	<u>2009</u>
US Treasury Obligations – equivalent of AAA	\$16,201	\$20,093
AAA	74,961	21,830
AA	133,070	57,524
A	119,092	133,383
BBB	31,616	32,492
M1G1	3,005	3,007
Not Rated	<u>74,355</u>	<u>72,635</u>
Total	<u>\$452,300</u>	<u>\$340,964</u>

Custodial Credit Risk

Of the University's \$914,791,000 total investments, \$902,963,000 are uninsured, not registered in the name of the University, and are held by trust departments or agents in the University's name, and thus are exposed to custodial credit risk. The University does not have a policy for custodial credit risk.

3. Accounts, Pledges and Notes Receivable

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

	<u>2010</u>	<u>2009</u>
Accounts receivable	\$ 51,245	\$ 57,557
Pledges receivable	15,411	9,231
Notes receivable	34,510	37,552
Accrued interest receivable	<u>8,433</u>	<u>8,541</u>
Total	109,599	112,881
Less current receivables	<u>66,481</u>	<u>68,631</u>
Noncurrent receivables	<u>\$ 43,118</u>	<u>\$ 44,250</u>

Allowances for uncollectible receivables have been provided in the amount of approximately \$5,547,000 and \$7,345,000 for accounts receivable, \$78,000 and \$43,000 for pledges receivable, and \$6,551,000 and \$6,138,000 for notes receivable as of June 30, 2010 and 2009, respectively.

An allowance for uncollectible accrued interest receivable has been provided in the amount of approximately \$20,940,000 and \$17,331,000 related to loans made to certain nonprofit entities as of June 30, 2010 and 2009, respectively (see Note 2).

Pledges have been discounted at a rate of 4% to net present value, which approximates the fair value of the receivables as follows (*in thousands*):

	<u>2010</u>	<u>2009</u>
Less than one year	\$ 4,892	\$ 3,007
One to five years	8,149	3,703
More than five years	<u>2,448</u>	<u>2,564</u>
Subtotal	15,489	9,274
Less allowance for uncollectible pledges	<u>78</u>	<u>43</u>
Total	<u>\$ 15,411</u>	<u>\$9,231</u>

Pledges receivable due from one donor approximated 32% and 47% of total pledges receivable, as of June 30, 2010 and 2009, respectively.

4. Capital Assets

Capital assets activity for the years ended June 30, 2010 and 2009 is summarized as follows (*in thousands*):

	Balance <u>July 1, 2009</u>	Additions	Retirements/ Transfers	Balance <u>June 30, 2010</u>
Land	\$ 21,923	\$ -	\$ -	\$ 21,923
Land improvement	93,435	-	50	93,485
Buildings	1,799,579	-	16,077	1,815,656
Construction in progress	29,454	33,158	(16,438)	46,174
Infrastructure	115,716	-	139	115,855
Building equipment	15,707	-	94	15,801
Moveable equipment	157,617	13,984	(5,348)	166,253
Computer software	35,548	813	83	36,444
Library books	148,481	8,766	(2,965)	154,282
Collections	<u>14,582</u>	<u>44</u>	<u>-</u>	<u>14,626</u>
	2,432,042	56,765	(8,308)	2,480,499
Less: Accumulated depreciation	<u>1,007,250</u>	<u>97,452</u>	<u>7,823</u>	<u>1,096,879</u>
Capital assets, net	<u>\$1,424,792</u>	<u>\$ (40,687)</u>	<u>\$ (485)</u>	<u>\$1,383,620</u>

	Balance <u>July 1, 2008</u>	Additions	Retirements/ Transfers	Balance <u>June 30, 2009</u>
Land	\$ 21,923	\$ -	\$ -	\$ 21,923
Land improvement	86,402	-	7,033	93,435
Buildings	1,610,240	-	189,339	1,799,579
Construction in progress	223,254	29,469	(223,269)	29,454
Infrastructure	100,244	-	15,472	115,716
Building equipment	15,251	-	456	15,707
Moveable equipment	150,948	14,595	(7,926)	157,617
Computer software	35,211	189	148	35,548
Library books	140,347	8,606	(472)	148,481
Collections	<u>13,364</u>	<u>1,218</u>	<u>-</u>	<u>14,582</u>
	2,397,184	54,077	(19,219)	2,432,042
Less: Accumulated depreciation	<u>927,969</u>	<u>93,393</u>	<u>14,112</u>	<u>1,007,250</u>
Capital assets, net	<u>\$1,469,215</u>	<u>\$ (39,316)</u>	<u>\$ (5,107)</u>	<u>\$1,424,792</u>

Land, construction in progress and collections, as shown above, represent nondepreciable items. Therefore, there is no accumulated depreciation for those categories.

5. Accounts Payable and Accrued Liabilities

Accounts payable and the current portion of accrued liabilities as of June 30, 2010 and 2009 are as follows (in thousands):

	<u>2010</u>	<u>2009</u>
Compensated absences (Current portion)	\$ 36,632	\$ 34,982
Compensation	40,658	36,712
Accrued liabilities	56,781	51,887
Vendors payable	<u>37,747</u>	<u>33,622</u>
Total	<u>\$ 171,818</u>	<u>\$157,203</u>

6. Bonds and Notes Payable

Bonds and notes payable at June 30, 2010 comprise the following (in thousands):

<u>Bond Series – Fixed Rate Debt</u>	<u>Issue Date</u>	<u>Maturity Dates Through</u>	<u>Interest Rate</u>	<u>Outstanding Debt</u>	
				<u>2010</u>	<u>2009</u>
T, X, Y, AA, AG, AH	1998	2013	5.50%	\$ 5,750	\$ 11,795
Z, AC	1997	2010	N/A	-	1,135
AD	1997	2010	N/A	-	935
AL, AM, AN	1998	2010	N/A	-	3,800
AL-1, AO	1999	2013	5.30-5.50%	2,510	3,265
AQ, AT, AU, AV, AZ	2000	2015	5.35-5.50%	1,300	2,125
2001A	2001	2031	5.00-5.50%	92,225	98,970
2002A	2002	2022	4.10-4.875%	3,990	4,240
2002D	2002	2022	4.20-5.00%	2,645	3,000
2002F	2003	2024	4.00-5.375%	23,200	24,985
2002G	2003	2031	3.50-5.00%	9,805	10,215
2003C	2003	2026	4.50-5.00%	61,295	64,725
2004A	2004	2031	2.75-5.00%	52,115	54,300
2004D	2004	2026	4.00-5.00%	47,115	48,120
2004E	2005	2021	3.75-5.00%	18,615	19,945
2005A	2005	2020	4.00-5.00%	69,355	69,410
2005D	2006	2019	4.00-5.00%	20,410	20,410
2006A	2006	2031	3.50-5.00%	47,730	49,915
2007A	2007	2031	3.75-5.00%	76,040	77,235
2007G	2008	2034	3.75-5.00%	87,570	89,170
2008C	2008	2031	3.00-5.00%	38,120	39,280
2008G	2009	2020	4.00-5.50%	19,210	19,210
2009C	2010	2030	2.00-5.00%	104,000	-
2009E	2010	2030	2.00-4.65%	<u>6,135</u>	<u>-</u>
Total bonds payable – fixed rate debt				<u>\$789,135</u>	<u>\$716,185</u>

<u>Bond Series – Variable Rate Debt</u>			Average Interest Rate Since Issuance		
2008B – Weekly Mode	2008	2021	3.57%	\$4,985	\$35,915
2008F – Weekly Mode	2009	2034	1.47%	<u>24,585</u>	<u>99,860</u>
Total bonds payable – variable rate debt				<u>29,570</u>	<u>135,775</u>
Total bonds payable				<u>\$818,705</u>	<u>\$851,960</u>

<u>Notes Payable and Other Debt</u>	<u>Issue Date</u>	<u>Maturity Dates Through</u>	<u>Interest Rate</u>	<u>Outstanding Debt</u>	
				<u>2010</u>	<u>2009</u>
General Receipts Bond					
Anticipation Notes:					
2008E	July 2008	July 2009	N/A	-	36,055
2008H	December 2008	December 2009	N/A	-	17,000
2009A	May 2009	May 2010	N/A	-	23,900
2009B	July 2009	July 2010	2.00%	31,350	-
2009D	December 2009	December 2010	1.50%	25,000	-
2010A	May 2010	May 2011	1.50%	23,900	-
Capital Lease Obligations					
University Center	1996	2011	5.10%	3,170	7,205
Edwards Center	1998	2011	5.75%	4,530	6,610
Residence Halls	2000	2028	5.125-5.50%	36,090	37,280
University Ctr. Refunding	2005	2024	3.50-5.00%	52,815	52,815
Capital Lease-Stetson	July 2006	June 2033	4.25-5.97%	32,120	32,460
Capital Lease-Turner	July 2006	June 2033	4.00-5.25%	9,730	9,850
Capital Lease-equipment	2003	2019	3.58-4.69%	<u>6,345</u>	<u>7,850</u>
Total notes payable and other debt				<u>225,050</u>	<u>231,025</u>
Total bonds and notes payable and other debt				1,043,755	1,082,985
Premium net of unamortized costs and loss on refunding				<u>13,681</u>	<u>7,659</u>
Total bonds and notes payable and other debt, net				1,057,436	1,090,644
New debt traded not settled				<u>96,205</u>	-
				<u>\$1,153,641</u>	<u>\$1,090,644</u>

Debt Issuances and Permanent Fundings

General Receipt Bonds-Fixed Rate Debt

During the year ended June 30, 2010, the University issued the following general receipt fixed rate bond series:

Series 2009C was issued on October 1, 2009 in the amount of \$105,350,000. This bond series was issued at a premium and bears interest at rates ranging from 2.00% to 5.00%. The final maturity of Series 2009C is June 1, 2030. The proceeds were used to current refund \$30,930,000 of Series 2008B and \$75,275,000 of Series 2008F variable rate bonds; and along with existing debt service reserve funds, to current refund \$405,000 of Series X, \$660,000 of Series Y, \$1,005,000 of Series AG, \$2,345,000 of Series AH, \$1,915,000

of Series AL, \$995,000 of Series AM, and \$890,000 of Series AN fixed rate bonds; to pay for bond insurance; and to pay associated bond issue costs.

Series 2009E was issued on December 18, 2009 in the amount of \$6,135,000. This bond series was issued at a discount and bears interest at rates ranging from 2.00% to 4.65%. Series 2009E matures on June 1, 2030. The proceeds were used to current refund \$6,000,000 of Series 2008H bonds anticipation notes (BANS) which provided funding for the Roof Replacement Phase I projects, and to pay associated bond issue costs.

General Receipt Bonds-Variable Rate Debt

During the year ended June 30, 2010, the University refunded \$30,930,000 of Series 2008B and \$75,275,000 of Series 2008F general receipt variable rate bonds with the issuance of Series 2009C fixed rate bonds. Proceeds from the sale of Series 2009C bonds were placed into an escrow fund and were used to refund the bonds on November 2, 2009. This refunding reduced the amount of variable rate debt outstanding from \$135,775,000 as of June 30, 2009 to \$29,570,000 as of June 30, 2010.

The University issued Series 2008B general receipt variable rate bonds in 2008. These bonds were issued in the weekly reset mode. The initial interest rate for these bonds was 1.90%. The interest rate for the weekly mode bonds resets every week, with interest due on the first business day of each calendar month. Interest paid to date has been based on weekly rates that have fluctuated from a low of .35% to a high of 8.0%; the interest rate at June 30, 2010 was .44%. The maximum interest rate on the weekly reset mode bonds is 12%. The Series 2008B bonds are secured by a letter of credit issued by Bayerische Landesbank, which expires on April 9, 2011. Bondholders may tender any of these bonds for repurchase every seven days. Any bonds so tendered will be purchased either by the proceeds of the remarketing of such bonds or, if not successfully remarketed, by a draw on the letter of credit. Accordingly, the University has classified the outstanding principal balance on its weekly reset mode bonds that matures after June 30, 2011 as a long-term liability. As of June 30, 2010, there has not been a failed remarketing for the weekly reset mode variable rate bonds.

Series 2008F variable rate bonds were issued on November 21, 2008 to current refund the Series 2004B weekly reset mode bonds to improve the trading quality of the bonds by replacing the underlying structure of the Series 2004B bonds (insured bonds with a standby bond purchase agreement) with a pure letter of credit. The initial interest rate for the Series 2008F weekly reset mode bonds was 1.10%. The interest rate for the weekly mode bonds resets every week, with interest due the first business day of each calendar month. Interest paid to date has been based on weekly rates that have fluctuated from a low of .35% to a high of 3.50%; the interest rate at June 30, 2010 was .44%. The maximum interest rate on the weekly reset mode bonds is 12%. The Series 2008F bonds are secured by a letter of credit issued by Bayerische Landesbank, which expires on November 19, 2010. Series 2008F weekly rate bondholders may tender any of these bonds for repurchase every seven days. Any bonds so tendered will be purchased either by the proceeds of the remarketing of such bonds or, if not successfully remarketed, by a draw on the letter of credit. Accordingly, the University has classified the outstanding principal balance on its weekly reset mode bonds that matures after June 30, 2011 as a long-term liability. As of June 30, 2010, there has not been a failed remarketing for the weekly reset mode variable rate bonds.

The University has the option to convert the variable rate bonds from one rate mode to another, as well as the option to redeem or refund these bonds in whole or in part. The variable rate bonds mature at various dates through 2034 and it is the University's intent to repay this debt in accordance with the maturities set forth in the bond indentures. Steps have been taken in fiscal year 2011 to refinance the Series 2008B and 2008F variable rate bonds on a long-term basis into fixed rate debt instruments. The University has prepared a Preliminary Official Statement and has requested bond ratings in preparation for an October bond sale/trade with a November settlement/close.

Derivative Transactions

The University implemented a new GASB standard relating to accounting and financial reporting for derivative instruments in 2010. As a result of the new standard, the University is required to report the fair value of all derivatives within the financial statements effective July 1, 2009. This new reporting requirement is in addition to the derivative footnote disclosure made in the 2009 footnote.

The University terminated one of its interest rate swap agreements related to the Series 2008B variable rate bonds on September 25, 2009, due to the refunding of that portion of the variable rate bonds Series 2009C

fixed rate debt (see "Refundings" within this Note, for additional details on the refunding). A swap termination payment of \$1,775,000 was paid at the time of termination. This payment, which was verified by an independent third party, represents the cost to enter into a swap with identical terms on the termination date along with transaction costs.

The University has one pay-fixed interest rate swap in effect at June 30, 2010, which has been in existence since May 1, 2009. The initial objective of this interest rate swap was to protect the University against the potential of rising interest rates within the variable rate market. Through the evaluation process outlined in the new GASB standard, the University's interest rate swap was determined to be ineffective, thus it is considered to be an investment derivative versus a hedging derivative. The fair value of \$2,771,000 is reported as an investment loss within the Statement of Revenues, Expenses and Changes in Net Assets and as a deferred outflow of resources on the Statement of Net Assets.

The following table summarizes the University's pay-fixed interest rate swap agreement:

Associated Debt Issue	Outstanding Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Index Received	Fair Value @ 6/30/2010	Swap Termination Date	Counterparty Rating
2010A BANS	\$24,075,000	5/1/2009	3.163%	USD- 67% LIBOR-BBA-1M	(\$2,771,000)	6/1/2030	AA-/Aaa

Based on the swap agreement, the University pays to the swap counterparty interest calculated at a fixed rate. In return, the swap counterparty pays the University interest based on a specified index. Only the net difference in interest payments is actually exchanged between the parties. The University continues to pay interest on the 2010A BANS obligations as due. The University has no collateral posting requirements on this swap.

Risks

Credit Risk: There are no counterparty collateral posting requirements on the swap. The University was not exposed to credit risk of the counterparty as the swap had a negative fair value throughout fiscal year 2010. A derivative management guideline is in place at the University, which addresses diversifying counterparty risk and limiting the University's credit exposure on derivative transactions.

Basis Risk: The swap exposes the University to basis risk should the interest rate received on the swap be less than the interest rate paid on the obligation. This mismatch will effectively result in a higher synthetic fixed rate and the expected savings may not be realized. As of June 30, 2010, the University is experiencing basis risk due to the issuance of a BAN at a higher rate of interest than what is being received on the swap.

Termination Risk: The University or counterparty may terminate the swap if either party fails to perform under the terms of the agreement. Termination provisions may result in the University paying or receiving a termination payment, depending on the value of the swap at that point in time.

Market-access Risk: Market conditions in the spring of 2009 prevented the University from issuing a variable rate bond series to coincide with the June 1, 2030 maturity date of the swap, therefore Series 2009A BANS was issued on May 12, 2009. Series 2009A BANS matured on May 12, 2010; Series 2010A BANS was issued to refund Series 2009A BANS and is the current debt issue associated with the swap. The University will again reevaluate the municipal market and the fair value of the swap in the spring of 2011 to take appropriate actions relating to the Series 2010B BANS and the outstanding swap.

Fair Value

As of June 30, 2010, the fair value of the swap agreement was a liability of \$2,771,000 (reported as deferred outflow of resources on the Statement of Net Assets), indicating the amount that the University would be required to pay the Counterparty to terminate the swap agreement. The fair value was estimated using the zero coupon method. This method calculates the future net settlement payments required by the swap agreement, assuming that the forward rates implied by the yield curve as of June 30, 2010 correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the yield curve for hypothetical zero-coupon bonds due on

the date of each future net settlement of the swap agreement. The fair value of the swap agreement was developed by an independent third party with no vested interest in the swap transaction.

Bond Anticipation Notes

During the year ended June 30, 2010, the University issued the following Bond Anticipation Notes (BANS):

- Series 2009B was issued at a premium on July 21, 2009 in the amount of \$31,350,000, at an interest rate of 2.00%, to current refund Series 2008E BANS. Series 2009B matures on July 21, 2010.
- Series 2009D was issued at a premium on December 18, 2009 in the amount of \$25,000,000, at an interest rate of 1.50%, to current refund \$11,000,000 of Series 2008H BANS and to fund \$14,000,000 of additional early project expenditure projects. Series 2009D matures on December 16, 2010.
- Series 2010A was issued at a premium on May 12, 2010 in the amount of \$23,900,000, at an interest rate of 1.5%, to current refund Series 2009A BANS. Series 2010A matures on May 12, 2011.

Capital Lease Obligations

At June 30, 2010, the University has a capital lease obligation of \$4,530,000 for the University's Edwards Center, a capital lease obligation of \$55,985,000 to finance the costs of the University's University Center project and a capital lease obligation of \$36,090,000 to finance the costs of the Jefferson Avenue Residence Complex. The leases for the University Center, the Edwards Center and Jefferson Avenue constitute unconditional obligations of the University to make lease payments which pay principal and interest on certain certificates of participation issued by The Bank of New York Mellon Trust Company, N.A., as trustee, through the final maturity of such certificates to the extent of the University's general receipts.

In addition, the University has capital lease obligations in connection with the financing of two buildings (One Stetson Square \$32,120,000 and the Turner Center \$9,730,000) which are owned by King Highland Community Urban Redevelopment Corporation and occupied, all or in part, by the University. This financing was affected by the issuance of economic development revenue bonds by the County of Hamilton, Ohio (the "King Highland Bonds"). The leases for One Stetson Square and the Turner Center also constitute unconditional obligations to make lease payments which pay the principal and interest on the King Highland Bonds.

The University has not pledged its general receipts to the payment of these leases nor has the University pledged its general receipts to the payment of such Certificates of Participation. Holders of the Bond Anticipation Notes have a prior and superior claim to the general receipts than does King Highland and the trustee for the holders of such Certificates of Participation.

The University also has \$6,345,000 of financing obligations outstanding for equipment located in various departmental units. The obligations issued for equipment are unsecured except for an interest in the equipment.

Refundings

General Receipts Bond Anticipation Notes— Series 2010A general receipt bond anticipation notes were issued on May 12, 2010 in the amount of \$23,900,000 for the purpose of current refunding \$23,900,000 of Series 2009A which came due May 12, 2010. Series 2009A general receipt bond anticipation notes were issued in May 2009 to current refund \$23,380,000 of the following June 1, 2009 fixed rate bond maturities: Series AL1 \$240,000, Series AO \$480,000, Series AQ \$270,000, Series AT \$30,000, Series AU \$105,000, Series AV \$35,000, Series AZ \$80,000, Series 2001A \$7,090,000, Series 2002A \$240,000, Series 2002D \$340,000, Series 2002F \$1,725,000, Series 2002G \$1,015,000, Series 2003C \$4,430,000, Series 2004A \$2,130,000, Series 2004D \$975,000, Series 2004E \$1,295,000, Series 2006A \$2,120,000 and Series 2007A \$780,000. The purpose of the refunding was to complete the second phase of the University's Liquidity Reserve funding plan. There was no gain or loss on the refunding transaction.

General Receipts Bonds— Series 2009C general receipt bonds were issued October 1, 2009 in the amount of \$105,350,000. The proceeds were used to current refund \$30,930,000 of Series 2008B and \$75,275,000 of Series 2008F variable rate bonds; and along with existing debt service reserve funds, to current refund \$405,000 of Series X, \$660,000 of Series Y, \$1,005,000 of Series AG, \$2,345,000 of Series AH, \$1,915,000 of Series AL, \$995,000 of Series AM, and \$890,000 of Series AN callable fixed rate bonds. The purpose of the refunding was to decrease the University's exposure to variable rate debt as well as to refund maturities that were callable in reducing future debt service. The economic gain to the University is \$3,502,000 and will be realized over a period of 21 years as a reduction of interest expense. As a result of the refunding, \$2,818,000 has been recorded as a deferred loss on refunding recorded within accrued liabilities on the Statement of Net Assets and will be amortized from 2010 through 2030. The deferred loss on refunding reflects the difference between the refunding reacquisition price for the respective portion of Series 2009C and the net carrying amount of the outstanding principal balances of the refunded debt issues.

Collateralization and Debt Reserves

The general receipts bonds and general receipts bond anticipation notes are collateralized by a pledge of general receipts of the University. The Capital Lease Obligations and Capital Leases (Stetson and Turner) are secured by base rent payments under the leases. The gross cost of assets under Capital Lease Obligations is \$183,493,000. Payment of base rents is subordinate to debt service payments on the University's general receipt bonds and bond anticipation notes. The capital leases related to equipment is collateralized by the specified equipment. At June 30, 2010, the required debt service reserve amounted to approximately \$3,972,000. As provided for in the Amended and Restated Trust Agreement, this reserve is solely for the payment of debt service charges on the pre-amended bonds, with the exception that excess amounts may be transferred pursuant to Section 4.03 of the Amended and Restated Trust Agreement.

Debt Service Commitments

For bonds and notes payable at June 30, 2010, scheduled annual debt service payments subsequent to June 30, 2010 are as follows (*in thousands*):

Fiscal Year	Principal	Interest	Total
2011	\$111,565 *	\$39,279	\$150,844
2012	33,320	36,629	69,949
2013	36,930	35,240	72,170
2014	38,020	33,581	71,601
2015	40,725	31,848	72,573
2016-2020	226,710	128,639	355,349
2021-2025	215,795	72,796	288,591
2026-2030	145,670	27,215	172,885
2031-2034	<u>50,220</u>	<u>2,428</u>	<u>52,648</u>
Total	<u>\$898,955</u>	<u>\$407,655</u>	<u>\$1,306,610</u>

* Fiscal year 2011 principal includes \$80,250,000 of BANS that are outstanding as of June 30, 2010. These BANS are expected to be retired, renewed or refunded into long term debt.

The University has \$29.6 million of variable rate bonds; all which interest is reset weekly based on the market, with a maximum rate of 12% per year. The interest rate used to determine future interest payments in the debt service repayment table above is the rate in effect at June 30, 2010: .44% for both Series 2008B and Series 2008F.

The University's \$24,075,000 LIBOR swap which became effective May 1, 2009 is currently attached to Series 2010A BANS (\$23,900,000, issued at an interest rate of 1.5%). Principal and associated interest for this BAN series is reflected within FY10 in the debt service table; the swap payment associated with the LIBOR swap is not reflected in the table.

Scheduled principal and interest payments on capital leases subsequent to June 30, 2010 are *(in thousands)*:

Fiscal Year	Principal	Interest	Total
2011	\$8,541	\$7,259	\$15,800
2012	8,056	6,808	14,864
2013	7,302	6,453	13,755
2014	7,811	6,084	13,895
2015	7,771	5,703	13,474
2016-2020	36,489	22,772	59,261
2021-2025	37,880	13,380	51,260
2026-2030	21,475	5,304	26,779
2031-2033	<u>9,475</u>	<u>963</u>	<u>10,438</u>
Total	<u>\$144,800</u>	<u>\$74,726</u>	<u>\$219,526</u>

Defeased Debt

Debt defeased by the University for which amounts remain outstanding at June 30, 2010, is *(in thousands)*:

Bond Series	Maturity Dates	Interest Rate(s)	Amount Outstanding
General Receipts Bonds:			
Series 2001A	2015-2019	5.75%	\$29,245
Series 2001A	2022-2024	5.25%	24,030
Series 2002F	2016-2020	5.375%	<u>13,010</u>
Total			<u>\$ 66,285</u>

Neither the outstanding indebtedness nor the related trust accounts are reflected in the accompanying financial statements for the fully defeased bonds listed above. United States Treasury obligations in an amount sufficient to pay principal and interest on the defeased obligations, when due, have been deposited with a trustee in accordance with the defeasance of the debt.

Other

Interest expense incurred on indebtedness for the years ended June 30, 2010 and 2009, is \$46,310,000 and \$44,783,000, respectively. In 2010, interest expense on construction-related debt of \$1,884,000, net of \$768,000 interest earned on invested funds, was capitalized. In 2009, interest expense on construction-related debt of \$2,620,000, net of \$1,191,000 interest earned on invested funds, was capitalized.

On June 25, 2010, the University entered into a Contract of Purchase for the purchase by the underwriter and sale by the University, of the Series 2010B and Series 2010C General Receipt Bonds. These bonds were traded by the underwriter on that same day. The Series 2010B and Series 2010C issues were comprised of new debt in the amount of \$96,205,000 and refunding of existing debt in the amount of \$2,210,000. These bonds closed (settled) July 2010. As a result of the bond trade occurring in June 2010, the University reported a noncurrent receivable and noncurrent liability on the Statement of Net Assets of \$96,205,000 (See also Note 18).

Long-Term Liabilities

Long-term liabilities as of June 30, 2010 and 2009 are as follows (*in thousands*):

	Year Ended June 30, 2010					
	Balance July 1, 2009	Additions	Reductions	Balance June 30, 2010	Current Portion	Noncurrent Portion
Bonds, notes and capital leases:						
Bonds and notes payable	\$928,915	\$287,940	\$221,695	\$995,160	\$111,565	\$883,595
Capital lease-equipment	7,850	-	1,505	6,345	1,391	4,954
Capital lease obligations	146,220	-	7,765	138,455	7,150	131,305
Premium net of unamortized costs and loss on refunding	<u>7,659</u>	<u>13,641</u>	<u>7,619</u>	<u>13,681</u>	<u>1,701</u>	<u>11,980</u>
Total bonds, notes and capital leases	<u>1,090,644</u>	<u>301,581</u>	<u>238,584</u>	<u>1,153,641</u>	<u>121,807</u>	<u>1,031,834</u>
Other long-term liabilities:						
Compensated absences	63,704	8,372	13,427	58,649	36,632	22,017
Refundable advances, federal loans	25,152	34	398	24,788	-	24,788
Other Liability	481	-	481	-	-	-
Deposits held in trust for others	<u>4,535</u>	<u>73,238</u>	<u>72,349</u>	<u>5,424</u>	<u>-</u>	<u>5,424</u>
Total other long-term liabilities	<u>93,872</u>	<u>81,644</u>	<u>86,655</u>	<u>88,861</u>	<u>36,632</u>	<u>52,229</u>
Total	<u>\$1,184,516</u>	<u>\$383,225</u>	<u>\$325,239</u>	<u>\$1,242,502</u>	<u>\$158,439</u>	<u>\$1,084,063</u>

	Year Ended June 30, 2009					
	Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009	Current Portion	Noncurrent Portion
Bonds, notes and capital leases:						
Bonds and notes payable	\$923,680	\$196,025	\$190,790	\$928,915	\$106,985	\$821,930
Loans payable-equipment	5,068	4,071	1,289	7,850	1,504	6,346
Capital lease obligations	153,725	-	7,505	146,220	7,765	138,455
Premium net of unamortized costs and loss on refunding	<u>8,547</u>	<u>2,790</u>	<u>3,678</u>	<u>7,659</u>	<u>1,059</u>	<u>6,600</u>
Total bonds, notes and capital leases	<u>1,091,020</u>	<u>202,886</u>	<u>203,262</u>	<u>1,090,644</u>	<u>117,313</u>	<u>973,331</u>
Other long-term liabilities:						
Compensated absences	62,864	4,343	3,503	63,704	34,982	28,722
Refundable advances, federal loans	26,276	37	1,161	25,152	-	25,152
Other Liability	943	-	462	481	481	-
Deposits held in trust for others	<u>3,228</u>	<u>72,871</u>	<u>71,564</u>	<u>4,535</u>	<u>-</u>	<u>4,535</u>
Total other long-term liabilities	<u>93,311</u>	<u>77,251</u>	<u>76,690</u>	<u>93,872</u>	<u>35,463</u>	<u>58,409</u>
Total	<u>\$1,184,331</u>	<u>\$280,137</u>	<u>\$279,952</u>	<u>\$1,184,516</u>	<u>\$152,776</u>	<u>\$1,031,740</u>

7. State Support

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

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

8. Retirement Plans and Other Post Employment Benefits

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). Certified teachers appointed on or after July 1, 1977, are covered by the State Teachers Retirement System (STRS). Non-certified employees appointed on or after that date are covered by the Ohio Public Employees Retirement System (OPERS). Both STRS and OPERS are statewide systems that offer three separate plans: (1) a defined benefit plan, (2) a defined contribution plan, and (3) a combined plan. Each of the three options is discussed in greater detail in the following sections.

Defined Benefit Plans

The OPERS, STRS and CRS plans are cost-sharing, multiple-employer, defined-benefit, public-employee retirement systems. Each provides retirement, disability, and survivor 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 43215-4642, Telephone (800) 222-7377; State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, Telephone (888) 227-7877; and City of Cincinnati Retirement System, 801 Plum Street, Cincinnati, Ohio 45202, Telephone (513) 352-3227.

The Ohio Revised Code and the Cincinnati Municipal Code provide OPERS, STRS, and CRS statutory authority, respectively, over employer and employee contributions. The required actuarially determined contribution rates (as a percentage of covered payroll) for the employee and the University are as follows for the year ending June 30, 2010:

	OPERS (staff)	OPERS (Law Enforcement staff)	STRS	CRS
<u>Employee:</u>				
All year	10%		10%	7%
7/09 – 12/09		10.10%		
1/10 – 6/10		11.10%		
<u>University:</u>				
All year	14%		14%	17%
7/09 – 12/09		17.63%		
1/10 – 6/10		17.87%		

The portion of the University's contribution above applied toward health care funding is 5% for OPERS and 1% for STRS.

The University's contributions, representing 100% of employer contributions for the year ended June 30, 2010, and for each of the two preceding years are as follows (in thousands):

<u>Fiscal Year</u>	<u>OPERS</u>	<u>STRS</u>	<u>CRS</u>
2008	\$20,155	\$15,417	\$278
2009	\$20,904	\$16,733	\$162
2010	\$20,543	\$17,334	\$118

OPERS and STRS provide postretirement and postemployment health care benefits in addition to the retirement benefits described above. OPERS Other Postemployment 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, 2008. The individual entry age actuarial cost method of valuation is used in determining the present value of OPEB. 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 actuarial 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 not to exceed a 12% corridor. The actuaries' assumptions were as follows: investment return, 6.5%; annual wage increase (compounded annually), 4%; and health care costs, 4%. Annual pay increases over and above the 4% base increase, were assumed to range from 0.5% to 6.3%. At December 31, 2008, the actuarial funding value of the Retirement System's net assets available for OPEB was \$10.7 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$29.6 billion and \$18.9 billion, respectively. There are 356,388 active contributing participants as of December 31, 2008. Of the \$20,543,000 University employer contributions to OPERS for 2010, \$7,337,000 was to fund OPEB.

STRS has discretionary authority, pursuant to the Ohio 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 Stabilization Fund was \$2.7 billion at June 30, 2009 (the latest information available). For the year ended June 30, 2009, the net health-care costs paid by STRS were \$298,110,000. There were 129,659 eligible benefit recipients.

In addition to the pension benefits described above, the University provides postretirement health-care and dental benefits (under its labor agreement with the American Association of University Professors) to all who are participants of TIAA-CREF when they retire. During 2010, 2009, and 2008, the net cost of these benefits recorded on a pay-as-you-go basis totaled approximately \$2,922,000, \$3,148,000, and \$3,010,000, respectively.

Defined Contribution Plans

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, which allows the participant to manage the investment of all retirement funds. New employees who qualify for the ARP have 120 days from the date of hire to elect the ARP option. Once this window has passed, the employee will not have the option to elect into the ARP.

At June 30, 2010, there were 1,877 members of the plan. During 2010, 2009, and 2008, the employer contributions were \$14,221,000, \$13,956,000, and \$13,730,000, respectively. The employer contribution rate for participants (other than law enforcement) electing out of OPERS and STRS was 14% for 2010. For law enforcement staff the employer contribution was 17.63% for the period July 2009 to December 2009 and 17.87% for the period January 2010 to June 2010.

Combined Plans

STRS offers a combined plan with features of both a defined contribution plan and a defined benefit plan. In the combined plan, employee contributions are invested in self-directed investments, and the employer contribution is used to fund a reduced defined benefit. Employees electing the combined plan receive postretirement health care benefits.

OPERS also offers a combined plan. This is a cost-sharing, multiple-employer defined benefit plan that has elements of both a defined benefit and defined contribution plan. In the combined plan, employee contributions are invested in self directed investments, and the employer contribution is used to fund a reduced defined benefit. Employees electing the combined plan receive postretirement health care benefits. OPERS provides retirement, disability, survivor and postretirement health benefits to qualifying members of the combined plan.

9. Restricted Net Assets

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

	<u>2010</u>	<u>2009</u>
Restricted nonexpendable:		
Instruction	\$ 122,398	\$ 114,069
Research	80,584	76,759
Academic support	38,098	36,640
College/programs	248,720	236,225
Scholarships	107,649	100,259
Equity interest in Alliance	336,144	351,632
Other	<u>60,476</u>	<u>55,846</u>
Total	<u>\$ 994,069</u>	<u>\$ 971,430</u>

	<u>2010</u>	<u>2009</u>
Restricted expendable:		
Instruction	\$ 30,090	\$ 27,447
Research	89,545	88,684
Academic support	23,708	24,144
College/programs	107,737	114,611
Scholarships	38,975	38,072
Student loans	9,520	9,291
Grants and contracts	1,510	4,018
Capital projects	21,501	17,544
Other	<u>4,483</u>	<u>2,535</u>
Total	<u>\$ 327,069</u>	<u>\$ 326,346</u>

10. Unrestricted Net Assets

Unrestricted net assets are not subject to externally imposed stipulations; however, they are subject to internal designations imposed by action of management or the Board of Trustees, or may otherwise be limited by contractual agreements with outside parties.

11. Investment in Health Alliance

Since January 1, 1995, the operation of University Hospital ("University Hospital") has been managed by The Health Alliance of Greater Cincinnati (the "Health Alliance") and its health care activities have been coordinated with those of the other members of the Health Alliance. The Health Alliance was formed to provide the greater Cincinnati community with high quality, cost-effective, and accessible health care through an integrated delivery system. The Health Alliance is an Ohio non-profit corporation qualified as a tax-exempt organization under §501(c)(3) of the Internal Revenue Code. The "Participating Entities" in the Health Alliance, who were parties to the Joint Operating Agreement (the "Agreement") establishing the Health Alliance, included the University (for University Hospital) and certain other hospitals in the Cincinnati

area. Between 2008 and mid-2010, each of the Participating Entities other than the University terminated their participation in the Health Alliance and are no longer Participating Entities. Effective March 1, 2010 a financial settlement agreement was finalized with Jewish Health System, Inc. and Fort Hamilton Holding Company, LLC to terminate their participation in the Health Alliance. Accordingly, the University is the sole remaining Participating Entity in the Health Alliance.

The University's investment in the Health Alliance is included as an investment on the University's Statement of Net Assets. As of June 30, 2010 the investment in the Health Alliance amounted to \$336 million, representing 100% of the Health Alliance's total net assets. The University's investment in the Health Alliance as of June 30, 2009 was \$352 million which was calculated on a 49.5% share of the Health Alliance. The investment in the Health Alliance is not included in the market value of the University's total endowment.

Additionally, the Health Alliance provides the University an annual education and research payment and programmatic support that must be used exclusively for Academic Health Center purposes. The total of these payments and support for the years ended June 30, 2010 and 2009 were \$9,103,000 and \$9,283,000, respectively. The University also provides various shared services, consisting mainly of utilities, security and various administrative services to the Health Alliance for which the University is reimbursed on a cost basis. The total cost of these services for the years ended June 30, 2010 and 2009 were approximately \$18,149,000 and \$17,242,000, respectively.

Subsequent to June 30, 2010, the Health Alliance has continued the process of changing its name and restructuring as UC Health, Inc., an Ohio nonprofit corporation (See Note 18, Subsequent Events).

12. Capital Project Commitments

At June 30, 2010, the University is committed to future capital expenditures as follows (*in thousands*):

Contractual commitments	\$ 42,330
Estimated completion costs of projects	<u>292,651</u>
Total	<u>\$334,981</u>

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

Approved state appropriations requested and released as of June 30, 2010	\$ 21,609
Approved state appropriations not yet requested	14,739
University funded prior to June 30, 2010	86,154
Funds to be provided subsequent to June 30, 2010, from various available sources	<u>212,479</u>
Total	<u>\$334,981</u>

The \$212,479,000 of funding to be provided subsequent to June 30, 2010 will come from state funds, debt, and University funds.

13. Self-Insurance Funds

The University currently provides for medical professional and general liability insurance through a combination of an actuarially funded self-insurance program sponsored by the University and has purchased commercial insurance in excess of the self-insurance amount. The medical professional liability insurance program also includes several qualified not-for-profit departmental (physician) practice corporations. Medical professional self-insurance limits were \$4 million per occurrence for 2010. An additional \$15 million in commercial excess professional liability insurance was provided above the self-insured retention.

General liability coverage is also provided as part of a group insurance program of Ohio state universities known as the Inter-University Council of Ohio Insurance Consortium (IUC-IC). This program provided for \$1

million retention per occurrence with the first \$100,000 funded by UC, and the remaining \$900,000 funded by pool funds held through the IUC. Excess commercial coverage for general liability was provided with total limits of \$50 million, of which \$45 million was shared with the other participating universities. In addition, educators' legal liability coverage was provided through the IUC program with \$25 million in total limits, of which \$20 million was shared among the participating institutions. The IUC-IC self-insurance pools are funded by an agreed formula among the participating universities.

The University's self-insurance program is based on calculations by independent actuaries and funds are deposited directly into two irrevocable self-insurance trust funds, one for medical and professional liability and one for general liability. In the opinion of management, trust assets totaling approximately \$32,648,000 are adequate to cover estimated liabilities resulting from known claims and incidents and incurred-but-not-reported incidents as of June 30, 2010.

Property insurance is also provided through the IUC-IC program, consisting of commercial property insurance with a \$350,000 retention, and a self-insurance pool to fund losses between \$100,000 and \$350,000.

The University is also self-insured for a portion of medical, dental, and pharmacy benefits provided to employees. The cost of such self-insured benefits provided during 2010 and 2009, respectively, was approximately \$70,064,000 and \$67,062,000. In addition, \$5,285,000 and \$4,666,000 was accrued for 2010 and 2009, respectively, for estimated claims incurred but not reported.

14. Other Commitments and Contingencies

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

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

In 2005 the Department of Education conducted a program audit of certain aspects of the University's Student Financial Aid Program. As a result of various findings of the Department of Education, the University has estimated and recorded a liability to the Department of Education approximating \$13,900,000.

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

15. University of Cincinnati Foundation

The University of Cincinnati Foundation is a legally separate, tax-exempt component unit of the University. The principal function of the Foundation is to solicit, reserve, hold, invest and administer funds and to make distributions to or for the benefit of the University. Since these resources held by the Foundation can be used only by or for the benefit of the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

Accounts of the Foundation have been presented in the accompanying financial statements in accordance with generally accepted accounting principles for not-for-profit organizations. Pledges receivable for the benefit of the University totaling \$15,411,000 in 2010 and \$9,231,000 in 2009, and funds held in trust by the Foundation for the University of \$189,750,000 in 2010 and \$177,404,000 in 2009, have been recorded by the University and have, therefore, been eliminated from the amounts reported for the Foundation as of June 30, 2010 and 2009. Of these amounts, \$172,876,000 and \$158,411,000 have been invested as of June 30, 2010 and 2009, respectively, in the University endowment investment pool.

Cash & Cash Equivalents

The carrying amount of the Foundation's cash and cash equivalents is \$8,967,000 as compared to bank balances of \$11,693,000. The difference between the carrying amounts and the bank balances is caused primarily by deposits in transit and outstanding checks.

Of the Foundation's bank balances, \$65,000 is covered by federal depository insurance, \$5,942,000 is uninsured and money market funds account for \$5,685,000 in cash equivalents.

Investments

The fair value of investments at June 30 is *(in thousands)*:

	<u>2010</u>	<u>2009</u>
U.S. government and treasury securities	\$ 572	\$ 68
Corporate bonds	1,888	4,628
Mutual funds	11,391	7,870
Other securities	<u>1,334</u>	<u>930</u>
Total investments	<u>\$15,185</u>	<u>\$13,496</u>

GASB standards require government entities to categorize investments of interest rate risk, credit risk, and custodial risk.

Interest Rate Risk

The Foundation's investments total \$15,185,000 and \$13,496,000 as of June 30, 2010 and 2009 respectively. The segmented time distribution method is used to portray interest rate risk for \$7,389,000 and \$9,548,000 of bond and other fixed income investments as of June 30, 2010 and 2009, respectively. Investments for the years ended June 30, 2010 and 2009 are summarized as follows (in thousands):

Investment Type	<u>Investment Maturities (In Years) 2010</u>				
	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>More than 10</u>
U.S. Treasury Obligations	\$ 559	\$ 534	\$ 25	\$ -	\$ -
U.S. Government Agency Obligations	13	-	13	-	-
Municipal Obligations	40	-	-	-	40
Corporate Bonds	1,888	1,728	64	96	-
Bond Mutual Funds	<u>4,889</u>	<u>-</u>	<u>119</u>	<u>4,677</u>	<u>93</u>
Total Investments	<u>\$ 7,389</u>	<u>\$ 2,262</u>	<u>\$ 221</u>	<u>\$ 4,773</u>	<u>\$ 133</u>

Investment Type	<u>Investment Maturities (In Years) 2009</u>				
	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>More than 10</u>
U.S. Treasury Obligations	\$ 52	\$ 10	\$ 42	\$ -	\$ -
U.S. Government Agency Obligations	16	-	16	-	-
Municipal Obligations	38	-	-	-	38
Corporate Bonds	4,628	4,484	139	5	-
Bond Mutual Funds	<u>4,814</u>	<u>-</u>	<u>3,458</u>	<u>146</u>	<u>1,210</u>
Total Investments	<u>\$ 9,548</u>	<u>\$ 4,494</u>	<u>\$ 3,655</u>	<u>\$ 151</u>	<u>\$ 1,248</u>

The Foundation does not have a policy for interest rate risk.

Credit Risk

Bond and other fixed income investments are rated by nationally recognized rating organizations as follows, as of June 30 (in thousands):

	<u>2010</u>	<u>2009</u>
U.S. Treasury Obligations	\$ 559	\$ 52
AAA	13	3,033
AA	1,499	5,796
A	1,025	100
BBB	1,242	407
BB	6	-
B	2,913	-
Not Rated	<u>132</u>	<u>160</u>
Total	<u>\$ 7,389</u>	<u>\$ 9,548</u>

Foundation investment grade bonds are limited to those in the first four grades of any rating system. The average rating of the portfolio of investment grade bonds must be in the top two grades of any rating system. Limited investments having strategic value to the University are permitted.

Custodial Credit Risk

Of the Foundation's \$15,185,000 total investments, approximately \$14,050,000 are uninsured, not registered in the name of the Foundation, and are held in trust departments or assets in the Foundation's name and are thus not exposed to custodial credit risk. The Foundation does not have a policy for custodial credit risk.

Endowment Investments

These funds represent separately invested endowments and split interest trusts where the Foundation is the remainderman.

Pledges Receivable

Contributors to the Foundation have made unconditional pledges totaling \$66,103,000 and \$68,887,000 as of June 30, 2010 and 2009, respectively. These pledges receivable have been discounted at a rate ranging from 2.3% to 6% to a net present value of \$51,593,000 and \$53,973,000 as of June 30, 2010 and 2009, respectively, which represents fair market value. As of June 30, these pledges are due as follows (*in thousands*):

	<u>2010</u>	<u>2009</u>
Less than one year	\$22,126	\$17,408
One to five years	12,619	21,710
More than five years	<u>16,848</u>	<u>14,855</u>
Subtotal	51,593	53,973
Less allowance for uncollectibles pledges	<u>2,589</u>	<u>2,417</u>
Total	<u>\$49,004</u>	<u>\$51,556</u>

Separate financial information regarding the Foundation may be obtained by contacting the Foundation at University of Cincinnati Foundation, University Hall, Suite 100, 51 Goodman Drive, Cincinnati, Ohio 45221-0064.

16. University of Cincinnati Physicians, Inc.

The University of Cincinnati Physicians, Inc. (UCP) is a legally separate nonprofit corporation formed under Chapter 1702 of the Ohio Revised Code through which the faculty of the University of Cincinnati's College of Medicine engage in clinical practice. During 2010, UCP amended and restated its Code of Regulations

including changes in governance structure. As a result, UCP's relationship with the University was analyzed for component unit status. It was determined that UCP should be included as a component unit effective July 1, 2009 due to multiple factors including the University appointing a majority of the Board of Directors along with the financial benefit/burden of the relationship.

These benefits provided by UCP to the University include \$1,858,000 paid in practice plan reimbursements during 2010. UCP also paid \$11,334,000 in practice plan contributions to the College of Medicine Enrichment Fund which may be used at the discretion of the Dean of the College of Medicine for the growth and development of teaching, research and service programs for the general benefit of the University's Academic Health Center.

Accounts of UCP have been presented in the accompanying financial statements in accordance with generally accepted accounting principles for not-for-profit organizations. The inclusion of UCP as a component unit for fiscal year 2010 resulted in a Change in University Related Organizations- beginning of the year of \$73,128,000 presented on the Statement of Revenues, Expenses and Changes in Net Assets.

Financial Position and Operating Results

The carrying amount of UCP's cash and cash equivalents is \$9,699,000 compared to bank balances of \$9,271,000. The difference between the carrying amounts and the bank balances is caused primarily by deposits in transit and outstanding checks.

The fair value of UCP investments at June 30, 2010 is \$58,237,000. UCP's investments consist of \$1,131,000 of common stocks and \$57,106,000 of pooled funds held at the Medical Center Fund of Cincinnati, Inc. The pooled funds are 54% common stocks, 22% corporate debt securities, 17% money market funds, 6% government debt securities and 1% cash.

Operating income is derived primarily from providing clinical patient care services and totals \$18,776,000 for 2010. The overall change in net assets is \$13,967,000.

17. University Heights Community Urban Redevelopment Corporation

University Heights Community Urban Redevelopment Corporation (UHCURC) is organized as a not-for-profit corporation under the laws of the state of Ohio. Its mission is to revitalize the University Heights neighborhood adjacent to the University of Cincinnati. UHCURC was organized by three founding members: The Heights Community Council, the Greek Affairs Council and the University of Cincinnati.

Stratford Heights, owned by UHCURC, is a student housing complex opened in the fall of 2005 and consists of 20 buildings with a capacity to house approximately 700 students. Pursuant to a Master Use Agreement between the University and UHCURC, certain events occurred in fiscal year 2009 that triggered the commencement of a lease agreement which required the University to lease the property from UHCURC effective September 1, 2009 and assume management of the facility. As a result, Stratford Heights is reported as an auxiliary by the University. The total lease payments paid to UHCURC were \$2,035,000 for 2010.

During fiscal year 2010, the structure of UHCURC's Board of Trustees was changed giving the University a voting majority on the board. Due to this governance change and the fact that the University can impose its will on the organization, UHCURC will be reported as a blended component unit of the University in fiscal year 2011 (see below).

UHCURC's fiscal year-end is August 31. Since the lease agreement and board authority changes were not effective until September 1, 2009, the first fiscal period eligible to be included in the University's financial statements is August 31, 2010. It has been determined for timing and practical reasons that UHCURC's August 31, 2010 information will be included in the University's fiscal year 2011 financial statements. Therefore, UHCURC is not included as a component unit of the University as of June 30, 2010. As of August 31, 2010, UHCURC's capital assets were approximately \$56,000,000 net of depreciation and secured with Hamilton County bonds of approximately \$51,960,000. Additionally, UHCURC has a note payable to the University for \$16,998,000 which is reported as an investment on the University's financial statement as of June 30, 2010.

18. Subsequent Events

The University issued four debt series subsequent to June 30, 2010. They are summarized as follows:

- \$3,460,000 in Series 2010B general receipt bonds; \$2,120,000 to refinance fixed rate debt for the purpose of reducing future debt service and \$1,340,000 to finance capital projects. These bonds were issued at an all-in true interest cost of 2.11%; the final bond maturity is June 1, 2015. The \$1,340,000 of bonds to finance capital projects represents new debt that was traded but not settled as of June 30, 2010 and therefore, is reported on the Statement of Net Assets as a noncurrent receivable and noncurrent liability (see Note 6).
- \$94,865,000 in Series 2010C general receipt Federally Taxable Build America Bonds to finance capital projects. These bonds were issued at an all-in true interest cost of 6.34%; all-in true interest of 4.20% with the federal subsidy; the final bond maturity is June 1, 2039. These bonds represent new debt that was traded but not settled as of June 30, 2010 and therefore, is reported on the Statement of Net Assets as a noncurrent receivable and noncurrent liability (see Note 6).
- \$19,610,000 in Series 2010D general receipt bond anticipation notes (BANS) to refinance a portion of Series 2009B BANS. These BANS mature on December 16, 2010.
- \$10,490,000 in Series 2010E general receipt BANS to refinance the remaining portion of Series 2009B BANS. These BANS mature on July 21, 2011.

Subsequent to June 30, 2010, University Height Community Urban Redevelopment Corporation through a Hamilton County debt issuance, borrowed \$52 million to refund the Series 2004 Adjustable Rate Student Housing Revenue Bonds issued to fund the Stratford Heights housing project. Series 2010 Bonds were issued on July 29, 2010; funds from the issuance were used to call the Series 2004 bonds and to fund the termination of the related swap agreement. Additionally, a new Master Lease Agreement effective July 29, 2010, requires the University to pay base rent in amounts and at the times sufficient to pay any principal of, or interest on the Series 2010 Bonds.

Subsequent to June 30, 2010, the Health Alliance of Greater Cincinnati has continued the process of changing its name and restructuring as UC Health, Inc. to reflect both the departure of all of the other remaining participating entities and its new, closer affiliation with the University's College of Medicine. Notwithstanding this closer affiliation, the understanding of all of the parties has always been that the reorganized entity, as renamed and restructured, will continue to be a private corporation and that it will not be a component unit of the University. The legal and governance structure for UC Health that has been approved in principal by the Health Alliance Board was formulated so as to achieve both of these results. Additionally, the University believes that there will be no adverse impact on its investment in UC Health, Inc. when the reorganization takes effect.

University of Cincinnati

Office of Management and Budget
Circular A-133 Reports for the
Year Ended June 30, 2010

BOARD OF TRUSTEES

Trustee		Term Expires
H. C. Buck Niehoff		2011
Sandra W. Heimann	Chairperson	2012
Gary Heiman		2013
Margaret E. Buchanan		2014
C. Francis Barrett	Vice Chairperson	2015
Thomas H. Humes	Secretary	2016
Robert E. Richardson, Jr.		2017
Stanley M. Chesley		2018
Thomas D. Cassady		2019
Student Trustees		
Portia L. Watkins, Graduate Student		2012
Kyle M. Quinn, Undergraduate Student		2011

PRESIDENT'S CABINET

Gregory H. Williams	President
Robert F. Ambach	Senior Vice President for Administration and Finance
Santa J. Ono	Senior Vice President for Academic Affairs and Provost
James D. Plummer	Vice President for Finance
Gregory J. Vehr	Vice President for Governmental Relations and University Communications
Andrew Filak	Interim Vice President for Health Affairs and Dean of the College of Medicine
Michael A. Lieberman	Interim Vice President for information Technology and CIO
Sandra Degen	Vice President for Research
Mitchel D. Livingston	Vice President for Student Affairs and Chief Diversity Officer
Michael W. Carroll	Vice President for Development and Alumni Relations
Mitchell D. McCrate	General Counsel
Greg Hand	Assoc. Vice President for Governmental Relations and University Communications
Michael J. Thomas	Director of Athletics
Lawrence J. Johnson	Chair, Council of Deans
Richard Harknett	Chair, Faculty and Faculty Senate
Fred Reynolds	Executive Vice President, President's Office
Alexis Ignatiou	President, Graduate Student Governance Association
Drew Smith	President, Undergraduate Student Government Association

UNIVERSITY OF CINCINNATI

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
the University of Cincinnati:

We have audited the accompanying statements of net assets of the University of Cincinnati (the "University"), a component unit of the State of Ohio, as of June 30, 2010 and 2009 and the related statements of revenues, expenses and changes in net assets and of cash flows for the years then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the University of Cincinnati Foundation or the University of Cincinnati Physicians, Inc., discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the University of Cincinnati Foundation and the University of Cincinnati Physicians, Inc. is based solely on the reports of such other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 University'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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of the other auditors, such financial statements present fairly, in all material respects, the financial position of the University as of June 30, 2010 and 2009, and the results of its operations and its cash flows (where applicable) for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the financial statements include investments valued at \$266 million (16% of net assets) and \$278 million (17% of net assets) as of June 30, 2010 and 2009, respectively, whose fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers or the general partners.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of the University. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Management's Discussion and Analysis on pages 3-14 is not a required part of the basic financial statements but are supplementary information required by Governmental Accounting Standards Board. The supplementary information is the responsibility of the University's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2010, on our consideration of the University'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 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.

Deloitte & Touche LLP

October 13, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

The following discussion and analysis provides an overview of the financial position and activities of the University of Cincinnati (the "University") for the year ended June 30, 2010, with comparative information for the years ended June 30, 2009 and 2008. Comments relate only to the University and do not pertain to either the University of Cincinnati Foundation or UC Physicians, Inc. (UCP), component units of the University. UCP is a legally separate nonprofit corporation through which the faculty of the University of Cincinnati's College of Medicine engage in clinical practice. During 2010, UCP amended and restated its Code of Regulations including changes in governance structure. Per GASB standards, these changes resulted in the University accounting for UCP as a component unit effective July 1, 2009 (see Note 16 for further information). Component unit financial results are included in the accompanying financial statements in a discrete columnar format and included in the notes to the financial statements. This overview has been prepared by management and should be read in conjunction with the financial statements and the notes that follow this section.

The University was founded in 1819 and was city owned until becoming a state university in 1977. The University is composed of 13 colleges, including Clermont and Raymond Walters branch campuses plus the Graduate School. The University has been designated by the Ohio Board of Regents as one of only two comprehensive graduate public universities in the state. Enrollment for autumn quarter 2009 totaled 39,667 students, an increase of 2,595 students from 37,072 students in autumn quarter 2008. The University employs approximately 2,600 full-time faculty and 3,200 part-time faculty. In total, there are more than 16,000 people employed by the University, making it one of the largest employers in the Cincinnati region with an economic impact of more than \$3 billion.

The University and its Board of Trustees are declared by statute to be a public body performing essential governmental functions serving public purposes and an instrumentality of the State of Ohio. The Board of Trustees is comprised of nine members appointed by the Governor of Ohio for overlapping terms of nine years. The Board also includes two non-voting student trustees.

FINANCIAL HIGHLIGHTS

Fiscal responsibility is a core value of the University that is exemplified by the focus to increase revenue, control expenses, and abide by financial policies that identify appropriate funding levels for operating cash, repayment of existing overdrafted funds, and the utilization of funds requirements.

In addition to the positive impact the financial policies have had on the University's financial performance, there have been notable other factors that have contributed to a successful year despite the difficult economic conditions. Successes include increases in student tuition and fee income as a result of increased enrollment and limited increases in tuition (excluding in-state undergraduate tuition) and fees, increased revenues related to auxiliary enterprises, effective cost containment initiatives, and implementation of performance-based budgeting. Notable improvements are evidenced below:

- 1) Cash, cash equivalents, and investments (current and noncurrent), excluding endowment investments and other long-term investments, increased by \$52 million for 2010 and \$57 million for 2009 reflecting a positive trend in liquidity improvement.
- 2) Despite globally challenging economic conditions, the University maintained its bond rating of A+ from Standard & Poor's. Although Moody's rating scale changed during the year, the University maintained the same relative rating.
- 3) As a result of improved operations and a continued focus on fiscal responsibility, unrestricted net assets increased by \$54 million in 2010 and \$64 million in 2009.
- 4) Operating revenues continue to increase. In 2010, 2009, and 2008, operating revenues totaled \$665 million, \$616 million, and \$599 million, respectively; reflecting an increase of \$49 million in 2010 and an increase of \$17 million in 2009.
- 5) Prudent fiscal management at all levels within the University has allowed the University to control operating expenses. During 2010 and 2009, operating expenses increased minimally by \$25 million (2.6%) and \$11 million (1.2%), respectively, as a result of enrollment growth.

USING THE FINANCIAL STATEMENTS

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

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

These financial statements are prepared in accordance with accounting and financial reporting standards issued by the Governmental Accounting Standards Board. These standards apply to external financial reporting by state and local governments, including public universities. The standards require that financial statements focus on the University as a whole, with resources classified for accounting and reporting purposes into four net asset categories.

This discussion and analysis does not include specific narrative on the Statement of Cash Flows. Major sources and uses of cash by the institution for the fiscal year are addressed elsewhere in the Management's Discussion and Analysis including investments, capital assets, debt, revenues, and expenses.

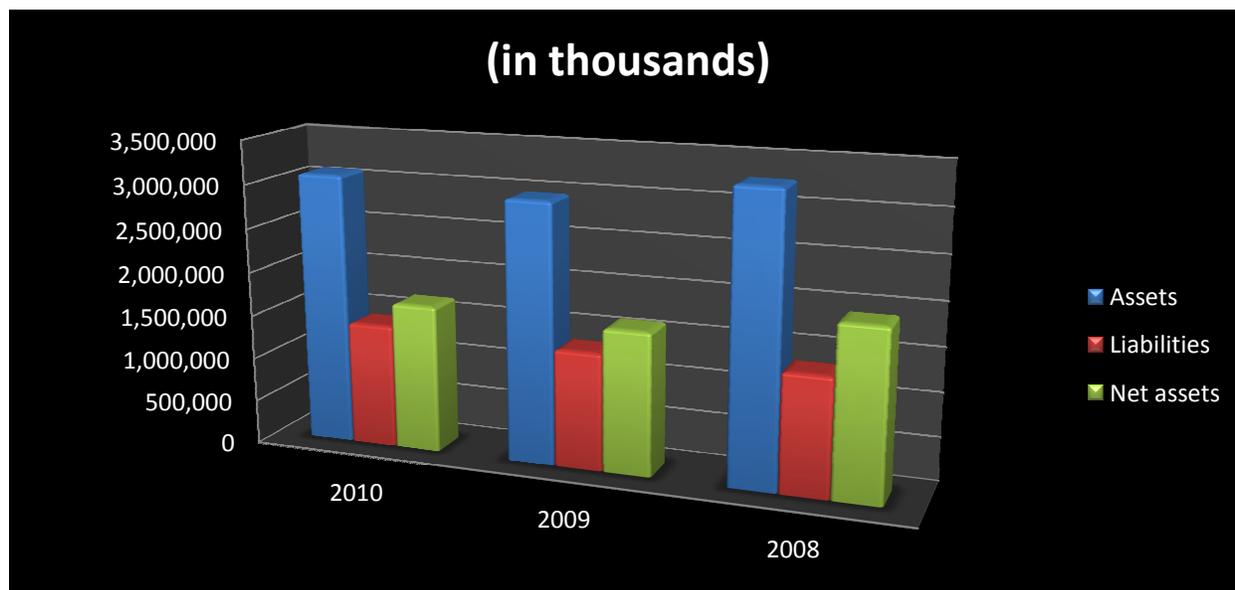
STATEMENT OF NET ASSETS

The **Statement of Net Assets** reflect the total assets, liabilities, and net assets (equity) of the University as of June 30, 2010, with comparative information as of June 30, 2009. Liabilities due within one year and assets available to pay those liabilities are classified as current. Other assets and liabilities are classified as noncurrent. Investment assets are carried at fair value. Capital assets are separated into two lines on the statement: those assets that are depreciated and those that are not depreciated. Items that are depreciated include buildings, equipment, infrastructure, land improvements, and library books. Items that are not depreciated include land, construction in progress, and art & rare book collections. There is no requirement to fund the accumulated depreciation. Instead, capital assets are largely funded by state capital appropriations, issuance of debt, and by major gifts. A summary of the University's assets, liabilities, and net assets at June 30, 2010, 2009, and 2008 follows.

SUMMARY STATEMENT OF NET ASSETS

	(in thousands)	2010	2009	2008
Current assets		\$ 255,744	\$ 259,900	\$ 207,565
Noncurrent assets				
Endowment investments		867,123	815,226	1,095,327
Investments and other assets & long-term investments		445,551	413,164	444,045
Capital assets, net of depreciation		1,383,620	1,424,792	1,469,215
Other		143,710	51,284	53,856
Total assets		3,095,748	2,964,366	3,270,008
Current liabilities		324,664	308,254	259,593
Noncurrent liabilities		1,084,063	1,031,741	1,084,900
Deferred outflow of resources		2,771	0	0
Total liabilities and deferred outflow of resources		1,411,498	1,339,995	1,344,493
Net assets		\$ 1,684,250	\$ 1,624,371	\$ 1,925,515

The following graph illustrates the University's total assets, liabilities, and net assets:



CURRENT ASSETS

Current assets consist primarily of cash and cash equivalents, short-term investments and receivables. Current assets decreased by \$4 million in 2010 and increased by \$52 million in 2009. Increases in current assets for both 2010 and 2009 were a result of revenue over expenses from those years.

NONCURRENT ASSETS

Investments

Investments at June 30, 2010, totaled \$109 million, an increase of \$48 million from June 30, 2009. The increase in investments is a result of improved operating performance. Funds are invested in the University's temporary investment pool and are available to fund operations and construction projects. Investments during 2009 increased from \$54 million to \$61 million, an increase of \$7 million which was also a result of improved operations.

Bond proceeds receivable

The University traded/sold new bonds totaling \$96 million on June 25, 2010 and, accordingly, are reported as bond proceeds receivable and long-term debt at June 30, 2010. Bond issues were settled in July 2010 and are being used to fund construction projects with a majority of the funding to be used for the Medical Sciences Building project, Phases 2-3.

Endowment Investments

According to the National Association of College and University Business Officers - Commonfund Study of Endowments published in January 2010, the value of the University's endowment at June 30, 2009 ranked number seventy-two out of eight hundred and sixty-four participating institutions (top 9%) in the United States and Canada. This is the largest and longest running annual study of higher education endowments.

In 2010, endowment investments increased \$51 million (6.1%) from \$833 million to \$884 million. This is a partial recovery from the significant decline in value that occurred in 2009 and reflects the rebound in global equity markets that commenced over a year ago. During 2009, the endowment decreased \$267 million (23.9%) from \$1.095 billion due mainly to the economic crisis and its negative impact on financial markets

Endowment investments of \$884 million at June 30, 2010 include:

- \$867 million in endowment investments (as reflected on the Statement of Net Assets), and
- \$17 million in cash, accounts/notes receivable, and accrued interest related to Neighborhood Development Corporations loans.

Fund A is the principal investment pool and comprises 73% of the endowment. Excluding the Neighborhood Development Corporations loans, it consists of approximately 47% public equities, 33% public fixed income, and 20% other investments, including private equity, real estate, and hedge funds.

The University manages the endowment to support current operations in a way that generates a predictable stream of support while maintaining the purchasing power of endowment funds adjusted for inflation. The spending policy provides for annual distributions of 5% of the three-year quarterly moving-average market value of assets in the investment pool. During 2007, 2008, and 2009, the annual distribution was temporarily increased to 6%. The annual distribution was restored to 5% in 2010.

Other Assets and Long-term Investments

Other assets and long-term investments primarily represent the University's equity interest in The Health Alliance of Greater Cincinnati, valued at \$336 million and \$352 million at June 30, 2010 and 2009, respectively. The University and the Health Alliance entered into an operating and affiliation agreement in 2006, under which the Alliance provides support to the University's Academic Health Center. Such support totaled \$9 million for both 2010 and 2009 providing a return on asset of 2.7% and 2.6%, respectively. For further discussion of the Health Alliance, please refer to Note 11, Investment in the Health Alliance.

Capital Assets, Net of Depreciation

Since the approval of the University Campus Master Plan (the "Master Plan") in 1991, more than \$1.7 billion in capital projects have been completed. Signature, national, and local architects were selected for the design of major capital projects and the work has been the subject of much press coverage and many awards. In-house University staff typically develop the programs for major projects and design the projects costing less than \$1 million. Numerous new academic and auxiliary facilities have been built in addition to renovation and rehabilitation of many existing facilities. The University's Master Plan transformed the Uptown Campus into a cohesive community that enhances the student experience by providing improved teaching, research, and quality of student life facilities. The dramatically improved campus has attracted new students and supported enrollment growth. Capital dollars are aligned with University and State of Ohio priorities to advance academic priorities; Science, Technology Engineering, Mathematics, and Medicine (STEMM) initiatives; renovations of existing academic space; highest and best use of existing space; and sustainability of energy and operations.

Development and renewal of capital assets are critical factors in continuing the quality of the University's instruction, research, and service missions. Capital asset additions are funded through state capital appropriations, gifts, debt, federal grants and university funds. Capital additions totaled \$57 million in 2010, \$54 million in 2009, and \$90 million in 2008 and depreciation expense amounted to \$97 million, \$93 million, and \$88 million in 2010, 2009 and 2008, respectively. Capital additions primarily comprise capital projects that were either completed during the fiscal year or are in either the construction or design phase at June 30 of each fiscal year.

Significant major capital projects in design or construction at June 30, 2010

- Medical Sciences Building Rehabilitation, Phases 2-4 – \$204 million
- Morgens Residence Hall Renovation – \$27 million
- DAAP Façade Improvement - \$20 million
- Rieveschl 500 Level Teaching Lab Renovation Phase 3 & 4 – \$15 million
- Jefferson Avenue Sports Complex - \$15 million

LIABILITIES

Debt

Total debt representing bonds, notes, and certificates of participation was \$1.154 billion at June 30, 2010, an increase of \$63 million from \$1.091 billion at June 30, 2009.

During 2010, the University refunded debt on two occasions to decrease the University's exposure to variable rate debt, to roll-over non-permanent debt and to current refund fixed rate maturities that were callable to reduce future debt service. As a result of the refunding, exposure to variable rate debt was decreased from \$136 million to \$30 million, a decrease of \$106 million. Total net economic gains to be realized from the refunding are \$3.5 million over 21 years.

The University entered into an interest rate swap which became effective May 1, 2009, and is associated with Series 2010A Bond Anticipation Notes (BANS). The intent of this derivative instrument is to protect the University against the potential of rising interest rates. Market conditions in the spring of 2009 and 2010 prevented the University from issuing a variable rate bond series to coincide with this interest rate swap. The University will again reevaluate the municipal market and the fair value of the interest rate swap in the spring of 2011, and will take appropriate actions relating to the Series 2010A BANS and the outstanding swap. Due to a new reporting requirement beginning in 2010, the fair value of the swap at June 30, 2010 of \$2.8 million is reflected as a deferred outflow of resources in the noncurrent liability section of the Statement of Net Assets.

Ratings of University bonds by Standard & Poor's (S&P) were maintained at A+ in 2009 and in 2010; ratings on the University's certificates of participation (COPS) were maintained at A in 2009 and 2010, and the note rating of SP-1+ was also maintained through 2009 and 2010. S&P's outlook for the University remained at stable during 2009 and 2010. Moody's revised the rating for bonds from A2 to A1 in 2010. This was not a rating upgrade; rather this rating change was a result of actions taken by Moody's to recalibrate its long term U.S. municipal ratings to its global rating scale to enhance the comparability of ratings across all Moody's-rated sectors. The rating for COPS was maintained at A3 in 2009 and in 2010 and the MIG1 rating for notes was maintained through 2009 and 2010. Moody's stable outlook for the University was maintained during 2009 and 2010. Series 2010D/E BANS issued subsequent to June 30, 2010, maintained the same ratings and outlooks as those received during 2010.

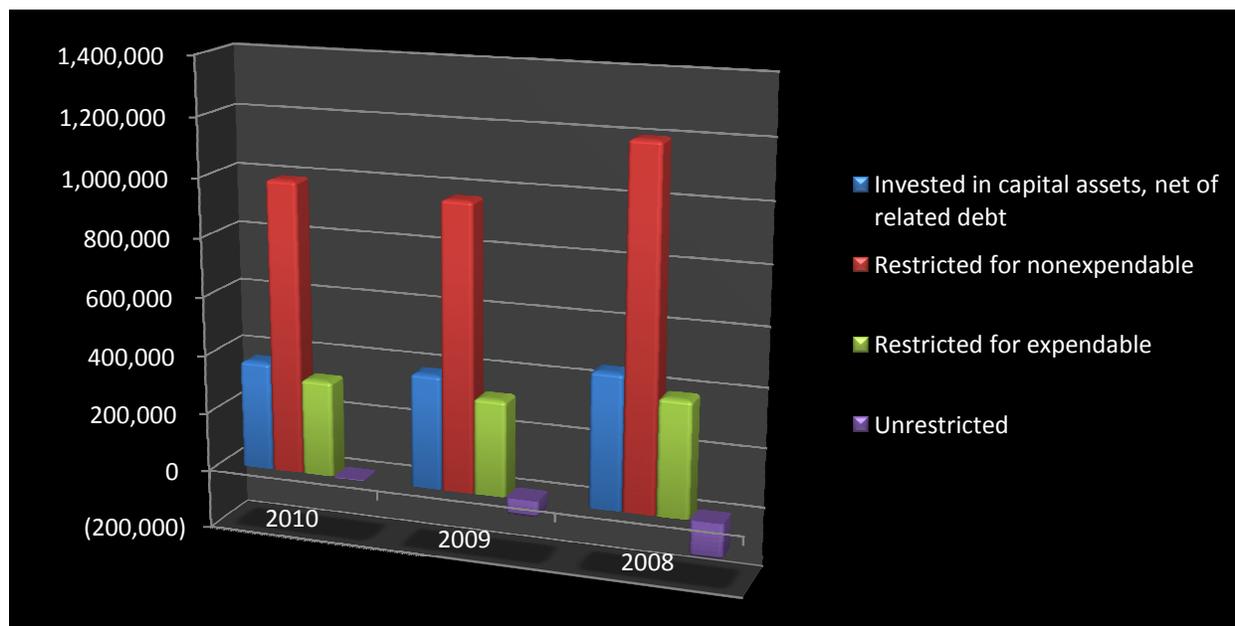
The University continues to invest in its expansion of research and educational facilities beyond the level provided by state capital appropriations through the issuance of additional debt. The extensive investment in these facilities was necessary to attract high quality students, faculty, and research grants in an increasingly competitive environment. The University's debt financing activity in the future will focus on Academic Health Center projects, renovations of existing facilities and building systems, and the overall management of the debt portfolio.

NET ASSETS

The four net asset categories represent the residual interest in the University's assets after liabilities are deducted. The University's net assets at June 30, 2010, 2009, and 2008 are summarized below.

(in thousands)	2010	2009	2008
Invested in capital assets, net of related debt	\$ 369,666	\$ 387,422	\$ 455,967
Restricted			
Nonexpendable	994,069	971,430	1,202,523
Expendable	327,069	326,346	391,590
Unrestricted	(6,554)	(60,827)	(124,565)
Total net assets	\$ 1,684,250	\$ 1,624,371	\$ 1,925,515

Components of the University's Net Assets



Capital assets, net of depreciation and related debt, represent both the University's non-depreciable and depreciable assets. Non-depreciable assets include land, construction in progress, and art & rare book collections. Depreciable assets include buildings, equipment, land improvements, and infrastructure. The amount included as invested in capital assets is also net of outstanding principal balances of debt attributable to the acquisition, construction, and improvement of those assets. During fiscal years 2010 and 2009, investments in capital assets decreased by \$18 million and \$69 million, respectively. The decrease is a result of depreciation expense of \$97 million in 2010 and \$93 million in 2009 partially offset by additions of \$57 million in 2010 and \$54 million in 2009.

Restricted nonexpendable net assets include, as a primary component, the University's permanently invested endowment funds. It also includes the University's investment in The Health Alliance of Greater Cincinnati. The \$23 million increase in restricted nonexpendable net assets in 2010 and the \$231 million decrease in 2009 reflect the changes in the fair value of investments, net of gifts.

Restricted expendable net assets are subject to externally imposed provisions governing their use. This category of net assets mainly includes restricted quasi-endowments of \$221 million in 2010 and \$207 million in 2009 that were temporarily invested in the endowment.

Unrestricted net assets have improved significantly over the past several years. During 2010, the deficit decreased from negative \$61 million to negative \$7 million, a decrease of \$54 million. During 2009, the deficit decreased from negative \$125 million to negative \$61 million, a decrease of \$64 million. The University has been strategically addressing the deficit position through specific measures focusing on reorganizing around principles of greater accountability, disciplined financial activities, and integrated budget planning. Additionally, the University's endowment spending policy distribution was temporarily increased from 5% to 6% for 2007, 2008, and 2009 to address the deficit in unrestricted net assets. The endowment spending policy distribution reverted back to 5% in 2010.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The **Statement of Revenues, Expenses and Changes in Net Assets** presents the University's results of activities for the year. Presented below is a summarized statement of the University's revenues, expenses, and changes in net assets for the years ended June 30, 2010, 2009, and 2008.

SUMMARY STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

(in thousands)	2010	2009	2008
Operating revenues	\$664,783	\$615,657	\$598,542
Operating expenses	968,688	944,168	933,041
Operating loss	(303,905)	(328,511)	(334,499)
Nonoperating revenues (expenses)			
State appropriations	211,291	211,836	193,814
Federal and state grants (nonexchange)	41,089	30,064	27,633
Gifts	42,172	46,809	56,310
Investment income (loss) and increase (decrease) in fair value of investments	85,052	(241,350)	(23,877)
Other net nonoperating expenses	(47,729)	(49,589)	(42,864)
Net nonoperating revenues (expenses)	331,875	(2,230)	211,016
Income (loss) before other revenues, expenses, gains, or losses	27,970	(330,741)	(123,483)
Capital appropriations, gifts, and grants	21,343	9,264	40,590
Additions to permanent endowments	10,566	20,333	37,668
Total other revenues	31,909	29,597	78,258
Increase (decrease) in net assets	59,879	(301,144)	(45,225)
Net assets, beginning of year	1,624,371	1,925,515	1,970,740
Net assets, end of year	\$1,684,250	\$1,624,371	\$1,925,515

Under GASB standards, revenues and expenses are categorized as either operating or nonoperating. Significant recurring sources of the University's revenues, including state appropriations, federal and state grants (nonexchange), investment income, and gifts are considered nonoperating as defined by GASB. Consequently, the operating loss of \$304 million does not account for these important revenue sources. Adding these three revenue sources, which total \$295 million for the fiscal year, almost entirely offsets the operating loss. This provides a more accurate view of the University's operating results.

REVENUES

One of the University's greatest strengths is the diverse stream of revenues that supplements its student tuition and fees including voluntary private support from individuals, foundations, and corporations along with government and other sponsored programs; state appropriations; and investment income. The University has aggressively sought, and will continue to seek, funding from all possible sources consistent with its mission to supplement student tuition and will prudently manage the financial resources realized from these efforts to fund its operating activities.

SUMMARY OF REVENUES

	(in thousands)	2010	2009	2008
Operating revenues				
Student tuition and fees, net		\$304,482	\$279,822	\$272,910
Federal, state, & local grants and contracts		174,767	154,782	154,853
Nongovernmental grants and contracts		20,456	19,792	17,485
Sales & services of educational departments		64,878	64,326	66,041
Auxiliary enterprises, net		91,460	90,776	82,415
Other		8,740	6,159	4,838
Total operating revenues		664,783	615,657	598,542
Nonoperating revenues				
State appropriations		211,291	211,836	193,814
Federal and state grants (nonexchange)		41,089	30,064	27,633
Gifts (exclusive of endowment additions)		42,172	46,809	56,310
Investment income (loss)		80,341	88,280	72,739
Increase (decrease) in fair value of investments		4,711	(329,630)	(96,616)
Other revenues				
Capital appropriations, grants, and gifts		21,343	9,264	40,590
Additions to permanent endowments		10,566	20,333	37,668
Total nonoperating and other revenues		411,513	76,956	332,138
Total revenues		\$1,076,296	\$692,613	\$930,680

Operating Revenues

Student tuition and fees are the primary source of revenue for the University. Tuition and fees increased by \$25 million for fiscal year 2010 and \$7 million for fiscal year 2009. The tuition cap that had previously been mandated by the State for undergraduate in-state tuition was lifted during fiscal year 2010. While the University did not raise undergraduate tuition during fiscal year 2010, a tuition increase of 3.5% was deferred until fiscal year 2011. In 2010, graduate and professional tuition and fees were increased 3% with the exception of medical students whose tuition and fees were increased 5%.

The University is ranked 18th among public universities for federal research expenditures by the National Science Foundation and is classified as a “very high” research activity university by the Carnegie Commission. The University’s commitment to research is also evidenced by its improvement in increased revenue from federal, state, and local grants and contracts. Revenue from this source increased for fiscal year 2010 by \$20 million and remained level during fiscal year 2009.

Total operating revenues for the institution increased by \$49 million in 2010 compared to \$17 million in 2009. Increases for 2010 were a result of increased enrollment and student retention, plus the receipt of record levels of sponsored research awards. Increases for 2009 were a result of increased enrollment and student retention along with increased auxiliary revenue related to athletics.

Nonoperating Revenues

State operating appropriations were \$211 million and \$212 million for 2010 and 2009, respectively, reflecting a \$1 million decrease. State operating appropriations increased by \$18 million in 2009. Of the \$211 million of State appropriations for 2010, \$28 million originated from State Fiscal Stabilization Funds (SFSF) provided through Federal stimulus funds. While State appropriations contribute a significantly lower percentage of the overall funding of University operations particularly compared to tuition, the resources remain a vital source of funding for academic programs and administrative costs.

Revenues from federal and state grants (nonexchange) provide for the recovery of direct and indirect costs. Such revenues increased by \$11 million in 2010 and \$2 million in 2009. In a time of heightened competitiveness, especially for federal research funding, the University is maintaining its research base.

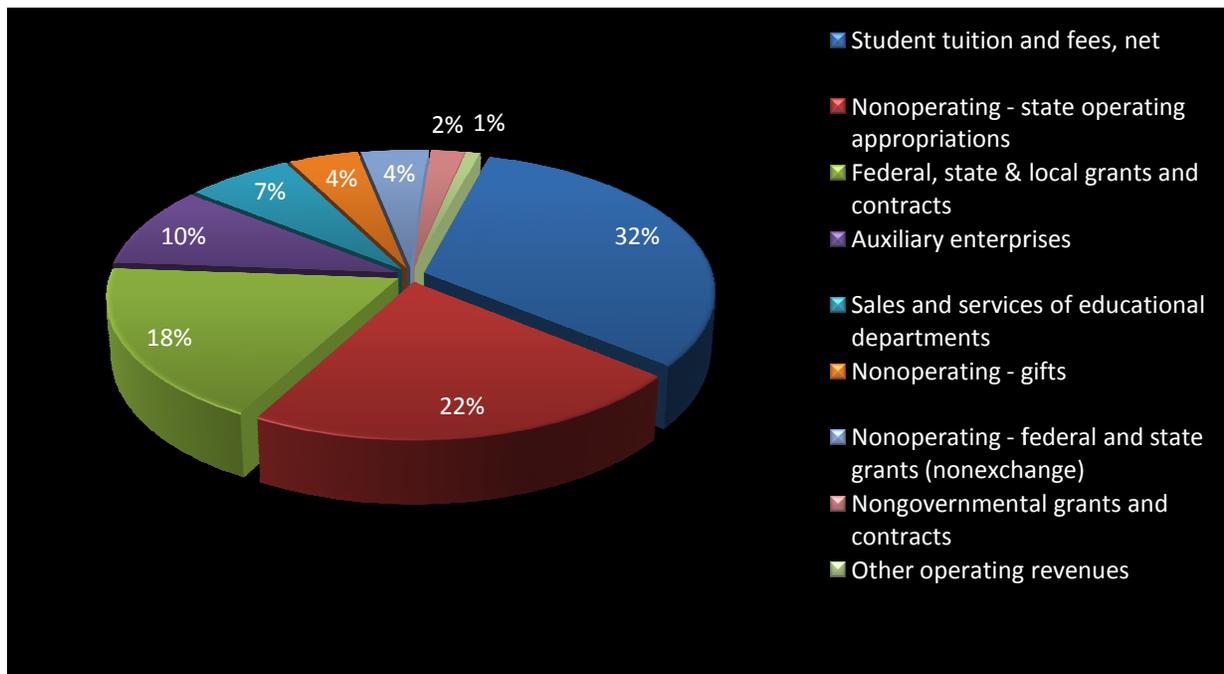
The results of fund-raising efforts have been an important component of financial resources. Expendable gifts to the University totaled \$42 million and \$47 million in 2010 and 2009, respectively. While there was a \$5 million decline in

gift funds raised for 2010, a decrease was anticipated due to the challenging economic climate. It will be difficult to sustain the current level of operations without continued increases in donor support, which highlights the importance of the success of the University's Proudly Cincinnati \$1 billion gift campaign that spans 2005 – 2013. Gifts totaling \$683 million have been raised through June 30, 2010.

The University's investment income totaled \$80 million and \$88 million in 2010 and 2009, respectively, a decrease of \$8 million and an increase of \$16 million. Investment income includes both endowment income and temporary investment pool income. Temporary investment pool income remained stable at \$6 million for both 2010 and 2009. The decline in investment income for 2010 and the increase for 2009 were attributable to changes in endowment income.

The nonoperating revenue associated with the fair value of investments has rebounded after two years of declines. Revenue of \$4.7 million was recorded for 2010 while losses of \$329.6 million and \$96.6 million were recorded for 2009 and 2008, respectively; an increase of \$334 million for 2010 and a decrease of \$233 million for 2009. These changes are attributable to fluctuations in the investment market.

Below is a chart listing revenues by source including revenues used for operating activities and those classified as nonoperating such as state operating appropriations, federal and state grants (nonexchange), and gifts. As noted earlier, GASB requires state appropriations, federal and state grants (nonexchange), and gifts to be classified as nonoperating revenues.



EXPENSES

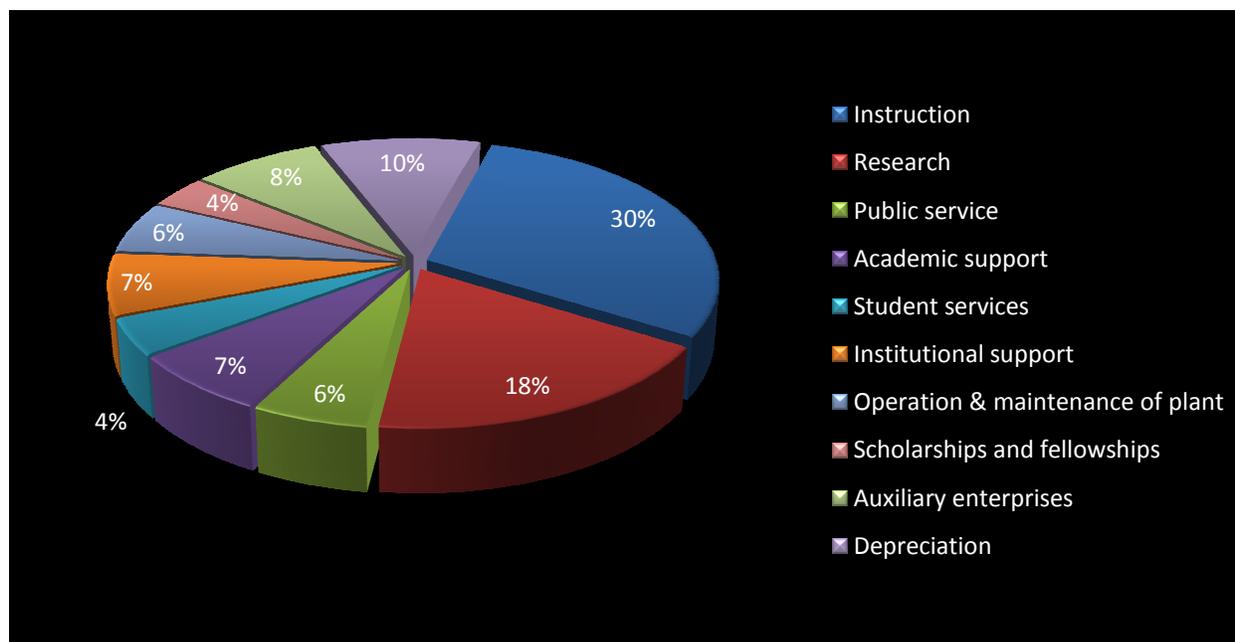
The University continues to employ cost containment initiatives to control expenses.

SUMMARY OF EXPENSE

	(in thousands)	2010	2009	2008
Operating expenses				
Instruction		\$288,177	\$281,437	\$283,503
Research		175,532	161,964	157,843
Public service		54,917	56,820	57,247
Academic support and student services		109,888	106,595	101,666
Institutional support		69,035	72,969	79,664
Operation & maintenance of plant		58,285	60,118	63,560
Scholarships and fellowships		36,118	25,611	23,630
Auxiliary enterprises		79,284	85,261	78,163
Depreciation		97,452	93,393	87,765
Total operating expenses		968,688	944,168	933,041
Nonoperating expenses				
Interest on capital asset related debt		46,310	44,783	41,264
Other nonoperating expenses		1,419	4,806	1,600
Total nonoperating expenses		47,729	49,589	42,864
Total University expenses		\$1,016,417	\$993,757	\$975,905

Total expenses (operating and nonoperating) were contained to an increase of \$23 million in 2010 compared to an increase of \$18 million in 2009. The increase in 2010 was mainly attributable to additional instruction costs associated with increased student enrollment and an increase in the costs associated with research grants. The increase in 2009 mainly resulted from increases in the following items: research activity expenditures, academic support & student services, auxiliary enterprises, and depreciation.

Below is a chart reflecting operating expenses by category and percentage of total operating expenses.



ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

During 2006 and prior to the current economic crisis, the University began a renewed mission to ensure financial stability, fiscal responsibility, and improved liquidity. Numerous new policies, including those affecting operating cash and overdrafted funds, were implemented. These policies have had a dramatic effect on improving cash balances and reducing or eliminating fund deficits. Additionally, performance-based budgeting was implemented in 2010. While the current state of the economy has been challenging, the University continues to successfully fulfill its academic mission as evidenced by the following:

- Record-breaking enrollment of 41,250 students in autumn 2010, up 4% from autumn 2009
- Average ACT scores of entering Uptown Campus class increasing from 24.0 in 2006 to 25.0 in 2010
- In-coming freshman class includes a record 45 National Merit Scholars
- First-year retention rates increasing from 80% in 2006 to 85% in 2010
- Six-year graduation rates increasing from 52% in 2006 to 56% in 2010
- Research funding increasing from \$332 million in 2006 to \$378 million in 2009
- Ranked 18th among public universities for federal research expenditures by the National Science Foundation
- U.S. News & World Report ranks the University in the Top Tier of the country's "Best National Universities" and ranks as 11th among institutions identified as "up and comers"
- Number of undergraduate students engaged in internships and co-ops increasing from 3,654 in 2003 to 5,383 in 2009

As mentioned above, great strides in improving liquidity have been achieved as reflected in cash, cash equivalents, and investments (current and noncurrent) increasing from \$183 million in 2008 to \$240 million in 2009 and to \$291 million in 2010. To ensure the continuation of liquidity improvements, a general funds deficit repayment budget of \$4 million is annually allocated with incremental increases scheduled for future years to reduce certain longstanding fund deficits. Additionally, deficit repayments of accounts that were a result of prior departmental overdrafts are being addressed by those departments.

In March 2010, the Board of Trustees approved tuition and fee increases for the 2011 academic year. Undergraduate tuition was increased by 7%, while graduate and professional tuition was increased by 4% with the exception of law and medical students whose tuition and fees were increased by 5%.

The University is state supported with appropriations accounting for 21% and 23% of the total revenues, excluding investment income (loss), of the University in 2010 and 2009, respectively. With the exception of 2010, Ohio's trend in funding higher education has been positive in actual dollar amount over the past five years. Fiscal year 2011's state appropriations were reduced by \$13 million as a result of conference committee reductions prior to finalization of the State's budget bill. A reserve account (University funds set aside for future use) was funded in both 2010's and 2011's operating budgets. The \$16 million reserve will be available to fund the 2011 reduced appropriation and to offset a portion of the \$31 million of 2011 federal stimulus funds that are due to expire after fiscal year 2011. Federal stimulus funds were allocated to the University by the State as a part of the State share of instruction appropriations.

The University's first budgeting model using performance based budgeting was adopted in fiscal year 2010 for general funds. It offers incentives for growth in student enrollment and efficiencies targeted to reduce costs. The model will continue to evolve over time and encompass an all-funds model.

Private gifts will continue to be a critically important financial resource and a significant factor in the growth of instruction, research, and services. To address the issue, the University through the University Foundation launched a \$1 billion gift campaign know as "Proudly Cincinnati." The campaign is the largest in the University's 191-year history and will span eight years ending on June 30, 2013. The campaign has raised \$683 million through June 30, 2010. Expected campaign priorities are student scholarships, fellowships to encourage advanced scholarship and research, endowed appointments for top-notch faculty, academic program support, and campus enhancements. Throughout the campaign, the Foundation expects to actively engage more than 500 volunteers. Regional committees will also focus on cultivating relationships with alumni and friends.

The University's endowment is invested with a long-term focus. The University's primary objective is to earn investment returns net of management expense that exceed the 5% spending policy plus inflation. The huge decline in global equity markets during calendar year 2008 through March of 2009 has been a challenge to achievement of this objective, especially considering returns for trailing periods between three and ten years. However, during the past 15 years, endowment returns nearly match the primary objective. While the University is not particularly optimistic about the near term environment, as equity markets regain lost ground in the years ahead, endowment performance relative to the primary objective will improve for the shorter time periods.

The University is committed to continuing its strategic vision while continuing to build upon its financial strength. On September 19, 2010, President Gregory Williams introduced the *UC2019* document that sets the agenda of the University for the near future, as the University community builds toward its bicentennial celebration.

University of Cincinnati
Statement of Net Assets (in thousands)
as of June 30, 2010 and 2009

	University		University Related Organizations	
	2010	2009	2010	2009
ASSETS				
Current assets				
Cash and cash equivalents	\$ 56,925	\$ 57,550	\$ 18,666	\$ 9,927
Investments	126,000	121,638	58,237	
Accounts and pledges receivable, net	60,206	65,693	49,035	21,609
Inventories	1,984	2,040		
Deposits with bond trustees	4,079	7,484		
Notes receivable, net	6,275	2,938	116	
Other assets	275	2,557	518	147
Total current assets	255,744	259,900	126,572	31,683
Noncurrent assets				
Investments	108,535	60,664		
Accounts and pledges receivable, net	14,883	9,636	26,865	40,126
Bond proceeds receivable	96,205			
Deposits with bond trustees	4,387	7,034		
Endowment investments	867,123	815,226	15,185	13,496
Notes receivable, net	28,235	34,614	409	
Other assets and long-term investments	337,016	352,500	8,249	
Capital assets not being depreciated	82,723	65,959	3,177	
Capital assets being depreciated, net	1,300,897	1,358,833	31,816	1,159
Total noncurrent assets	2,840,004	2,704,466	85,701	54,781
Total assets	3,095,748	2,964,366	212,273	86,464
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	171,818	157,203	21,661	8,855
Deferred revenue	31,039	33,738		
Long-term debt - current portion	121,807	117,313	3,270	
Total current liabilities	324,664	308,254	24,931	8,855
Noncurrent liabilities				
Deposits	5,424	4,535	562	523
Accrued liabilities	22,017	28,723	2,985	
Refundable advances for federal loans	24,788	25,152		
Long-term debt	1,031,834	973,331	22,078	
Total noncurrent liabilities	1,084,063	1,031,741	25,625	523
Deferred outflow of resources	2,771	-	1,366	-
Total liabilities and deferred outflow of resources	1,411,498	1,339,995	51,922	9,378
NET ASSETS				
Invested in capital assets, net of related debt	369,666	387,422	34,993	1,159
Restricted for:				
Nonexpendable	994,069	971,430	42,292	43,422
Expendable	327,069	326,346	37,453	26,860
Unrestricted	(6,554)	(60,827)	45,613	5,645
Total net assets	\$ 1,684,250	\$ 1,624,371	\$ 160,351	\$ 77,086

University of Cincinnati
Statement of Revenues, Expenses and Changes in Net Assets (in thousands)
For the Years Ended June 30, 2010 and 2009

	University		University Related Organizations	
	2010	2009	2010	2009
REVENUES				
Operating Revenues				
Student tuition and fees (net of scholarship allowances of \$87,976 and \$85,459; and bad debt expense of \$3,172 and \$1,347)	\$ 304,482	\$ 279,822	\$	\$
Federal grants and contracts	169,500	149,606		
State and local grants and contracts	5,267	5,176		
Nongovernmental grants and contracts	20,456	19,792		
Sales and services	64,878	64,326	154,523	
Auxiliary enterprises				
Residential life	37,411	29,624		
Athletics	20,335	24,528		
Other Auxiliary enterprises	33,714	36,624		
Other operating revenues	8,740	6,159	88,288	
Total operating revenue	664,783	615,657	242,811	-
EXPENSES				
Operating Expenses				
Instruction	288,177	281,437		
Research	175,532	161,964		
Public Service	54,917	56,820		
Academic Support	68,591	67,464		
Student Services	41,297	39,131		
Institutional Support	69,035	72,969	227,221	5,974
Operation Maintenance and Plant	58,285	60,118	2,641	
Scholarships and Fellowships	36,118	25,611		
Auxiliary Expenses	79,284	85,261		
Depreciation	97,452	93,393	4,544	271
Total operating expenses	968,688	944,168	234,406	6,245
Operating income (loss)	(303,905)	(328,511)	8,405	(6,245)
NONOPERATING REVENUES (EXPENSES)				
State operating appropriations	211,291	211,836		
Federal and state grants (nonexchange)	41,089	30,064		
Gifts, including \$28,441 and \$31,197 from the University Foundation	42,172	46,809	30,072	33,446
Investment income, net	80,341	88,280	4,226	3,901
Increase (decrease) in fair value of investments	4,711	(329,630)	10,649	(3,131)
Interest on capital asset-related debt	(46,310)	(44,783)	(2,018)	
Loss on disposal of assets	(1,243)	(1,914)		
Payments to University of Cincinnati	-	-	(28,441)	(31,197)
Other nonoperating expenses	(176)	(2,892)	(12,756)	
Net nonoperating revenues (expenses)	331,875	(2,230)	1,732	3,019
Income (loss) before other revenues, expenses, gains, or losses	27,970	(330,741)	10,137	(3,226)
State capital appropriations	10,276	2,917		
Capital grants and gifts	11,067	6,347		
Additions to permanent endowments	10,566	20,333		
Total other revenues	31,909	29,597	-	-
Increase (decrease) in net assets	59,879	(301,144)	10,137	(3,226)
NET ASSETS				
Net assets - beginning of year	1,624,371	1,925,515	77,086	80,312
Change in University Related Organizations - beginning of year	-	-	73,128	
Net assets, end of year	\$ 1,684,250	\$ 1,624,371	\$ 160,351	\$ 77,086

University of Cincinnati
Statements of Cash Flows (in thousands)
Years Ended June 30, 2010 and 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 306,536	\$ 281,887
Grants and contracts	246,239	227,652
Sales and services of educational departments and auxiliary enterprises	151,059	151,357
Expenditures and other deductions:		
Compensation	(589,667)	(579,312)
Payments for materials, services and other	(306,867)	(303,958)
Loans issued	(1,430)	(3,436)
Loan principal collected	4,922	4,317
Interest on loans receivable	728	-
Other revenue	5,474	4,502
Cash used for operating activities	(183,006)	(216,991)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	211,291	211,836
Federal and state grants (non-exchange)	41,090	30,064
Gifts for other than capital purposes (including additions to permanent endowments)	52,775	66,971
Interest on loans receivable	-	792
Cash from noncapital financing activities	305,156	309,663
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
State appropriations - capital	9,792	1,827
Private gifts for capital purposes	4,836	6,992
Grants for capital purposes	51	-
Other	(4,961)	(8,629)
Proceeds from capital debt	205,376	202,818
Purchases of capital assets	(51,817)	(49,789)
Principal paid on capital debt and leases	(238,584)	(203,262)
Interest paid on capital debt and leases	(48,194)	(47,402)
Cash used for capital financing activities	(123,501)	(97,445)
CASH FLOWS FROM INVESTING ACTIVITIES		
Endowment income	66,544	73,457
Income from deposits with trustees	11,613	10,630
Purchase of investments	(492,242)	(460,016)
Sale of investments	407,025	357,134
Investment income	7,786	5,833
Cash from (used for) investing activities	726	(12,962)
NET DECREASE IN CASH AND CASH EQUIVALENTS		
	(625)	(17,735)
Cash and cash equivalents - beginning of the year	57,550	75,285
Cash and cash equivalents - end of the year	\$ 56,925	\$ 57,550

University of Cincinnati
Statements of Cash Flows (in thousands)
Years Ended June 30, 2010 and 2009
(continued)

	2010	2009
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES		
Operating loss	\$ (303,905)	\$ (328,511)
Adjustments to reconcile operating loss to net cash used for operating activities:		
Depreciation expense	97,452	93,393
Loss on disposal of capital assets	1,243	1,914
Changes in assets and liabilities:		
Receivables, net	6,177	11,525
Inventories	56	(39)
Other assets	2,270	(18,031)
Accounts payable and accrued liabilities	9,427	6,406
Deferred revenue	8,048	14,961
Compensated absences	(5,055)	839
Deposits	1,281	552
Net cash used for operating activities	\$ (183,006)	\$ (216,991)
 Noncash transactions		
Capital asset acquired by incurring note payable	\$ -	\$ 4,071
Accrued liabilities for property, plant and equipment	7,953	3,849
Gift of real estate held in the endowment fund	-	2,700
Gift of rare books to Law Library	-	1,218
Gifts of moveable equipment	845	-
Debt traded not settled	96,205	-

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2010 and 2009

1. Organization and Summary of Significant Accounting Policies

Organization

The University of Cincinnati (the University) was founded in 1819 with the first charter granted by the State of Ohio in 1870. The University, formerly city owned, became a State University on July 1, 1977. As such, it is a component unit of the State of Ohio. Under provisions of the Internal Revenue Code, Section 115, and the applicable income tax regulations of the State of Ohio, the University, as a state institution, is exempt from taxes on income other than unrelated business income. Since the University has no material net unrelated business income during the year ended June 30, 2010, no provision for income taxes has been made.

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

- The University of Cincinnati Foundation, described more fully in Note 15, is a legally separate not-for-profit organization engaged in fundraising activities exclusively for the benefit of the University.
- University of Cincinnati Physicians, Inc., described more fully in Note 16, is a legally separate not-for-profit organization through which the faculty of the College of Medicine engages in clinical practice. Effective July 1, 2009, the corporation became a component unit of the University and therefore, is not included in the 2009 amounts.

These entities are reported as discrete component units of the University in accordance with the provisions of the Governmental Accounting Standards Board and are aggregated as University Related Organizations on the Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets.

Basis of Presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by the GASB. The University has elected not to apply those Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989.

In June 2008, GASB issued a statement related to accounting and financial reporting for derivative instruments. This statement addresses the recognition, measurement and disclosure of information regarding derivative instruments entered into by state and local governments. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2009. See Note 6 for the impact on the financial statements related to the adoption of this statement.

The University's financial resources are classified for accounting and reporting purposes into the following three net asset categories:

Invested in Capital Assets Net of Related Debt—Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Restricted for—

Nonexpendable restricted net assets are subject to externally imposed stipulations that they be maintained permanently by the University. Such assets include the University's permanent endowment funds.

Expendable restricted net assets are subject to externally imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time.

Unrestricted—Net assets that are not subject to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net assets are designated for academic and research programs and initiatives and for capital programs.

Summary of Significant Accounting Policies

The accompanying financial statements have been prepared on the accrual basis. The University reports as an entity engaged in business-type activities because its operations are financed, in part, by fees charged to external parties for goods and services provided.

Investments in marketable securities (other than the University's alternative investments) are carried at fair value as established by the major securities markets (quoted market prices). Investment income is recorded on the accrual basis. Realized and unrealized gains and losses are reported as nonoperating revenues (expenses).

The University's financial statements include alternative investments, such as limited partnerships, that are not publicly traded. Certain of these alternative investments are carried at estimated fair value as of March 31, 2010 and 2009, as adjusted by cash receipts, cash disbursements and securities distributions through June 30, 2010 and 2009, at a total estimated fair value of \$69 million and \$80 million, respectively. In addition, the University also has alternative investments in investment funds that are not themselves publicly traded and thus do not have publicly reported market values, but whose underlying assets consist of publicly traded investments for which fair values are established by the major securities markets. Such alternative investments are carried at fair value of \$146 million and \$198 million at June 30, 2010 and 2009. The University believes that the total carrying amount of its alternative investments valued at \$266 million and \$278 million at June 30, 2010 and 2009 is a reasonable estimate of fair value. The University's outstanding commitment to alternative investments is \$56 million and \$64 million as of June 30, 2010 and 2009, respectively.

The University's investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investments could occur in the near term and that such changes could materially affect the investment amounts reported in the accompanying Statement of Net Assets.

Inventories are held primarily by the Hoxworth Blood Center and the Utilities Service Center. Inventory is stated at the lower of cost or net realizable market value. The moving-average basis for all inventories is used to determine inventory cost.

Capital Assets—Land, land improvements, infrastructure, buildings and equipment are recorded at cost at date of acquisition, or market value at date of donation. The University's capitalization threshold is \$100,000 for major capital projects and intangible assets. For all other items the capitalization threshold is \$5,000. Interest on related borrowing, net of interest earnings on invested proceeds, is capitalized during the period of construction. The University and its component unit's property and equipment are depreciated using the straight-line method over the estimated useful lives (from three to fifty years) of the respective assets. When plant assets are sold or disposed of, the carrying value of such assets and the associated depreciation are removed from the University's records.

The University does not capitalize works of art or historical treasures that are held for public exhibition, education or research in furtherance of public service. These collections are neither disposed of for financial gain nor encumbered in any way. In addition, the University requires the proceeds from the sale of collection items be used to acquire other collection items. Accordingly, such collections are not recognized or capitalized for financial statement purposes. All other works of art or historical treasures are capitalized at historical or fair value at date of donation.

Gift Pledges—The University receives pledges and bequests of financial support from corporations, foundations and individuals. Revenue is recognized when a pledge representing an unconditional promise to pay is received and all eligibility requirements, including time requirements, have been met. In the absence of such promise, revenue is recognized when the gift is received. Endowment pledges do not meet eligibility requirements, as defined by GASB standards, and are not recorded as assets until the related gift is received.

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flows. The discounts on these amounts are computed using a discount rate commensurate with the risks involved. At June 30, 2010, these discount rates ranged from 4% to 6%. An allowance for uncollectible pledges receivable is provided based on management's judgment of potential uncollectible amounts. The determination includes such factors as prior collection history, type of gift and nature of fundraising.

Deferred Revenue includes receipts relating to tuition, student fees and athletic events received in advance of services to be provided. Deferred revenue also includes the amounts received from grant and contract sponsors that have not yet been earned under the terms of the agreement. The University will recognize such amounts into revenue when these services are provided over the coming fiscal year.

Compensated Absences includes liabilities related to the vacation and sick leave accruals (See Note 6 for additional information). University employees earn vacation and sick leave on a monthly basis.

Vacation benefits may be accrued up to a maximum of three years' credit, and earned but unused days are payable upon termination. The liability for accrued vacation approximated \$34,889,000 and \$33,231,000 as of June 30, 2010 and 2009, respectively.

Sick leave may be accrued without limit; however, unused days are payable only upon retirement from the University, subject to 30- or 60-day limits depending on the date of hire. Before fiscal year 2010, the sick leave accrual was calculated under the vesting method. The termination payment method was adopted in 2010 to calculate the sick leave liability. The University believes that utilizing current data and trends under the termination payment method is more reliable than the vesting method, which applies actuarial assumptions and probabilities. Since this is a change in accounting estimate, prior periods have not been restated. The sick leave liability as of June 30, 2010 approximated \$23,760,000 and \$30,473,000 as of June 30, 2009.

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

Student Tuition and Residence Fees are presented net of scholarship and fellowship allowances of \$87,976,000 in 2010 and \$85,459,000 in 2009 and bad debt provisions of \$3,172,000 in 2010 and \$1,347,000 in 2009. Payments made directly to students are presented as scholarship and fellowship expenses.

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

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

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

Related Party Transaction—During fiscal year 2009 the University received and recorded a gift of real estate valued at \$2,700,000 from a member of the Board of Trustees and reported such as additions to permanent endowments in the accompanying 2009 Statement of Revenues, Expenses and Changes in Net Assets. There were no related party transactions during fiscal year 2010.

2. Cash and Investments

Summary—The University maintains centralized management for substantially all of its cash and investments. With the exception of insurance reserves, charitable remainder trusts, and other trust funds the terms of which require separate management, the University invests its reserves and relatively short-duration assets in the Temporary Investment Pool, and invests substantially all of the assets of the University endowment in the Endowment Investment Pool.

Distributions are made from the University endowment to the University entities that benefit from those funds. The endowment spending policy provides for an annual distribution of 5% of the twelve-quarter moving-average market value of endowment units. However, for 2007 and continuing through the end of fiscal year 2009, a temporary 6% endowment spending policy was in effect.

Effective June 1, 2009 Ohio's version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) became effective and replaced the Ohio Uniform Management of Institutional Funds Act. UPMIFA provides new statutory rules for the management and investment of endowment funds owned and controlled by charitable institutions.

Authorizations—The Temporary Investment Pool is invested principally in investment-grade money-market and fixed-income securities. Balances in the Temporary Investment Pool are primarily for operating expenses or for funding capital projects.

Investment policies are governed and authorized by University rules. For endowment investments the approved asset mix for both variable investments and fixed income investments range from 15% to 85% of total investments. The Investment Committee has established target allocations and allowable ranges for more narrowly defined categories of investments.

The University has an established set of investment guidelines related to targeted asset allocation and allowable ranges for alternative investments. For alternative investment categories, as defined by investment practitioners, the Investment Committee target allocations are: Private Real Estate 5%, Private Equity including Natural Resources 9.5%, and Hedge Funds 5%. Maximum allowable holdings for these three categories are 10%, 18% and 10%, respectively.

Diversification is a fundamental risk-management strategy for the endowment portfolio. Accordingly, the portfolio includes investments in domestic and non-U.S. stocks, bonds and loans; real estate; and limited partnerships for investment in real estate, private equity and hedge funds.

Off-Balance-Sheet Risk— The University's investment strategy incorporates certain financial instruments which involve, to varying degrees, elements of market risk and credit risk in excess of amounts recorded in the financial statements. Market risk is the potential for changes in the value of financial instruments due to market movements, including interest and foreign exchange rate movements and fluctuations embodied in forward, futures, and commodity or security prices. Market risk is directly impacted by the volatility and liquidity of the markets in which the related underlying assets are traded. Credit risk is the possibility that a loss may occur due to the failure of a counterparty to perform according to the terms of the contract. The University's risk of loss in the event of counterparty default is typically limited to the amounts recognized in the Statement of Net Assets and is not represented by the contract or notional amounts of the instruments.

Cash and Cash Equivalents— The University considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. At June 30, 2010, the carrying amount of the University's cash and cash equivalents for all funds is \$56,925,000 as compared to bank balances of \$48,696,000. The difference between the carrying amount and the bank balances is caused primarily by deposits in transit and outstanding checks.

Of the University's bank balances, \$392,000 is covered by federal depository insurance; money market funds account for \$46,511,000; \$1,351,000 is in public funds collateralized pools; and the balance of \$442,000 is uncollateralized. The University does not have a policy for custodial credit risk.

Investments

The fair value of University investments at June 30 is (in thousands):

	<u>2010</u>	<u>2009</u>
U.S. government, agency and treasury securities	\$ 70,941	\$ 19,701
Municipal Bonds and Notes	6,209	-
Corporate notes and bonds	196,703	190,499
Corporate stocks	127,184	176,903
Mutual funds	411,818	338,912
Other securities	87,396	79,644
Real estate	<u>14,540</u>	<u>14,426</u>
Total investments	914,791	820,085
Less current investments	<u>126,000</u>	<u>121,638</u>
Noncurrent investments	<u>\$788,791</u>	<u>\$698,447</u>

Current investment detail (in thousands):

	<u>2010</u>	<u>2009</u>
U.S. government, agency and treasury securities	\$ 861	\$ 919
Corporate notes and bonds	<u>125,139</u>	<u>120,719</u>
Total current investments	<u>\$ 126,000</u>	<u>\$121,638</u>

Alternate Investments of \$266 million are included within mutual funds and other securities in the summary schedule of investments above (please refer to Note 1, Summary of Significant Accounting Policies, regarding valuation of alternative investments).

At June 30, 2010 and 2009, other securities included \$89,940,000 and \$87,690,000 net of \$17,336,000 and \$17,074,000 of loan loss reserves, respectively, of loans made to certain nonprofit entities for the purpose of developing residential and commercial facilities on the borders of the campus. Currently, these loans are secured primarily by mortgages on parcels of land purchased by these nonprofit entities. Some of these mortgages are subordinated to external financing arranged by these entities. These loans bear interest at 6%. The University expects repayment once the residential and commercial facilities have streams of rental income. Loan loss reserves are estimated based on aggregate cash flows projections for the projects and independent appraisals of the underlying undeveloped real estate. The change in loan loss reserves are reflected in nonoperating revenues (expenses), as a component of the increase in fair value of investments.

At June 30, 2010 and 2009, the fair (market) value of land and other real estate held as investments was \$14,540,000 and \$14,426,000, respectively. Independent real estate appraisals are obtained on a three-year cycle; however, relevant real estate markets are reviewed between appraisal periods to determine if the reported market values remain accurate. Appraisers usually consider the use of three approaches to value when developing a market value opinion for real property. These are the cost approach, sales comparison approach, and income capitalization approach. The most recent appraisals were received in June of 2009.

The University has recorded the investments in the table above in the following categories: \$234,535,000 of investments and \$680,256,000 of endowment investments. Also, included in endowment investments as reported on the Statement of Net Assets are \$186,867,000 invested predominately in equities held in donor-stipulated irrevocable trusts.

University Investment Pools

Of the University investments, approximately \$51,786,000 is separately invested by donor stipulation. The remaining funds are invested in one of three pools. The Temporary Investment Pool represents the investment of substantially all University cash not otherwise invested in the endowment.

The Endowment Investment Pool A is the principal investment pool for the University endowments that may be pooled legally or by donor concurrence. The University employs the share method of accounting for the Endowment Investment Pool A investments and for proportionate distribution of income to each fund that

participates in the pool. At June 30, 2010, the Endowment Investment Pool A consisted of 8,343,000 shares. Effective July 1, 2002, substantially all endowments held in trust, by donor stipulation, by the University of Cincinnati Foundation were invested in the University's Endowment Investment Pool A. At June 30, 2010, such endowments own 2,193,000 pool shares with a market value of \$172,878,000, equating to approximately 26% of the Endowment Investment Pool A. The Endowment Investment Pool B comprises real estate holdings received by bequest.

The following tabulation summarizes the changes in relationships between cost and fair values of the Endowment Investment Pool A assets for the year (*in thousands*):

	<u>Net Cost</u>	<u>Fair Value</u>	<u>Net Gains/ (Losses)</u>	<u>Fair Value Per Share</u>
End of year	\$725,393	\$645,113	\$(80,280)	\$ 77.32
Beginning of year	737,504	607,573	<u>(129,931)</u>	75.88
Unrealized net gain for year			49,651	
Realized net loss for year			<u>(39,716)</u>	
Total net gain for year			<u>\$ 9,935</u>	
Total gain per share			<u>\$ 1.44</u>	

The University has adopted a spending rate policy which limits the distribution of endowment income earned in the investment pool to 5% of the moving-average market value for the twelve-quarter period ending each December. For fiscal year 2007 through fiscal year 2009, the spending policy has temporarily been increased to 6%.

Income allocated for spending during 2010 amounted to \$5.40 per share of the Endowment Investment Pool A. The average annual earnings per share, exclusive of capital appreciation, amounted to \$1.60.

GASB standards require government entities to categorize investments by interest rate risk, credit risk, and custodial credit risk.

Interest Rate Risk

The University's investments total \$914,791,000. The segmented time distribution method is used to portray interest rate risk of \$452,300,000 of bond and other fixed income investments. Investments for the years ended June 30, 2010 and 2009 are summarized as follows (in thousands):

Investment Maturities (In Years) 2010					
<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
US Treasury Obligations	\$ 4,109	\$ -	\$ 2,114	\$ -	\$ 1,995
US Government Agencies	64,561	97	43,558	10,039	10,867
US Treasury STRIPS	2,271	776	1,495	-	-
US Treasury Mutual Fund	12,092	-	-	12,092	-
Municipal Bonds and Notes	6,209	3,270	1,551	501	887
Corporate Bonds and Notes	196,703	121,869	67,285	5,726	1,823
Bond Mutual Funds	92,099	-	134	91,948	17
Local mortgage secured loans	72,604	3,010	155	29,615	39,824
Other	<u>1,652</u>	<u>367</u>	<u>1,285</u>	<u>-</u>	<u>-</u>
Total	<u>\$452,300</u>	<u>\$129,389</u>	<u>\$117,577</u>	<u>\$149,921</u>	<u>\$ 55,413</u>

Investment Maturities (In Years) 2009					
<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>
US Treasury Obligations	\$ 883	\$ -	\$ -	\$ -	\$ 883
US Government Agencies	15,763	-	121	1,436	14,206
US Treasury STRIPS	3,055	860	2,195	-	-
US Treasury Mutual Fund	19,210	-	-	19,210	-
Corporate Bonds and Notes	190,499	121,829	60,725	6,151	1,794
Bond Mutual Funds	38,919	-	206	38,697	16
Local mortgage secured loans	70,616	3,221	1,663	6,863	58,869
Other	<u>2,019</u>	<u>367</u>	<u>1,652</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 340,964</u>	<u>\$ 126,277</u>	<u>\$ 66,562</u>	<u>\$ 72,357</u>	<u>\$ 75,768</u>

Local mortgage secured loans are comprised of demand notes receivable. Amounts reflected as maturities represent management's best estimate of anticipated collections of these receivables.

The University's investment policy stipulates that the weighted average maturity of investments in the Temporary Investment Pool will be no longer than 5 years. The weighted average of fixed income maturities in the Endowment portfolio will not exceed 20 years.

Credit Risk

The Temporary Investment Pool permits investments in securities rated A or higher at the time of purchase. Securities downgraded below an A rating after purchase are permitted to be retained. Endowment investment-grade bonds are limited to those in the first four grades of any rating system. Below-investment grade high yield bond investments and certain unrated investments having strategic value to the University are permitted. In accordance with the University's investment policy, the University's bond and other fixed income investments are rated by nationally recognized rating organizations as follows as of June 30 (in thousands):

<u>Rating</u>	<u>2010</u>	<u>2009</u>
US Treasury Obligations – equivalent of AAA	\$16,201	\$20,093
AAA	74,961	21,830
AA	133,070	57,524
A	119,092	133,383
BBB	31,616	32,492
M1G1	3,005	3,007
Not Rated	<u>74,355</u>	<u>72,635</u>
Total	<u>\$452,300</u>	<u>\$340,964</u>

Custodial Credit Risk

Of the University's \$914,791,000 total investments, \$902,963,000 are uninsured, not registered in the name of the University, and are held by trust departments or agents in the University's name, and thus are exposed to custodial credit risk. The University does not have a policy for custodial credit risk.

3. Accounts, Pledges and Notes Receivable

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

	<u>2010</u>	<u>2009</u>
Accounts receivable	\$ 51,245	\$ 57,557
Pledges receivable	15,411	9,231
Notes receivable	34,510	37,552
Accrued interest receivable	<u>8,433</u>	<u>8,541</u>
Total	109,599	112,881
Less current receivables	<u>66,481</u>	<u>68,631</u>
Noncurrent receivables	<u>\$ 43,118</u>	<u>\$ 44,250</u>

Allowances for uncollectible receivables have been provided in the amount of approximately \$5,547,000 and \$7,345,000 for accounts receivable, \$78,000 and \$43,000 for pledges receivable, and \$6,551,000 and \$6,138,000 for notes receivable as of June 30, 2010 and 2009, respectively.

An allowance for uncollectible accrued interest receivable has been provided in the amount of approximately \$20,940,000 and \$17,331,000 related to loans made to certain nonprofit entities as of June 30, 2010 and 2009, respectively (see Note 2).

Pledges have been discounted at a rate of 4% to net present value, which approximates the fair value of the receivables as follows (*in thousands*):

	<u>2010</u>	<u>2009</u>
Less than one year	\$ 4,892	\$ 3,007
One to five years	8,149	3,703
More than five years	<u>2,448</u>	<u>2,564</u>
Subtotal	15,489	9,274
Less allowance for uncollectible pledges	<u>78</u>	<u>43</u>
Total	<u>\$ 15,411</u>	<u>\$9,231</u>

Pledges receivable due from one donor approximated 32% and 47% of total pledges receivable, as of June 30, 2010 and 2009, respectively.

4. Capital Assets

Capital assets activity for the years ended June 30, 2010 and 2009 is summarized as follows (*in thousands*):

	Balance <u>July 1, 2009</u>	Additions	Retirements/ Transfers	Balance <u>June 30, 2010</u>
Land	\$ 21,923	\$ -	\$ -	\$ 21,923
Land improvement	93,435	-	50	93,485
Buildings	1,799,579	-	16,077	1,815,656
Construction in progress	29,454	33,158	(16,438)	46,174
Infrastructure	115,716	-	139	115,855
Building equipment	15,707	-	94	15,801
Moveable equipment	157,617	13,984	(5,348)	166,253
Computer software	35,548	813	83	36,444
Library books	148,481	8,766	(2,965)	154,282
Collections	<u>14,582</u>	<u>44</u>	<u>-</u>	<u>14,626</u>
	2,432,042	56,765	(8,308)	2,480,499
Less: Accumulated depreciation	<u>1,007,250</u>	<u>97,452</u>	<u>7,823</u>	<u>1,096,879</u>
Capital assets, net	<u>\$1,424,792</u>	<u>\$ (40,687)</u>	<u>\$ (485)</u>	<u>\$1,383,620</u>

	Balance <u>July 1, 2008</u>	Additions	Retirements/ Transfers	Balance <u>June 30, 2009</u>
Land	\$ 21,923	\$ -	\$ -	\$ 21,923
Land improvement	86,402	-	7,033	93,435
Buildings	1,610,240	-	189,339	1,799,579
Construction in progress	223,254	29,469	(223,269)	29,454
Infrastructure	100,244	-	15,472	115,716
Building equipment	15,251	-	456	15,707
Moveable equipment	150,948	14,595	(7,926)	157,617
Computer software	35,211	189	148	35,548
Library books	140,347	8,606	(472)	148,481
Collections	<u>13,364</u>	<u>1,218</u>	<u>-</u>	<u>14,582</u>
	2,397,184	54,077	(19,219)	2,432,042
Less: Accumulated depreciation	<u>927,969</u>	<u>93,393</u>	<u>14,112</u>	<u>1,007,250</u>
Capital assets, net	<u>\$1,469,215</u>	<u>\$ (39,316)</u>	<u>\$ (5,107)</u>	<u>\$1,424,792</u>

Land, construction in progress and collections, as shown above, represent nondepreciable items. Therefore, there is no accumulated depreciation for those categories.

5. Accounts Payable and Accrued Liabilities

Accounts payable and the current portion of accrued liabilities as of June 30, 2010 and 2009 are as follows (in thousands):

	<u>2010</u>	<u>2009</u>
Compensated absences (Current portion)	\$ 36,632	\$ 34,982
Compensation	40,658	36,712
Accrued liabilities	56,781	51,887
Vendors payable	<u>37,747</u>	<u>33,622</u>
Total	<u>\$ 171,818</u>	<u>\$157,203</u>

6. Bonds and Notes Payable

Bonds and notes payable at June 30, 2010 comprise the following (in thousands):

<u>Bond Series – Fixed Rate Debt</u>	<u>Issue Date</u>	<u>Maturity Dates Through</u>	<u>Interest Rate</u>	<u>Outstanding Debt</u>	
				<u>2010</u>	<u>2009</u>
T, X, Y, AA, AG, AH	1998	2013	5.50%	\$ 5,750	\$ 11,795
Z, AC	1997	2010	N/A	-	1,135
AD	1997	2010	N/A	-	935
AL, AM, AN	1998	2010	N/A	-	3,800
AL-1, AO	1999	2013	5.30-5.50%	2,510	3,265
AQ, AT, AU, AV, AZ	2000	2015	5.35-5.50%	1,300	2,125
2001A	2001	2031	5.00-5.50%	92,225	98,970
2002A	2002	2022	4.10-4.875%	3,990	4,240
2002D	2002	2022	4.20-5.00%	2,645	3,000
2002F	2003	2024	4.00-5.375%	23,200	24,985
2002G	2003	2031	3.50-5.00%	9,805	10,215
2003C	2003	2026	4.50-5.00%	61,295	64,725
2004A	2004	2031	2.75-5.00%	52,115	54,300
2004D	2004	2026	4.00-5.00%	47,115	48,120
2004E	2005	2021	3.75-5.00%	18,615	19,945
2005A	2005	2020	4.00-5.00%	69,355	69,410
2005D	2006	2019	4.00-5.00%	20,410	20,410
2006A	2006	2031	3.50-5.00%	47,730	49,915
2007A	2007	2031	3.75-5.00%	76,040	77,235
2007G	2008	2034	3.75-5.00%	87,570	89,170
2008C	2008	2031	3.00-5.00%	38,120	39,280
2008G	2009	2020	4.00-5.50%	19,210	19,210
2009C	2010	2030	2.00-5.00%	104,000	-
2009E	2010	2030	2.00-4.65%	<u>6,135</u>	<u>-</u>
Total bonds payable – fixed rate debt				<u>\$789,135</u>	<u>\$716,185</u>

<u>Bond Series – Variable Rate Debt</u>			Average Interest Rate Since Issuance		
2008B – Weekly Mode	2008	2021	3.57%	\$4,985	\$35,915
2008F – Weekly Mode	2009	2034	1.47%	<u>24,585</u>	<u>99,860</u>
Total bonds payable – variable rate debt				<u>29,570</u>	<u>135,775</u>
Total bonds payable				<u>\$818,705</u>	<u>\$851,960</u>

<u>Notes Payable and Other Debt</u>	<u>Issue Date</u>	<u>Maturity Dates Through</u>	<u>Interest Rate</u>	<u>Outstanding Debt 2010</u>	<u>2009</u>
General Receipts Bond					
Anticipation Notes:					
2008E	July 2008	July 2009	N/A	-	36,055
2008H	December 2008	December 2009	N/A	-	17,000
2009A	May 2009	May 2010	N/A	-	23,900
2009B	July 2009	July 2010	2.00%	31,350	-
2009D	December 2009	December 2010	1.50%	25,000	-
2010A	May 2010	May 2011	1.50%	23,900	-
Capital Lease Obligations					
University Center	1996	2011	5.10%	3,170	7,205
Edwards Center	1998	2011	5.75%	4,530	6,610
Residence Halls	2000	2028	5.125-5.50%	36,090	37,280
University Ctr. Refunding	2005	2024	3.50-5.00%	52,815	52,815
Capital Lease-Stetson	July 2006	June 2033	4.25-5.97%	32,120	32,460
Capital Lease-Turner	July 2006	June 2033	4.00-5.25%	9,730	9,850
Capital Lease-equipment	2003	2019	3.58-4.69%	<u>6,345</u>	<u>7,850</u>
Total notes payable and other debt				<u>225,050</u>	<u>231,025</u>
Total bonds and notes payable and other debt				1,043,755	1,082,985
Premium net of unamortized costs and loss on refunding				<u>13,681</u>	<u>7,659</u>
Total bonds and notes payable and other debt, net				1,057,436	1,090,644
New debt traded not settled				<u>96,205</u>	-
				<u>\$1,153,641</u>	<u>\$1,090,644</u>

Debt Issuances and Permanent Fundings

General Receipt Bonds-Fixed Rate Debt

During the year ended June 30, 2010, the University issued the following general receipt fixed rate bond series:

Series 2009C was issued on October 1, 2009 in the amount of \$105,350,000. This bond series was issued at a premium and bears interest at rates ranging from 2.00% to 5.00%. The final maturity of Series 2009C is June 1, 2030. The proceeds were used to current refund \$30,930,000 of Series 2008B and \$75,275,000 of Series 2008F variable rate bonds; and along with existing debt service reserve funds, to current refund \$405,000 of Series X, \$660,000 of Series Y, \$1,005,000 of Series AG, \$2,345,000 of Series AH, \$1,915,000

of Series AL, \$995,000 of Series AM, and \$890,000 of Series AN fixed rate bonds; to pay for bond insurance; and to pay associated bond issue costs.

Series 2009E was issued on December 18, 2009 in the amount of \$6,135,000. This bond series was issued at a discount and bears interest at rates ranging from 2.00% to 4.65%. Series 2009E matures on June 1, 2030. The proceeds were used to current refund \$6,000,000 of Series 2008H bonds anticipation notes (BANS) which provided funding for the Roof Replacement Phase I projects, and to pay associated bond issue costs.

General Receipt Bonds-Variable Rate Debt

During the year ended June 30, 2010, the University refunded \$30,930,000 of Series 2008B and \$75,275,000 of Series 2008F general receipt variable rate bonds with the issuance of Series 2009C fixed rate bonds. Proceeds from the sale of Series 2009C bonds were placed into an escrow fund and were used to refund the bonds on November 2, 2009. This refunding reduced the amount of variable rate debt outstanding from \$135,775,000 as of June 30, 2009 to \$29,570,000 as of June 30, 2010.

The University issued Series 2008B general receipt variable rate bonds in 2008. These bonds were issued in the weekly reset mode. The initial interest rate for these bonds was 1.90%. The interest rate for the weekly mode bonds resets every week, with interest due on the first business day of each calendar month. Interest paid to date has been based on weekly rates that have fluctuated from a low of .35% to a high of 8.0%; the interest rate at June 30, 2010 was .44%. The maximum interest rate on the weekly reset mode bonds is 12%. The Series 2008B bonds are secured by a letter of credit issued by Bayerische Landesbank, which expires on April 9, 2011. Bondholders may tender any of these bonds for repurchase every seven days. Any bonds so tendered will be purchased either by the proceeds of the remarketing of such bonds or, if not successfully remarketed, by a draw on the letter of credit. Accordingly, the University has classified the outstanding principal balance on its weekly reset mode bonds that matures after June 30, 2011 as a long-term liability. As of June 30, 2010, there has not been a failed remarketing for the weekly reset mode variable rate bonds.

Series 2008F variable rate bonds were issued on November 21, 2008 to current refund the Series 2004B weekly reset mode bonds to improve the trading quality of the bonds by replacing the underlying structure of the Series 2004B bonds (insured bonds with a standby bond purchase agreement) with a pure letter of credit. The initial interest rate for the Series 2008F weekly reset mode bonds was 1.10%. The interest rate for the weekly mode bonds resets every week, with interest due the first business day of each calendar month. Interest paid to date has been based on weekly rates that have fluctuated from a low of .35% to a high of 3.50%; the interest rate at June 30, 2010 was .44%. The maximum interest rate on the weekly reset mode bonds is 12%. The Series 2008F bonds are secured by a letter of credit issued by Bayerische Landesbank, which expires on November 19, 2010. Series 2008F weekly rate bondholders may tender any of these bonds for repurchase every seven days. Any bonds so tendered will be purchased either by the proceeds of the remarketing of such bonds or, if not successfully remarketed, by a draw on the letter of credit. Accordingly, the University has classified the outstanding principal balance on its weekly reset mode bonds that matures after June 30, 2011 as a long-term liability. As of June 30, 2010, there has not been a failed remarketing for the weekly reset mode variable rate bonds.

The University has the option to convert the variable rate bonds from one rate mode to another, as well as the option to redeem or refund these bonds in whole or in part. The variable rate bonds mature at various dates through 2034 and it is the University's intent to repay this debt in accordance with the maturities set forth in the bond indentures. Steps have been taken in fiscal year 2011 to refinance the Series 2008B and 2008F variable rate bonds on a long-term basis into fixed rate debt instruments. The University has prepared a Preliminary Official Statement and has requested bond ratings in preparation for an October bond sale/trade with a November settlement/close.

Derivative Transactions

The University implemented a new GASB standard relating to accounting and financial reporting for derivative instruments in 2010. As a result of the new standard, the University is required to report the fair value of all derivatives within the financial statements effective July 1, 2009. This new reporting requirement is in addition to the derivative footnote disclosure made in the 2009 footnote.

The University terminated one of its interest rate swap agreements related to the Series 2008B variable rate bonds on September 25, 2009, due to the refunding of that portion of the variable rate bonds Series 2009C

fixed rate debt (see "Refundings" within this Note, for additional details on the refunding). A swap termination payment of \$1,775,000 was paid at the time of termination. This payment, which was verified by an independent third party, represents the cost to enter into a swap with identical terms on the termination date along with transaction costs.

The University has one pay-fixed interest rate swap in effect at June 30, 2010, which has been in existence since May 1, 2009. The initial objective of this interest rate swap was to protect the University against the potential of rising interest rates within the variable rate market. Through the evaluation process outlined in the new GASB standard, the University's interest rate swap was determined to be ineffective, thus it is considered to be an investment derivative versus a hedging derivative. The fair value of \$2,771,000 is reported as an investment loss within the Statement of Revenues, Expenses and Changes in Net Assets and as a deferred outflow of resources on the Statement of Net Assets.

The following table summarizes the University's pay-fixed interest rate swap agreement:

Associated Debt Issue	Outstanding Notional Amount	Effective Date	Fixed Rate Paid	Variable Rate Index Received	Fair Value @ 6/30/2010	Swap Termination Date	Counterparty Rating
2010A BANS	\$24,075,000	5/1/2009	3.163%	USD- 67% LIBOR-BBA-1M	(\$2,771,000)	6/1/2030	AA-/Aaa

Based on the swap agreement, the University pays to the swap counterparty interest calculated at a fixed rate. In return, the swap counterparty pays the University interest based on a specified index. Only the net difference in interest payments is actually exchanged between the parties. The University continues to pay interest on the 2010A BANS obligations as due. The University has no collateral posting requirements on this swap.

Risks

Credit Risk: There are no counterparty collateral posting requirements on the swap. The University was not exposed to credit risk of the counterparty as the swap had a negative fair value throughout fiscal year 2010. A derivative management guideline is in place at the University, which addresses diversifying counterparty risk and limiting the University's credit exposure on derivative transactions.

Basis Risk: The swap exposes the University to basis risk should the interest rate received on the swap be less than the interest rate paid on the obligation. This mismatch will effectively result in a higher synthetic fixed rate and the expected savings may not be realized. As of June 30, 2010, the University is experiencing basis risk due to the issuance of a BAN at a higher rate of interest than what is being received on the swap.

Termination Risk: The University or counterparty may terminate the swap if either party fails to perform under the terms of the agreement. Termination provisions may result in the University paying or receiving a termination payment, depending on the value of the swap at that point in time.

Market-access Risk: Market conditions in the spring of 2009 prevented the University from issuing a variable rate bond series to coincide with the June 1, 2030 maturity date of the swap, therefore Series 2009A BANS was issued on May 12, 2009. Series 2009A BANS matured on May 12, 2010; Series 2010A BANS was issued to refund Series 2009A BANS and is the current debt issue associated with the swap. The University will again reevaluate the municipal market and the fair value of the swap in the spring of 2011 to take appropriate actions relating to the Series 2010B BANS and the outstanding swap.

Fair Value

As of June 30, 2010, the fair value of the swap agreement was a liability of \$2,771,000 (reported as deferred outflow of resources on the Statement of Net Assets), indicating the amount that the University would be required to pay the Counterparty to terminate the swap agreement. The fair value was estimated using the zero coupon method. This method calculates the future net settlement payments required by the swap agreement, assuming that the forward rates implied by the yield curve as of June 30, 2010 correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the yield curve for hypothetical zero-coupon bonds due on

the date of each future net settlement of the swap agreement. The fair value of the swap agreement was developed by an independent third party with no vested interest in the swap transaction.

Bond Anticipation Notes

During the year ended June 30, 2010, the University issued the following Bond Anticipation Notes (BANS):

- Series 2009B was issued at a premium on July 21, 2009 in the amount of \$31,350,000, at an interest rate of 2.00%, to current refund Series 2008E BANS. Series 2009B matures on July 21, 2010.
- Series 2009D was issued at a premium on December 18, 2009 in the amount of \$25,000,000, at an interest rate of 1.50%, to current refund \$11,000,000 of Series 2008H BANS and to fund \$14,000,000 of additional early project expenditure projects. Series 2009D matures on December 16, 2010.
- Series 2010A was issued at a premium on May 12, 2010 in the amount of \$23,900,000, at an interest rate of 1.5%, to current refund Series 2009A BANS. Series 2010A matures on May 12, 2011.

Capital Lease Obligations

At June 30, 2010, the University has a capital lease obligation of \$4,530,000 for the University's Edwards Center, a capital lease obligation of \$55,985,000 to finance the costs of the University's University Center project and a capital lease obligation of \$36,090,000 to finance the costs of the Jefferson Avenue Residence Complex. The leases for the University Center, the Edwards Center and Jefferson Avenue constitute unconditional obligations of the University to make lease payments which pay principal and interest on certain certificates of participation issued by The Bank of New York Mellon Trust Company, N.A., as trustee, through the final maturity of such certificates to the extent of the University's general receipts.

In addition, the University has capital lease obligations in connection with the financing of two buildings (One Stetson Square \$32,120,000 and the Turner Center \$9,730,000) which are owned by King Highland Community Urban Redevelopment Corporation and occupied, all or in part, by the University. This financing was affected by the issuance of economic development revenue bonds by the County of Hamilton, Ohio (the "King Highland Bonds"). The leases for One Stetson Square and the Turner Center also constitute unconditional obligations to make lease payments which pay the principal and interest on the King Highland Bonds.

The University has not pledged its general receipts to the payment of these leases nor has the University pledged its general receipts to the payment of such Certificates of Participation. Holders of the Bond Anticipation Notes have a prior and superior claim to the general receipts than does King Highland and the trustee for the holders of such Certificates of Participation.

The University also has \$6,345,000 of financing obligations outstanding for equipment located in various departmental units. The obligations issued for equipment are unsecured except for an interest in the equipment.

Refundings

General Receipts Bond Anticipation Notes— Series 2010A general receipt bond anticipation notes were issued on May 12, 2010 in the amount of \$23,900,000 for the purpose of current refunding \$23,900,000 of Series 2009A which came due May 12, 2010. Series 2009A general receipt bond anticipation notes were issued in May 2009 to current refund \$23,380,000 of the following June 1, 2009 fixed rate bond maturities: Series AL1 \$240,000, Series AO \$480,000, Series AQ \$270,000, Series AT \$30,000, Series AU \$105,000, Series AV \$35,000, Series AZ \$80,000, Series 2001A \$7,090,000, Series 2002A \$240,000, Series 2002D \$340,000, Series 2002F \$1,725,000, Series 2002G \$1,015,000, Series 2003C \$4,430,000, Series 2004A \$2,130,000, Series 2004D \$975,000, Series 2004E \$1,295,000, Series 2006A \$2,120,000 and Series 2007A \$780,000. The purpose of the refunding was to complete the second phase of the University's Liquidity Reserve funding plan. There was no gain or loss on the refunding transaction.

General Receipts Bonds— Series 2009C general receipt bonds were issued October 1, 2009 in the amount of \$105,350,000. The proceeds were used to current refund \$30,930,000 of Series 2008B and \$75,275,000 of Series 2008F variable rate bonds; and along with existing debt service reserve funds, to current refund \$405,000 of Series X, \$660,000 of Series Y, \$1,005,000 of Series AG, \$2,345,000 of Series AH, \$1,915,000 of Series AL, \$995,000 of Series AM, and \$890,000 of Series AN callable fixed rate bonds. The purpose of the refunding was to decrease the University's exposure to variable rate debt as well as to refund maturities that were callable in reducing future debt service. The economic gain to the University is \$3,502,000 and will be realized over a period of 21 years as a reduction of interest expense. As a result of the refunding, \$2,818,000 has been recorded as a deferred loss on refunding recorded within accrued liabilities on the Statement of Net Assets and will be amortized from 2010 through 2030. The deferred loss on refunding reflects the difference between the refunding reacquisition price for the respective portion of Series 2009C and the net carrying amount of the outstanding principal balances of the refunded debt issues.

Collateralization and Debt Reserves

The general receipts bonds and general receipts bond anticipation notes are collateralized by a pledge of general receipts of the University. The Capital Lease Obligations and Capital Leases (Stetson and Turner) are secured by base rent payments under the leases. The gross cost of assets under Capital Lease Obligations is \$183,493,000. Payment of base rents is subordinate to debt service payments on the University's general receipt bonds and bond anticipation notes. The capital leases related to equipment is collateralized by the specified equipment. At June 30, 2010, the required debt service reserve amounted to approximately \$3,972,000. As provided for in the Amended and Restated Trust Agreement, this reserve is solely for the payment of debt service charges on the pre-amended bonds, with the exception that excess amounts may be transferred pursuant to Section 4.03 of the Amended and Restated Trust Agreement.

Debt Service Commitments

For bonds and notes payable at June 30, 2010, scheduled annual debt service payments subsequent to June 30, 2010 are as follows (*in thousands*):

Fiscal Year	Principal	Interest	Total
2011	\$111,565 *	\$39,279	\$150,844
2012	33,320	36,629	69,949
2013	36,930	35,240	72,170
2014	38,020	33,581	71,601
2015	40,725	31,848	72,573
2016-2020	226,710	128,639	355,349
2021-2025	215,795	72,796	288,591
2026-2030	145,670	27,215	172,885
2031-2034	<u>50,220</u>	<u>2,428</u>	<u>52,648</u>
Total	<u>\$898,955</u>	<u>\$407,655</u>	<u>\$1,306,610</u>

- * Fiscal year 2011 principal includes \$80,250,000 of BANS that are outstanding as of June 30, 2010. These BANS are expected to be retired, renewed or refunded into long term debt.

The University has \$29.6 million of variable rate bonds; all which interest is reset weekly based on the market, with a maximum rate of 12% per year. The interest rate used to determine future interest payments in the debt service repayment table above is the rate in effect at June 30, 2010: .44% for both Series 2008B and Series 2008F.

The University's \$24,075,000 LIBOR swap which became effective May 1, 2009 is currently attached to Series 2010A BANS (\$23,900,000, issued at an interest rate of 1.5%). Principal and associated interest for this BAN series is reflected within FY10 in the debt service table; the swap payment associated with the LIBOR swap is not reflected in the table.

Scheduled principal and interest payments on capital leases subsequent to June 30, 2010 are *(in thousands)*:

Fiscal Year	Principal	Interest	Total
2011	\$8,541	\$7,259	\$15,800
2012	8,056	6,808	14,864
2013	7,302	6,453	13,755
2014	7,811	6,084	13,895
2015	7,771	5,703	13,474
2016-2020	36,489	22,772	59,261
2021-2025	37,880	13,380	51,260
2026-2030	21,475	5,304	26,779
2031-2033	<u>9,475</u>	<u>963</u>	<u>10,438</u>
Total	<u>\$144,800</u>	<u>\$74,726</u>	<u>\$219,526</u>

Defeased Debt

Debt defeased by the University for which amounts remain outstanding at June 30, 2010, is *(in thousands)*:

Bond Series	Maturity Dates	Interest Rate(s)	Amount Outstanding
General Receipts Bonds:			
Series 2001A	2015-2019	5.75%	\$29,245
Series 2001A	2022-2024	5.25%	24,030
Series 2002F	2016-2020	5.375%	<u>13,010</u>
Total			<u>\$ 66,285</u>

Neither the outstanding indebtedness nor the related trust accounts are reflected in the accompanying financial statements for the fully defeased bonds listed above. United States Treasury obligations in an amount sufficient to pay principal and interest on the defeased obligations, when due, have been deposited with a trustee in accordance with the defeasance of the debt.

Other

Interest expense incurred on indebtedness for the years ended June 30, 2010 and 2009, is \$46,310,000 and \$44,783,000, respectively. In 2010, interest expense on construction-related debt of \$1,884,000, net of \$768,000 interest earned on invested funds, was capitalized. In 2009, interest expense on construction-related debt of \$2,620,000, net of \$1,191,000 interest earned on invested funds, was capitalized.

On June 25, 2010, the University entered into a Contract of Purchase for the purchase by the underwriter and sale by the University, of the Series 2010B and Series 2010C General Receipt Bonds. These bonds were traded by the underwriter on that same day. The Series 2010B and Series 2010C issues were comprised of new debt in the amount of \$96,205,000 and refunding of existing debt in the amount of \$2,210,000. These bonds closed (settled) July 2010. As a result of the bond trade occurring in June 2010, the University reported a noncurrent receivable and noncurrent liability on the Statement of Net Assets of \$96,205,000 (See also Note 18).

Long-Term Liabilities

Long-term liabilities as of June 30, 2010 and 2009 are as follows (*in thousands*):

	Year Ended June 30, 2010					
	Balance July 1, 2009	Additions	Reductions	Balance June 30, 2010	Current Portion	Noncurrent Portion
Bonds, notes and capital leases:						
Bonds and notes payable	\$928,915	\$287,940	\$221,695	\$995,160	\$111,565	\$883,595
Capital lease-equipment	7,850	-	1,505	6,345	1,391	4,954
Capital lease obligations	146,220	-	7,765	138,455	7,150	131,305
Premium net of unamortized costs and loss on refunding	<u>7,659</u>	<u>13,641</u>	<u>7,619</u>	<u>13,681</u>	<u>1,701</u>	<u>11,980</u>
Total bonds, notes and capital leases	<u>1,090,644</u>	<u>301,581</u>	<u>238,584</u>	<u>1,153,641</u>	<u>121,807</u>	<u>1,031,834</u>
Other long-term liabilities:						
Compensated absences	63,704	8,372	13,427	58,649	36,632	22,017
Refundable advances, federal loans	25,152	34	398	24,788	-	24,788
Other Liability	481	-	481	-	-	-
Deposits held in trust for others	<u>4,535</u>	<u>73,238</u>	<u>72,349</u>	<u>5,424</u>	<u>-</u>	<u>5,424</u>
Total other long-term liabilities	<u>93,872</u>	<u>81,644</u>	<u>86,655</u>	<u>88,861</u>	<u>36,632</u>	<u>52,229</u>
Total	<u>\$1,184,516</u>	<u>\$383,225</u>	<u>\$325,239</u>	<u>\$1,242,502</u>	<u>\$158,439</u>	<u>\$1,084,063</u>

	Year Ended June 30, 2009					
	Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009	Current Portion	Noncurrent Portion
Bonds, notes and capital leases:						
Bonds and notes payable	\$923,680	\$196,025	\$190,790	\$928,915	\$106,985	\$821,930
Loans payable-equipment	5,068	4,071	1,289	7,850	1,504	6,346
Capital lease obligations	153,725	-	7,505	146,220	7,765	138,455
Premium net of unamortized costs and loss on refunding	<u>8,547</u>	<u>2,790</u>	<u>3,678</u>	<u>7,659</u>	<u>1,059</u>	<u>6,600</u>
Total bonds, notes and capital leases	<u>1,091,020</u>	<u>202,886</u>	<u>203,262</u>	<u>1,090,644</u>	<u>117,313</u>	<u>973,331</u>
Other long-term liabilities:						
Compensated absences	62,864	4,343	3,503	63,704	34,982	28,722
Refundable advances, federal loans	26,276	37	1,161	25,152	-	25,152
Other Liability	943	-	462	481	481	-
Deposits held in trust for others	<u>3,228</u>	<u>72,871</u>	<u>71,564</u>	<u>4,535</u>	<u>-</u>	<u>4,535</u>
Total other long-term liabilities	<u>93,311</u>	<u>77,251</u>	<u>76,690</u>	<u>93,872</u>	<u>35,463</u>	<u>58,409</u>
Total	<u>\$1,184,331</u>	<u>\$280,137</u>	<u>\$279,952</u>	<u>\$1,184,516</u>	<u>\$152,776</u>	<u>\$1,031,740</u>

7. State Support

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

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

8. Retirement Plans and Other Post Employment Benefits

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). Certified teachers appointed on or after July 1, 1977, are covered by the State Teachers Retirement System (STRS). Non-certified employees appointed on or after that date are covered by the Ohio Public Employees Retirement System (OPERS). Both STRS and OPERS are statewide systems that offer three separate plans: (1) a defined benefit plan, (2) a defined contribution plan, and (3) a combined plan. Each of the three options is discussed in greater detail in the following sections.

Defined Benefit Plans

The OPERS, STRS and CRS plans are cost-sharing, multiple-employer, defined-benefit, public-employee retirement systems. Each provides retirement, disability, and survivor 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 43215-4642, Telephone (800) 222-7377; State Teachers Retirement System of Ohio, 275 East Broad Street, Columbus, Ohio 43215-3771, Telephone (888) 227-7877; and City of Cincinnati Retirement System, 801 Plum Street, Cincinnati, Ohio 45202, Telephone (513) 352-3227.

The Ohio Revised Code and the Cincinnati Municipal Code provide OPERS, STRS, and CRS statutory authority, respectively, over employer and employee contributions. The required actuarially determined contribution rates (as a percentage of covered payroll) for the employee and the University are as follows for the year ending June 30, 2010:

	OPERS (staff)	OPERS (Law Enforcement staff)	STRS	CRS
<u>Employee:</u>				
All year	10%		10%	7%
7/09 – 12/09		10.10%		
1/10 – 6/10		11.10%		
<u>University:</u>				
All year	14%		14%	17%
7/09 – 12/09		17.63%		
1/10 – 6/10		17.87%		

The portion of the University's contribution above applied toward health care funding is 5% for OPERS and 1% for STRS.

The University's contributions, representing 100% of employer contributions for the year ended June 30, 2010, and for each of the two preceding years are as follows (in thousands):

<u>Fiscal Year</u>	<u>OPERS</u>	<u>STRS</u>	<u>CRS</u>
2008	\$20,155	\$15,417	\$278
2009	\$20,904	\$16,733	\$162
2010	\$20,543	\$17,334	\$118

OPERS and STRS provide postretirement and postemployment health care benefits in addition to the retirement benefits described above. OPERS Other Postemployment 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, 2008. The individual entry age actuarial cost method of valuation is used in determining the present value of OPEB. 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 actuarial 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 not to exceed a 12% corridor. The actuaries' assumptions were as follows: investment return, 6.5%; annual wage increase (compounded annually), 4%; and health care costs, 4%. Annual pay increases over and above the 4% base increase, were assumed to range from 0.5% to 6.3%. At December 31, 2008, the actuarial funding value of the Retirement System's net assets available for OPEB was \$10.7 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$29.6 billion and \$18.9 billion, respectively. There are 356,388 active contributing participants as of December 31, 2008. Of the \$20,543,000 University employer contributions to OPERS for 2010, \$7,337,000 was to fund OPEB.

STRS has discretionary authority, pursuant to the Ohio 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 Stabilization Fund was \$2.7 billion at June 30, 2009 (the latest information available). For the year ended June 30, 2009, the net health-care costs paid by STRS were \$298,110,000. There were 129,659 eligible benefit recipients.

In addition to the pension benefits described above, the University provides postretirement health-care and dental benefits (under its labor agreement with the American Association of University Professors) to all who are participants of TIAA-CREF when they retire. During 2010, 2009, and 2008, the net cost of these benefits recorded on a pay-as-you-go basis totaled approximately \$2,922,000, \$3,148,000, and \$3,010,000, respectively.

Defined Contribution Plans

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, which allows the participant to manage the investment of all retirement funds. New employees who qualify for the ARP have 120 days from the date of hire to elect the ARP option. Once this window has passed, the employee will not have the option to elect into the ARP.

At June 30, 2010, there were 1,877 members of the plan. During 2010, 2009, and 2008, the employer contributions were \$14,221,000, \$13,956,000, and \$13,730,000, respectively. The employer contribution rate for participants (other than law enforcement) electing out of OPERS and STRS was 14% for 2010. For law enforcement staff the employer contribution was 17.63% for the period July 2009 to December 2009 and 17.87% for the period January 2010 to June 2010.

Combined Plans

STRS offers a combined plan with features of both a defined contribution plan and a defined benefit plan. In the combined plan, employee contributions are invested in self-directed investments, and the employer contribution is used to fund a reduced defined benefit. Employees electing the combined plan receive postretirement health care benefits.

OPERS also offers a combined plan. This is a cost-sharing, multiple-employer defined benefit plan that has elements of both a defined benefit and defined contribution plan. In the combined plan, employee contributions are invested in self directed investments, and the employer contribution is used to fund a reduced defined benefit. Employees electing the combined plan receive postretirement health care benefits. OPERS provides retirement, disability, survivor and postretirement health benefits to qualifying members of the combined plan.

9. Restricted Net Assets

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

	<u>2010</u>	<u>2009</u>
Restricted nonexpendable:		
Instruction	\$ 122,398	\$ 114,069
Research	80,584	76,759
Academic support	38,098	36,640
College/programs	248,720	236,225
Scholarships	107,649	100,259
Equity interest in Alliance	336,144	351,632
Other	<u>60,476</u>	<u>55,846</u>
Total	<u>\$ 994,069</u>	<u>\$ 971,430</u>

	<u>2010</u>	<u>2009</u>
Restricted expendable:		
Instruction	\$ 30,090	\$ 27,447
Research	89,545	88,684
Academic support	23,708	24,144
College/programs	107,737	114,611
Scholarships	38,975	38,072
Student loans	9,520	9,291
Grants and contracts	1,510	4,018
Capital projects	21,501	17,544
Other	<u>4,483</u>	<u>2,535</u>
Total	<u>\$ 327,069</u>	<u>\$ 326,346</u>

10. Unrestricted Net Assets

Unrestricted net assets are not subject to externally imposed stipulations; however, they are subject to internal designations imposed by action of management or the Board of Trustees, or may otherwise be limited by contractual agreements with outside parties.

11. Investment in Health Alliance

Since January 1, 1995, the operation of University Hospital ("University Hospital") has been managed by The Health Alliance of Greater Cincinnati (the "Health Alliance") and its health care activities have been coordinated with those of the other members of the Health Alliance. The Health Alliance was formed to provide the greater Cincinnati community with high quality, cost-effective, and accessible health care through an integrated delivery system. The Health Alliance is an Ohio non-profit corporation qualified as a tax-exempt organization under §501(c)(3) of the Internal Revenue Code. The "Participating Entities" in the Health Alliance, who were parties to the Joint Operating Agreement (the "Agreement") establishing the Health Alliance, included the University (for University Hospital) and certain other hospitals in the Cincinnati

area. Between 2008 and mid-2010, each of the Participating Entities other than the University terminated their participation in the Health Alliance and are no longer Participating Entities. Effective March 1, 2010 a financial settlement agreement was finalized with Jewish Health System, Inc. and Fort Hamilton Holding Company, LLC to terminate their participation in the Health Alliance. Accordingly, the University is the sole remaining Participating Entity in the Health Alliance.

The University's investment in the Health Alliance is included as an investment on the University's Statement of Net Assets. As of June 30, 2010 the investment in the Health Alliance amounted to \$336 million, representing 100% of the Health Alliance's total net assets. The University's investment in the Health Alliance as of June 30, 2009 was \$352 million which was calculated on a 49.5% share of the Health Alliance. The investment in the Health Alliance is not included in the market value of the University's total endowment.

Additionally, the Health Alliance provides the University an annual education and research payment and programmatic support that must be used exclusively for Academic Health Center purposes. The total of these payments and support for the years ended June 30, 2010 and 2009 were \$9,103,000 and \$9,283,000, respectively. The University also provides various shared services, consisting mainly of utilities, security and various administrative services to the Health Alliance for which the University is reimbursed on a cost basis. The total cost of these services for the years ended June 30, 2010 and 2009 were approximately \$18,149,000 and \$17,242,000, respectively.

Subsequent to June 30, 2010, the Health Alliance has continued the process of changing its name and restructuring as UC Health, Inc., an Ohio nonprofit corporation (See Note 18, Subsequent Events).

12. Capital Project Commitments

At June 30, 2010, the University is committed to future capital expenditures as follows (*in thousands*):

Contractual commitments	\$ 42,330
Estimated completion costs of projects	<u>292,651</u>
Total	<u>\$334,981</u>

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

Approved state appropriations requested and released as of June 30, 2010	\$ 21,609
Approved state appropriations not yet requested	14,739
University funded prior to June 30, 2010	86,154
Funds to be provided subsequent to June 30, 2010, from various available sources	<u>212,479</u>
Total	<u>\$334,981</u>

The \$212,479,000 of funding to be provided subsequent to June 30, 2010 will come from state funds, debt, and University funds.

13. Self-Insurance Funds

The University currently provides for medical professional and general liability insurance through a combination of an actuarially funded self-insurance program sponsored by the University and has purchased commercial insurance in excess of the self-insurance amount. The medical professional liability insurance program also includes several qualified not-for-profit departmental (physician) practice corporations. Medical professional self-insurance limits were \$4 million per occurrence for 2010. An additional \$15 million in commercial excess professional liability insurance was provided above the self-insured retention.

General liability coverage is also provided as part of a group insurance program of Ohio state universities known as the Inter-University Council of Ohio Insurance Consortium (IUC-IC). This program provided for \$1

million retention per occurrence with the first \$100,000 funded by UC, and the remaining \$900,000 funded by pool funds held through the IUC. Excess commercial coverage for general liability was provided with total limits of \$50 million, of which \$45 million was shared with the other participating universities. In addition, educators' legal liability coverage was provided through the IUC program with \$25 million in total limits, of which \$20 million was shared among the participating institutions. The IUC-IC self-insurance pools are funded by an agreed formula among the participating universities.

The University's self-insurance program is based on calculations by independent actuaries and funds are deposited directly into two irrevocable self-insurance trust funds, one for medical and professional liability and one for general liability. In the opinion of management, trust assets totaling approximately \$32,648,000 are adequate to cover estimated liabilities resulting from known claims and incidents and incurred-but-not-reported incidents as of June 30, 2010.

Property insurance is also provided through the IUC-IC program, consisting of commercial property insurance with a \$350,000 retention, and a self-insurance pool to fund losses between \$100,000 and \$350,000.

The University is also self-insured for a portion of medical, dental, and pharmacy benefits provided to employees. The cost of such self-insured benefits provided during 2010 and 2009, respectively, was approximately \$70,064,000 and \$67,062,000. In addition, \$5,285,000 and \$4,666,000 was accrued for 2010 and 2009, respectively, for estimated claims incurred but not reported.

14. Other Commitments and Contingencies

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

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

In 2005 the Department of Education conducted a program audit of certain aspects of the University's Student Financial Aid Program. As a result of various findings of the Department of Education, the University has estimated and recorded a liability to the Department of Education approximating \$13,900,000.

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

15. University of Cincinnati Foundation

The University of Cincinnati Foundation is a legally separate, tax-exempt component unit of the University. The principal function of the Foundation is to solicit, reserve, hold, invest and administer funds and to make distributions to or for the benefit of the University. Since these resources held by the Foundation can be used only by or for the benefit of the University, the Foundation is considered a component unit of the University and is discretely presented in the University's financial statements.

Accounts of the Foundation have been presented in the accompanying financial statements in accordance with generally accepted accounting principles for not-for-profit organizations. Pledges receivable for the benefit of the University totaling \$15,411,000 in 2010 and \$9,231,000 in 2009, and funds held in trust by the Foundation for the University of \$189,750,000 in 2010 and \$177,404,000 in 2009, have been recorded by the University and have, therefore, been eliminated from the amounts reported for the Foundation as of June 30, 2010 and 2009. Of these amounts, \$172,876,000 and \$158,411,000 have been invested as of June 30, 2010 and 2009, respectively, in the University endowment investment pool.

Cash & Cash Equivalents

The carrying amount of the Foundation's cash and cash equivalents is \$8,967,000 as compared to bank balances of \$11,693,000. The difference between the carrying amounts and the bank balances is caused primarily by deposits in transit and outstanding checks.

Of the Foundation's bank balances, \$65,000 is covered by federal depository insurance, \$5,942,000 is uninsured and money market funds account for \$5,685,000 in cash equivalents.

Investments

The fair value of investments at June 30 is *(in thousands)*:

	<u>2010</u>	<u>2009</u>
U.S. government and treasury securities	\$ 572	\$ 68
Corporate bonds	1,888	4,628
Mutual funds	11,391	7,870
Other securities	<u>1,334</u>	<u>930</u>
Total investments	<u>\$15,185</u>	<u>\$13,496</u>

GASB standards require government entities to categorize investments of interest rate risk, credit risk, and custodial risk.

Interest Rate Risk

The Foundation's investments total \$15,185,000 and \$13,496,000 as of June 30, 2010 and 2009 respectively. The segmented time distribution method is used to portray interest rate risk for \$7,389,000 and \$9,548,000 of bond and other fixed income investments as of June 30, 2010 and 2009, respectively. Investments for the years ended June 30, 2010 and 2009 are summarized as follows (in thousands):

Investment Type	<u>Investment Maturities (In Years) 2010</u>				
	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>More than 10</u>
U.S. Treasury Obligations	\$ 559	\$ 534	\$ 25	\$ -	\$ -
U.S. Government Agency Obligations	13	-	13	-	-
Municipal Obligations	40	-	-	-	40
Corporate Bonds	1,888	1,728	64	96	-
Bond Mutual Funds	<u>4,889</u>	<u>-</u>	<u>119</u>	<u>4,677</u>	<u>93</u>
Total Investments	<u>\$ 7,389</u>	<u>\$ 2,262</u>	<u>\$ 221</u>	<u>\$ 4,773</u>	<u>\$ 133</u>

Investment Type	<u>Investment Maturities (In Years) 2009</u>				
	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>More than 10</u>
U.S. Treasury Obligations	\$ 52	\$ 10	\$ 42	\$ -	\$ -
U.S. Government Agency Obligations	16	-	16	-	-
Municipal Obligations	38	-	-	-	38
Corporate Bonds	4,628	4,484	139	5	-
Bond Mutual Funds	<u>4,814</u>	<u>-</u>	<u>3,458</u>	<u>146</u>	<u>1,210</u>
Total Investments	<u>\$ 9,548</u>	<u>\$ 4,494</u>	<u>\$ 3,655</u>	<u>\$ 151</u>	<u>\$ 1,248</u>

The Foundation does not have a policy for interest rate risk.

Credit Risk

Bond and other fixed income investments are rated by nationally recognized rating organizations as follows, as of June 30 (in thousands):

	<u>2010</u>	<u>2009</u>
U.S. Treasury Obligations	\$ 559	\$ 52
AAA	13	3,033
AA	1,499	5,796
A	1,025	100
BBB	1,242	407
BB	6	-
B	2,913	-
Not Rated	<u>132</u>	<u>160</u>
Total	<u>\$ 7,389</u>	<u>\$ 9,548</u>

Foundation investment grade bonds are limited to those in the first four grades of any rating system. The average rating of the portfolio of investment grade bonds must be in the top two grades of any rating system. Limited investments having strategic value to the University are permitted.

Custodial Credit Risk

Of the Foundation's \$15,185,000 total investments, approximately \$14,050,000 are uninsured, not registered in the name of the Foundation, and are held in trust departments or assets in the Foundation's name and are thus not exposed to custodial credit risk. The Foundation does not have a policy for custodial credit risk.

Endowment Investments

These funds represent separately invested endowments and split interest trusts where the Foundation is the remainderman.

Pledges Receivable

Contributors to the Foundation have made unconditional pledges totaling \$66,103,000 and \$68,887,000 as of June 30, 2010 and 2009, respectively. These pledges receivable have been discounted at a rate ranging from 2.3% to 6% to a net present value of \$51,593,000 and \$53,973,000 as of June 30, 2010 and 2009, respectively, which represents fair market value. As of June 30, these pledges are due as follows (*in thousands*):

	<u>2010</u>	<u>2009</u>
Less than one year	\$22,126	\$17,408
One to five years	12,619	21,710
More than five years	<u>16,848</u>	<u>14,855</u>
Subtotal	51,593	53,973
Less allowance for uncollectibles pledges	<u>2,589</u>	<u>2,417</u>
Total	<u>\$49,004</u>	<u>\$51,556</u>

Separate financial information regarding the Foundation may be obtained by contacting the Foundation at University of Cincinnati Foundation, University Hall, Suite 100, 51 Goodman Drive, Cincinnati, Ohio 45221-0064.

16. University of Cincinnati Physicians, Inc.

The University of Cincinnati Physicians, Inc. (UCP) is a legally separate nonprofit corporation formed under Chapter 1702 of the Ohio Revised Code through which the faculty of the University of Cincinnati's College of Medicine engage in clinical practice. During 2010, UCP amended and restated its Code of Regulations

including changes in governance structure. As a result, UCP's relationship with the University was analyzed for component unit status. It was determined that UCP should be included as a component unit effective July 1, 2009 due to multiple factors including the University appointing a majority of the Board of Directors along with the financial benefit/burden of the relationship.

These benefits provided by UCP to the University include \$1,858,000 paid in practice plan reimbursements during 2010. UCP also paid \$11,334,000 in practice plan contributions to the College of Medicine Enrichment Fund which may be used at the discretion of the Dean of the College of Medicine for the growth and development of teaching, research and service programs for the general benefit of the University's Academic Health Center.

Accounts of UCP have been presented in the accompanying financial statements in accordance with generally accepted accounting principles for not-for-profit organizations. The inclusion of UCP as a component unit for fiscal year 2010 resulted in a Change in University Related Organizations- beginning of the year of \$73,128,000 presented on the Statement of Revenues, Expenses and Changes in Net Assets.

Financial Position and Operating Results

The carrying amount of UCP's cash and cash equivalents is \$9,699,000 compared to bank balances of \$9,271,000. The difference between the carrying amounts and the bank balances is caused primarily by deposits in transit and outstanding checks.

The fair value of UCP investments at June 30, 2010 is \$58,237,000. UCP's investments consist of \$1,131,000 of common stocks and \$57,106,000 of pooled funds held at the Medical Center Fund of Cincinnati, Inc. The pooled funds are 54% common stocks, 22% corporate debt securities, 17% money market funds, 6% government debt securities and 1% cash.

Operating income is derived primarily from providing clinical patient care services and totals \$18,776,000 for 2010. The overall change in net assets is \$13,967,000.

17. University Heights Community Urban Redevelopment Corporation

University Heights Community Urban Redevelopment Corporation (UHCURC) is organized as a not-for-profit corporation under the laws of the state of Ohio. Its mission is to revitalize the University Heights neighborhood adjacent to the University of Cincinnati. UHCURC was organized by three founding members: The Heights Community Council, the Greek Affairs Council and the University of Cincinnati.

Stratford Heights, owned by UHCURC, is a student housing complex opened in the fall of 2005 and consists of 20 buildings with a capacity to house approximately 700 students. Pursuant to a Master Use Agreement between the University and UHCURC, certain events occurred in fiscal year 2009 that triggered the commencement of a lease agreement which required the University to lease the property from UHCURC effective September 1, 2009 and assume management of the facility. As a result, Stratford Heights is reported as an auxiliary by the University. The total lease payments paid to UHCURC were \$2,035,000 for 2010.

During fiscal year 2010, the structure of UHCURC's Board of Trustees was changed giving the University a voting majority on the board. Due to this governance change and the fact that the University can impose its will on the organization, UHCURC will be reported as a blended component unit of the University in fiscal year 2011 (see below).

UHCURC's fiscal year-end is August 31. Since the lease agreement and board authority changes were not effective until September 1, 2009, the first fiscal period eligible to be included in the University's financial statements is August 31, 2010. It has been determined for timing and practical reasons that UHCURC's August 31, 2010 information will be included in the University's fiscal year 2011 financial statements. Therefore, UHCURC is not included as a component unit of the University as of June 30, 2010. As of August 31, 2010, UHCURC's capital assets were approximately \$56,000,000 net of depreciation and secured with Hamilton County bonds of approximately \$51,960,000. Additionally, UHCURC has a note payable to the University for \$16,998,000 which is reported as an investment on the University's financial statement as of June 30, 2010.

18. Subsequent Events

The University issued four debt series subsequent to June 30, 2010. They are summarized as follows:

- \$3,460,000 in Series 2010B general receipt bonds; \$2,120,000 to refinance fixed rate debt for the purpose of reducing future debt service and \$1,340,000 to finance capital projects. These bonds were issued at an all-in true interest cost of 2.11%; the final bond maturity is June 1, 2015. The \$1,340,000 of bonds to finance capital projects represents new debt that was traded but not settled as of June 30, 2010 and therefore, is reported on the Statement of Net Assets as a noncurrent receivable and noncurrent liability (see Note 6).
- \$94,865,000 in Series 2010C general receipt Federally Taxable Build America Bonds to finance capital projects. These bonds were issued at an all-in true interest cost of 6.34%; all-in true interest of 4.20% with the federal subsidy; the final bond maturity is June 1, 2039. These bonds represent new debt that was traded but not settled as of June 30, 2010 and therefore, is reported on the Statement of Net Assets as a noncurrent receivable and noncurrent liability (see Note 6).
- \$19,610,000 in Series 2010D general receipt bond anticipation notes (BANS) to refinance a portion of Series 2009B BANS. These BANS mature on December 16, 2010.
- \$10,490,000 in Series 2010E general receipt BANS to refinance the remaining portion of Series 2009B BANS. These BANS mature on July 21, 2011.

Subsequent to June 30, 2010, University Height Community Urban Redevelopment Corporation through a Hamilton County debt issuance, borrowed \$52 million to refund the Series 2004 Adjustable Rate Student Housing Revenue Bonds issued to fund the Stratford Heights housing project. Series 2010 Bonds were issued on July 29, 2010; funds from the issuance were used to call the Series 2004 bonds and to fund the termination of the related swap agreement. Additionally, a new Master Lease Agreement effective July 29, 2010, requires the University to pay base rent in amounts and at the times sufficient to pay any principal of, or interest on the Series 2010 Bonds.

Subsequent to June 30, 2010, the Health Alliance of Greater Cincinnati has continued the process of changing its name and restructuring as UC Health, Inc. to reflect both the departure of all of the other remaining participating entities and its new, closer affiliation with the University's College of Medicine. Notwithstanding this closer affiliation, the understanding of all of the parties has always been that the reorganized entity, as renamed and restructured, will continue to be a private corporation and that it will not be a component unit of the University. The legal and governance structure for UC Health that has been approved in principal by the Health Alliance Board was formulated so as to achieve both of these results. Additionally, the University believes that there will be no adverse impact on its investment in UC Health, Inc. when the reorganization takes effect.

University of Cincinnati
Schedule of Expenditures of Federal Awards
for the period ending June 30, 2010

Federal Agency	Federal CFDA	Program Title or Sponsor ID	Federal Expenditures
CCFC (CHILD CARE AND DEVELOPMENT) CLUSTER			
CCFC (CHILD CARE AND DEVELOPMENT) - PASS THROUGH FUNDS			
Department of Health and Human Services			
Administration for Children and Families	93.575	HCJFS SUB NICYF	50,876.16
Administration for Children and Families	93.575	OCCRRRA SUB DHHS	12,025.83
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			62,901.99
TOTAL CCFC (CHILD CARE AND DEVELOPMENT) - PASS THROUGH FUNDS			62,901.99
TOTAL CCFC (CHILD CARE AND DEVELOPMENT) CLUSTER			62,901.99
HEAD START CLUSTER			
HEAD START - DIRECT FUNDS			
Department of Health and Human Services			
Administration for Children and Families	93.600	Head Start	1,437,000.25
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			1,437,000.25
TOTAL HEAD START - DIRECT FUNDS			1,437,000.25
HEAD START - PASS THROUGH FUNDS			
Department of Health and Human Services			
Administration for Children and Families	93.600	CHC-CAA SUB HHS & OD	-20,949.97
Administration for Children and Families	93.600	CHCCAA/HHS/HEAD START	871,106.95
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			850,156.98
TOTAL HEAD START - PASS THROUGH FUNDS			850,156.98
TOTAL HEAD START CLUSTER			2,287,157.23
HIGHWAY PLANNING AND CONSTRUCTION CLUSTER			
HIGHWAY PLANNING AND CONSTRUCTION - PASS THROUGH FUNDS			
Department of Transportation			
Federal Highway Administration (FHWA)	20.205	ODOT #11569 SUB FHA	7,573.48
Federal Highway Administration (FHWA)	20.205	ODOT #11569 SUB FHWA	21,872.24
Federal Highway Administration (FHWA)	20.205	ODOT #20359B SUB FHW	92,749.40
Federal Highway Administration (FHWA)	20.205	ODOT #9895 SUB FHWA	50,670.00
Federal Highway Administration (FHWA)	20.205	ODOT 14811/FHWA DIST	91,425.80
Federal Highway Administration (FHWA)	20.205	ODOT 20979 SUB FHWA	56,927.00
Federal Highway Administration (FHWA)	20.205	ODOT 22424 sub USDOT	24,465.07
Federal Highway Administration (FHWA)	20.205	Ohio University ODOT	30,739.42
TOTAL DEPARTMENT OF TRANSPORTATION			376,422.41
TOTAL HIGHWAY PLANNING AND CONSTRUCTION - PASS THROUGH FUNDS			376,422.41
TOTAL HIGHWAY PLANNING AND CONSTRUCTION CLUSTER			376,422.41
HIGHWAY SAFETY CLUSTER			
HIGHWAY SAFETY - PASS THROUGH FUNDS			
Department of Transportation			
National Highway Traffic Safety Administration (NHTSA)	20.600	B CTY/SC-2009-8-00-00-00368-00	11,108.71
National Highway Traffic Safety Administration (NHTSA)	20.600	B CTY/SC-2009-8-00-00-00380-00	9,064.48
TOTAL DEPARTMENT OF TRANSPORTATION			20,173.19
TOTAL HIGHWAY SAFETY - PASS THROUGH FUNDS			20,173.19
TOTAL HIGHWAY SAFETY CLUSTER			20,173.19

Continued

University of Cincinnati
Schedule of Expenditures of Federal Awards
for the period ending June 30, 2010

Federal Agency	Federal CFDA	Program Title or Sponsor ID	Federal Expenditures
MEDICAID CLUSTER			
MEDICAID - PASS THROUGH FUNDS			
Department of Health and Human Services			
Centers for Medicare and Medicaid Services	93.778	OSURF Sub ODJFS & OD	25,065.15
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			25,065.15
TOTAL MEDICAID - PASS THROUGH FUNDS			25,065.15
TOTAL MEDICAID CLUSTER			25,065.15
OTHER - DIRECT FUNDS			
Department of Defense			
Defense Logistics Agency	12.002	Procurement Technical Assistance For Business	-2,856.43
Department of the Navy, Office of the Chief of Naval Research	12.300	Basic and Applied Scientific Research	-60,394.19
TOTAL DEPARTMENT OF DEFENSE			-63,250.62
Department of Education			
Other Department of Education			
Office of Postsecondary Education	84.116	Fund for the Improvement of Postsecondary	27,730.78
Office of Postsecondary Education	84.200	Graduate Assistance in Areas of National Need	-16,511.40
Institute of Education Sciences	84.305	Education Research, Development and	475,035.45
Office of Special Education and Rehabilitative Services	84.327	Special Education Technology and Media Services	104,495.64
Office of Postsecondary Education	84.334	Gaining Early Awareness and Readiness for	3,128,160.10
Office of Postsecondary Education	84.335	Child Care Access Means Parents in School	-31,251.26
TOTAL OTHER DEPARTMENT OF EDUCATION			3,687,659.31
TOTAL DEPARTMENT OF EDUCATION			3,687,659.31
Department of Homeland Security			
Department of Homeland Security	97.103	Degrees at a Distance Program	1,537.37
TOTAL DEPARTMENT OF HOMELAND SECURITY			1,537.37
Environmental Protection Agency			
Office of Grants and Debarment	66.607	Training and Fellowships for the Environmental	123,619.95
TOTAL ENVIRONMENTAL PROTECTION AGENCY			123,619.95
National Endowment for the Humanities			
National Endowment for the Humanities	45.149	Promotion of the Humanities Division of	500.00
National Endowment for the Humanities	45.162	Promotion of the Humanities Teaching and	-370.64
National Endowment for the Humanities	45.164	Promotion of the Humanities Public Programs	17,432.86
TOTAL NATIONAL ENDOWMENT FOR THE HUMANITIES			17,562.22
National Science Foundation			
National Science Foundation	47.041	Engineering Grants	112,488.19
National Science Foundation	47.049	Mathematical and Physical Sciences	62,449.96
National Science Foundation	47.076	Education and Human Resources	589,980.75
National Science Foundation	47.078	Polar Programs	434.89
TOTAL NATIONAL SCIENCE FOUNDATION			765,353.79
TOTAL OTHER - DIRECT FUNDS			4,532,482.02

Continued

University of Cincinnati
Schedule of Expenditures of Federal Awards
for the period ending June 30, 2010

Federal Agency	Federal CFDA	Program Title or Sponsor ID	Federal Expenditures
OTHER - PASS THROUGH FUNDS			
Corporation for National and Community Service			
Corporation for National and Community Service	94.004	OTTERBEIN SUB CNCS -	12,493.49
Corporation for National and Community Service	94.004	OTTERBEIN SUB CNCS L	29,482.68
TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			41,976.17
Department of Agriculture			
National Institute of Food and Agriculture	10.225	Findlay Market/USDA	6,796.18
Food and Nutrition Service	10.558	CACFP PDE 09-10/079632	40,118.99
Food and Nutrition Service	10.558	ODE CACFP SUB USDA	-2,490.48
TOTAL DEPARTMENT OF AGRICULTURE			44,424.69
Department of Defense			
Department of Defense	12	AAS/ARMY/09-62, 09-63	4,950.00
Defense Logistics Agency	12.002	NOGCAC SUB DLA - FY9	-8,701.77
TOTAL DEPARTMENT OF DEFENSE			-3,751.77
Department of Education			
Department of Education	84	ODE SUB USED SAELP G	4,595.22
Department of Education	84	ODE/062927-2007-TRSP	43,493.29
Department of Education	84	ODE/062927-SAELP-2010	99,045.76
Office of Special Education and Rehabilitative Services	84.126	ORSC SUB OBR / USED 006856	10,555.50
Office of Elementary and Secondary Education	84.186	ODE SUB USED BASE (O	-1,132.87
Office of Elementary and Secondary Education	84.186	ODE/062927 ORRC	-2,155.42
Office of Vocational and Adult Education	84.243	ODE/062927-TP-FB-2006	-546.10
Institute of Education Sciences	84.305	Lockland Schools 0089413	29,181.38
Office of Postsecondary Education	84.334	OBR - OCAN - Gear UP	24,999.64
Office of Postsecondary Education	84.334	RTI / ESED/Gear Up	3,200.00
Office of Elementary and Secondary Education	84.357	CPS SUB USED SUP ED	557,609.19
Office of Elementary and Secondary Education	84.366	ODE OMSP SUB USED	20,355.04
Office of Elementary and Secondary Education	84.367	OBR/USED/07-08 ITQ	93,692.50
Office of Elementary and Secondary Education	84.367	OBR/USED/ITQP 08-07	56,639.96
Office of Elementary and Secondary Education	84.367	OBR/USED/ITQP 08-08	6,465.82
TOTAL DEPARTMENT OF EDUCATION			945,998.91
Department of Energy			
Department of Energy	81	FERNALD PO# 05FF0079	51.98
Department of Energy	81	KRELL INST/DOE/CSGF: ROGERS	23.82
TOTAL DEPARTMENT OF ENERGY			75.80
Department of Justice			
Department of Justice	16.007	ODE SUB FEMA/HOMELAND	-434.01
Office of Juvenile Justice and Delinquency Prevention	16.523	CJCC sub DOJ Tech A	50,950.31
Office of Juvenile Justice and Delinquency Prevention	16.523	Ham Co., OH DMC 2009	49,232.17
Office of Juvenile Justice and Delinquency Prevention	16.523	ODYS/2006-JB-016-B063	474.87
Office of Juvenile Justice and Delinquency Prevention	16.523	ODYS/203-JC-C00-6019 SUB	-1,902.16
TOTAL DEPARTMENT OF JUSTICE			98,321.18

Continued

University of Cincinnati
Schedule of Expenditures of Federal Awards
for the period ending June 30, 2010

Federal Agency	Federal CFDA	Program Title or Sponsor ID	Federal Expenditures
Institute of Museum and Library Services			
Institute of Museum and Library Services	45.310	ST LIB OH SUB IMLS	24,000.00
Institute of Museum and Library Services	45.310	ST LIB OH/VIII-11-09	31,850.85
TOTAL INSTITUTE OF MUSEUM AND LIBRARY SERVICES			55,850.85
National Aeronautics and Space Administration			
National Aeronautics and Space Administration	43	OSGC sub NASA - Seed	1,774.32
National Aeronautics and Space Administration	43.001	OH Space/NASA/006763	7,001.32
National Aeronautics and Space Administration	43.001	OSGC/NASA- BALLOON S	76.88
National Aeronautics and Space Administration	43.001	OSGC/NASA Seed Grant	1,972.98
National Aeronautics and Space Administration	43.001	OSGC/NASA-OAI SCHOLA	39,991.13
TOTAL NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			50,816.63
National Endowment for the Humanities			
National Endowment for the Humanities	45.168	OHC Sub NEH 09-041 A	14,961.32
TOTAL NATIONAL ENDOWMENT FOR THE HUMANITIES			14,961.32
National Science Foundation			
National Science Foundation	47.041	UNIV SOUTH FL /NSF IGERT	-2,500.00
National Science Foundation	47.076	CPS / NSF DRL0929557	66,054.43
National Science Foundation	47.076	OSURF SUB NSF HRD-03	38,701.04
TOTAL NATIONAL SCIENCE FOUNDATION			102,255.47
Small Business Administration			
Small Business Administration	59.037	ODOD SUB SBA - SBDC	-6,641.10
Small Business Administration	59.037	ODOD SUB SBA SBDC FY	11,215.63
TOTAL SMALL BUSINESS ADMINISTRATION			4,574.53
TOTAL OTHER - PASS THROUGH FUNDS			1,355,503.78

RESEARCH AND DEVELOPMENT CLUSTER

RESEARCH AND DEVELOPMENT - DIRECT FUNDS

Department of Agriculture

Agricultural Research Service	10.001	Agricultural Research Basic and Applied Research	18,602.20
National Institute of Food and Agriculture	10.206	Grants for Agricultural Research Competitive	260,107.17
TOTAL DEPARTMENT OF AGRICULTURE			278,709.37

Department of Defense

Department of Defense	12	AIR FORCE F4FBDL009	12,539.62
Department of Defense	12	ARMY W81XWH-04-C-000	-9,800.23
Department of Defense	12	ARMY W81XWH-06-1-017	5,596.58
Department of Defense	12	ARMY W81XWH-06-2-001	-0.37
Department of Defense	12	ARMY W81XWH-07-2-003	416.19
Department of Defense	12	ARMY W81XWH-08-1-044	97,059.01
Department of Defense	12	ARMY W911NF-07-1-022	-90.00
Department of Defense	12	ARMY W911QY-08-P-046	8,253.42
Department of Defense	12	ARMY W911QY-08-P-077	56,616.53
Department of Defense	12	Army W911QY-09-P-070	64,123.45
Department of Defense	12	ARMY W911QY-10-C-010	16,172.72
Department of Defense	12	ARMY W912HQ-08-P-001	-0.11

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Federal Agency	Federal CFDA	Program Title or Sponsor ID	Federal Expenditures
Department of Defense	12	ARMY W912HQ-09-P-004	64,670.50
Department of Defense	12	ARMY W912HQ-10-P-005	13,666.86
Department of Defense	12	ARMY W912HZ-06-P-035	24,027.83
Department of Defense	12	ARMY W912HZ-07-P0425	14,395.20
Department of Defense	12	DACA72-03-C-0019 ARM	-55,945.52
Department of Defense	12	FA9550-09-1-0472 (DU	45,213.58
Department of Defense	12	USAF/AFMC FA8650-07-	-1,960.12
Department of Defense	12	W81XWH-08-1-0370	180,944.41
Department of Defense	12	W81XWH-08-1-0662 Arm	183,249.65
Department of Defense	12	W81XWH-09-1-0625 EFF	113,736.19
Department of Defense	12	W81XWH-09-1-0673 ARM	47,511.22
Department of Defense	12	W911NF-09-1-0561 - A	40,662.74
Department of Defense	12	W911NF-09-2-0034 -	565,404.11
Department of the Navy, Office of the Chief of Naval Research	12.300	Basic and Applied Scientific Research	449,724.87
Office of the Secretary of Defense	12.351	Basic Scientific Research - Combating Weapons	421,671.44
U.S. Army Medical Command	12.420	Military Medical Research and Development	1,604,875.02
U.S. Army Materiel Command	12.431	Basic Scientific Research	159,203.30
Department of the Air Force, Materiel Command	12.800	Air Force Defense Research Sciences Program	823,412.96
National Security Agency	12.901	Mathematical Sciences Grants Program	33,023.35
Advanced Research Projects Agency	12.910	Research and Technology Development	12,424.28
TOTAL DEPARTMENT OF DEFENSE			4,990,798.68
Department of Education			
Office of Special Education and Rehabilitative Services	84.325	Special Education - Personnel Development to	508,818.67
TOTAL DEPARTMENT OF EDUCATION			508,818.67
Department of Energy			
Department of Energy	81	ORISE/DOE/AFRL/HEP F	4,644.81
Department of Energy	81.049	Office of Science Financial Assistance Program	1,069,816.73
Department of Energy	81.049A	ARRA Office of Science Financial Assistance	9,941.00
Department of Energy	81.057	University Coal Research	38,417.29
Department of Energy	81.087	Renewable Energy Research and Development	153,218.22
Department of Energy	81.089	Fossil Energy Research and Development	49,605.75
Department of Energy	81.114	University Reactor Infrastructure and Education	164,317.15
Department of Energy	81.121	Nuclear Energy Research, Development and	46,588.87
Department of Energy	81.133A	ARRA-Geologic Sequestration Training and	8,517.69
TOTAL DEPARTMENT OF ENERGY			1,545,067.51
Department of Health and Human Services			
Department of Health and Human Services	93	CDC 211-2007-M-22637	2,173.03
Department of Health and Human Services	93	CDC 211-2007-M-23297	1.72
Department of Health and Human Services	93	CDC 211-2008-M-26684	83.30
Department of Health and Human Services	93	CDC 211-2008-M-27606	57,171.68
Department of Health and Human Services	93	CDC 211-2008-M-27689	738.11
Department of Health and Human Services	93	CDC 212-2005-M-11911	-309.45
Department of Health and Human Services	93	CDC 212-2008-M-27003	20,836.17
Department of Health and Human Services	93	CDC PO# 211-2006-M-	-0.02
Department of Health and Human Services	93	N01-AI-25467	155,588.44
Department of Health and Human Services	93	N01DA-9-8095	-1,914.08
Department of Health and Human Services	93	N01DA-9-8095 / # 5 (113,489.73

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Federal Agency	Federal CFDA	Program Title or Sponsor ID	Federal Expenditures
Department of Health and Human Services	93	N01DA-9-8095/TO 4	-19,187.91
Department of Health and Human Services	93	N01-HB-47171 HOXWORT	268,485.52
Department of Health and Human Services	93	N01-HD-4-3377 HHSN27	119,196.48
Department of Health and Human Services	93	N01-WH-4-2126-14-16;	163,771.71
Department of Health and Human Services	93	N01-WH-4-2126-YR14-1	980.07
Department of Health and Human Services	93	NICHHD HHSN275200403	70,991.40
Department of Health and Human Services	93	NIOSH PO# 0000158421	-1,293.31
Centers for Disease Control and Prevention	93.061	Innovations in Applied Public Health Research	0.16
Food and Drug Administration	93.103	Food and Drug Administration Research	471,751.34
Health Resources and Services Administration	93.110	Maternal and Child Health Federal Consolidated	1,267,082.62
National Institutes of Health	93.113	Environmental Health	10,722,080.96
National Institute of Environmental Health Sciences	93.115	Biometry and Risk Estimation Health Risks from	37,002.60
National Institutes of Health	93.121	Oral Diseases and Disorders Research	390,660.64
Health Resources and Services Administration	93.124	Nurse Anesthetist Traineeships	14,240.00
Centers for Disease Control and Prevention	93.136	Injury Prevention and Control Research and	153,965.28
National Institutes of Health	93.142	NIEHS Hazardous Waste Worker Health and	1,459,657.37
National Institutes of Health	93.143	NIEHS Superfund Hazardous Substances Basic	104,634.95
National Institutes of Health	93.172	Human Genome Research	307,286.97
National Institutes of Health	93.173	Research Related to Deafness and	321,400.99
Centers for Disease Control and Prevention	93.197	Childhood Lead Poisoning Prevention Projects	15,086.11
National Institutes of Health	93.213	Research and Training in Complementary and	916,434.40
Agency for Healthcare Research and Quality	93.226	Research on Healthcare Costs, Quality and	186,271.60
National Institutes of Health	93.242	Mental Health Research Grants	4,871,482.38
Health Resources and Services Administration	93.247	Advanced Education Nursing Grant Program	330,868.03
Centers for Disease Control and Prevention	93.262	Occupational Safety and Health Program	2,938,877.58
Centers for Disease Control and Prevention	93.263	Occupational Safety and Health Training Grants	-0.02
National Institutes of Health	93.273	Alcohol Research Programs	415,144.65
National Institutes of Health	93.279	Drug Abuse and Addiction Research Programs	4,160,177.33
National Institutes of Health	93.281	Mental Health Research Career/Scientist	272,070.45
National Institutes of Health	93.282	Mental Health National Research Service Awards	88,793.04
National Institutes of Health	93.286	Discovery and Applied Research for Technological	1,988,081.35
Health Resources and Services Administration	93.358	Advanced Education Nursing Traineeships	142,496.00
Health Resources and Services Administration	93.365	Sickle Cell Treatment Demonstration Program	29,171.81
National Institutes of Health	93.389	National Center for Research Resources	4,436,488.13
National Institutes of Health	93.393	Cancer Cause and Prevention Research	2,577,759.96
National Institutes of Health	93.395	Cancer Treatment Research	722,732.40
National Institutes of Health	93.396	Cancer Biology Research	2,489,180.43
National Institutes of Health	93.398	Cancer Research Manpower	779,693.43
National Institutes of Health	93.399	Cancer Control	254,693.09
Health Resources and Services Administration	93.407	ARRA - Scholarships for Disadvantaged Students	31,184.00
National Institutes of Health	93.701	ARRA Trans-NIH Recovery Act Research Support	7,106,903.92
National Institutes of Health	93.702	ARRA National Center for Research Resources,	62,246.36
Centers for Medicare and Medicaid Services	93.793	Medicaid Transformation Grants	537,937.10
National Institutes of Health	93.837	Cardiovascular Diseases Research	14,165,993.47
National Institutes of Health	93.838	Lung Diseases Research	303,915.73
National Institutes of Health	93.839	Blood Diseases and Resources Research	251,236.78
National Institutes of Health	93.846	Arthritis, Musculoskeletal and Skin Diseases	1,308,575.79
National Institutes of Health	93.847	Diabetes, Digestive, and Kidney Diseases	9,729,067.78

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Federal Agency	Federal CFDA	Program Title or Sponsor ID	Federal Expenditures
National Institute of Diabetes and Digestive and Kidney Disease	93.848	Digestive Diseases and Nutrition Research	2,633,877.64
National Institute of Diabetes and Digestive and Kidney Disease	93.849	Kidney Diseases, Urology and Hematology	538,419.34
National Institutes of Health	93.853	Extramural Research Programs in the	12,364,077.90
National Institutes of Health	93.855	Allergy, Immunology and Transplantation Research	6,608,702.82
National Institutes of Health	93.856	Microbiology and Infectious Diseases Research	1,959,324.63
National Institutes of Health	93.859	Biomedical Research and Research Training	3,168,426.43
National Institute of General Medical Sciences	93.862	Genetics and Developmental Biology Research	68,814.98
National Institute of Child Health and Human Development	93.864	Population Research	10,530.27
National Institutes of Health	93.865	Child Health and Human Development Extramural	816,246.32
National Institutes of Health	93.866	Aging Research	454,417.56
National Institutes of Health	93.867	Vision Research	3,582,355.47
National Institutes of Health	93.879	Medical Library Assistance	424,300.08
Health Resources and Services Administration	93.888	Specially Selected Health Projects	0.04
National Institute of Environmental Health Sciences	93.894	Resource and Manpower Development in the	20,282.73
Health Resources and Services Administration	93.925	Scholarships for Health Professions Students from	69,474.00
Centers for Disease Control and Prevention	93.946	Cooperative Agreements to Support State-Based	369,754.95
National Institutes of Health	93.989	International Research and Research Training	24,420.92
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			110,426,555.63
Department of Housing and Urban Development			
Department of Housing and Urban Development	14	HUD OHLHH0199-09 Adh	9,193.71
Office of Healthy Homes and Lead Hazard Control	14.900	Lead-Based Paint Hazard Control in Privately-	-361.48
Department of Housing and Urban Development	14.902	Lead Technical Studies Grants	491,588.83
Office of Healthy Homes and Lead Hazard Control	14.906	Healthy Homes Technical Studies Grants	375,948.23
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			876,369.29
Department of Justice			
Office of Juvenile Justice and Delinquency Prevention	16.548	Title V Delinquency Prevention Program	299.93
National Institute of Justice	16.560	National Institute of Justice Research,	356,832.57
National Institute of Justice	16.562	Criminal Justice Research and	2,050.10
Bureau of Prisons	16.602	Corrections Research and Evaluation and Policy	122,224.17
TOTAL DEPARTMENT OF JUSTICE			481,406.77
Department of Transportation			
Department of Transportation	20	Volpe National Trans	248,629.38
TOTAL DEPARTMENT OF TRANSPORTATION			248,629.38
Environmental Protection Agency			
Environmental Protection Agency	66	EPA 0C-R372-NASE	-0.07
Environmental Protection Agency	66	EPA 2C-R322-NAEX	-0.02
Environmental Protection Agency	66	EPA 68-C-00-159 TO#	13,462.34
Environmental Protection Agency	66	EPA 68-C-00-159 TO#1	-10,324.17
Environmental Protection Agency	66	EPA EP-C-08-058 So	35,887.98
Office of Water	66.463	Water Quality Cooperative Agreements	-0.01
Office of Research and Development	66.509	Science To Achieve Results (STAR) Research	270,081.60
Office of Research and Development	66.511	Office of Research and Development	27,225.53
Office of Research and Development	66.516	P3 Award: National Student Design Competition	2,729.11
Office of Grants and Debarment	66.607	Training and Fellowships for the Environmental	15,464.07
Office of Pollution Prevention and Toxics Substances	66.707	TSCA Title IV State Lead Grants Certification of	0.01
TOTAL ENVIRONMENTAL PROTECTION AGENCY			354,526.37

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Federal Agency	Federal CFDA	Program Title or Sponsor ID	Federal Expenditures
National Aeronautics and Space Administration			
National Aeronautics and Space Administration	43	NNX07AB38A-NASA	29,122.81
National Aeronautics and Space Administration	43	NNX07AC69A - NASA	96,227.26
National Aeronautics and Space Administration	43	NNX08AC43A	147,868.88
National Aeronautics and Space Administration	43.001	Aerospace Education Services Program	0.02
National Aeronautics and Space Administration	43.002	Technology Transfer	47,187.07
TOTAL NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			320,406.04
National Foundation on the Arts and the Humanities			
Division of Educational Programs	45.167	Promotion of the Humanities Extending the	-0.15
TOTAL NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES			-0.15
National Science Foundation			
National Science Foundation	47.041	Engineering Grants	2,674,968.30
National Science Foundation	47.049	Mathematical and Physical Sciences	1,875,883.81
National Science Foundation	47.050	Geosciences	161,204.75
National Science Foundation	47.070	Computer and Information Science and	188,529.36
National Science Foundation	47.074	Biological Sciences	972,423.04
National Science Foundation	47.075	Social, Behavioral, and Economic Sciences	677,880.57
National Science Foundation	47.076	Education and Human Resources	868,413.36
National Science Foundation	47.078	Polar Programs	160,408.75
National Science Foundation	47.079	International Science and Engineering (OISE)	35,440.54
National Science Foundation	47.082	ARRA NSF Recovery Act Research Support	315,617.60
TOTAL NATIONAL SCIENCE FOUNDATION			7,930,770.08
Nuclear Regulatory Commission			
Nuclear Regulatory Commission	77.006	U. S. Nuclear Regulatory Commission Nuclear	26,832.01
TOTAL NUCLEAR REGULATORY COMMISSION			26,832.01
Office of Personnel Management			
Office of Personnel Management	27.011	Intergovernmental Personnel Act (IPA) Mobility	1,693,304.05
TOTAL OFFICE OF PERSONNEL MANAGEMENT			1,693,304.05
TOTAL RESEARCH AND DEVELOPMENT - DIRECT FUNDS			129,682,193.70
RESEARCH AND DEVELOPMENT - PASS THROUGH FUNDS			
Agency for International Development			
Agency for International Development	98.012	ACE/HED/AEG-00-05-000007-00	49,994.19
TOTAL AGENCY FOR INTERNATIONAL DEVELOPMENT			49,994.19
Department of Agriculture			
Agricultural Research Service	10.001	ENV10-003-004-Egypt-	909.75
TOTAL DEPARTMENT OF AGRICULTURE			909.75
Department of Defense			
Department of Defense	12	Battelle TCN 07023	547.40
Department of Defense	12	DAGSI RX7-UC-09-3CG	11,688.39
Department of Defense	12	DTRA/AF/F4FBDL0091M001	2,510,488.89
Department of Defense	12	EDA CompPO#052109-UC-01	19,986.13
Department of Defense	12	ETS ARMY RESEARCH INSTITUTE	6,758.45
Department of Defense	12	GE 200-18-14C43284 s	2,438.62
Department of Defense	12	GE 200-18-14C43289	-2,188.06
Department of Defense	12	GE PO A02-7001	64,451.35

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Federal Agency	Federal CFDA	Program Title or Sponsor ID	Federal Expenditures
Department of Defense	12	GE/SUB AF F33657-99-	8,555.76
Department of Defense	12	GE200-1J-14E44459 su	88,143.95
Department of Defense	12	GEN DYN/USAF-3446-29-SC-0001	216,311.72
Department of Defense	12	GEN DYN/USAF-5408-25-SC-0003	877.26
Department of Defense	12	GEN DYN/USAF-5408-25-SC-0007	20,831.78
Department of Defense	12	Gen Dynamics 5408-04-SC-0007	13,118.56
Department of Defense	12	Gen Nano-AF#RA8650-08-M-2822	-185.17
Department of Defense	12	GENERAL NANO Phase 2	40,170.53
Department of Defense	12	HEMERUS PC396220 ARMY	79,658.05
Department of Defense	12	HEMERUS SUB ARMY	79,723.56
Department of Defense	12	HONEYWELL A007887	-582.47
Department of Defense	12	HONEYWELL SUB USAF	18,341.20
Department of Defense	12	JACOBS/AFRL-0000000441	1,824.58
Department of Defense	12	JACOBS/AFRL-0000000539	96,840.64
Department of Defense	12	JACOBS/AFRL-0000001046	9,989.71
Department of Defense	12	JACOBS/AFRL-0000001289	48,438.91
Department of Defense	12	JSU/Grant #634874	57,254.96
Department of Defense	12	Kennametal TAA DODHC1047	35,177.39
Department of Defense	12	Leonard Wood In. 00022125-1	21,526.76
Department of Defense	12	NAVIGANT BIO/ARMY CTS-0040	465.11
Department of Defense	12	NC A & T #210097A su	50,266.33
Department of Defense	12	OAI SUB ARMY #R-300	-57,455.87
Department of Defense	12	RNET TECHN CIRE-T1-UC	323.29
Department of Defense	12	SILOAM BIOSCIENCES	2,024.03
Department of Defense	12	SkySentry /Army 00022125-1	321,075.05
Department of Defense	12	Spectral Energies -NAVY	21,499.77
Department of Defense	12	Systran/AF FA955/Sub #37759	4,806.42
Department of Defense	12	TECHSOLVE SUB ARMY	62,789.17
Department of Defense	12	UCSD/W81XWH-08-2-0159	59,170.33
Department of Defense	12	UDRI RSC09034	17,208.53
Department of Defense	12	UES INC S-762-001-001	78,231.19
Department of Defense	12	UES INC S-837-000-001	57,491.98
Department of Defense	12	UES INC S-843-000-001	57,147.59
Department of Defense	12	UES INC/AF S-843-000-001	92,876.04
Department of Defense	12	UES PO# S-845-010-002	2,493,334.03
Department of Defense	12	UES/ NAVY S-848-000-001	2,627.80
Department of Defense	12	UNIV DAYTON RI RSC04	0.01
Department of Defense	12	UT HOUSTON/ARMY 0007120C	399,815.46
Department of Defense	12	UTC PO#08-S587-027-01-C1	-1,292.41
Department of Defense	12	UTC 09-S568-077-01-C	148,398.71
Department of Defense	12	UTC/UTC#10-S590-0009-38-C1	238.84
Department of the Navy, Office of the Chief of Naval Research	12.300	NC A&T SUB NAVY #441	-11,864.49
U.S. Army Medical Command	12.420	HMJF/SUBAWARD NO. 668476	496,062.76
U.S. Army Medical Command	12.420	Rutgers AFIRM sub Ar	208,739.80
U.S. Army Materiel Command	12.431	VA TECH/ARMY CR-19275-430099	1,547.12
Department of the Air Force, Materiel Command	12.800	ARRA GE / PO14G32136	36,064.63
Department of the Air Force, Materiel Command	12.800	ARRA GE /200-1J-14E44	50,859.58
Department of the Air Force, Materiel Command	12.800	HMJF/SUBAWARD NO. 169328	199,771.06

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Federal Agency	Federal CFDA	Program Title or Sponsor ID	Federal Expenditures
Department of the Air Force, Materiel Command	12.800	HMJF/SUBAWARD NO. 661150	164,221.63
Department of the Air Force, Materiel Command	12.800	HMJF/SUBAWARD NO. 677295	544,027.42
Department of the Air Force, Materiel Command	12.800	Korea Univ sub AF	94,824.30
Department of the Air Force, Materiel Command	12.800	Psychometrix sub AFO	-1,080.29
Department of the Air Force, Materiel Command	12.800	UDRI RSC06054	732.29
Department of the Air Force, Materiel Command	12.800	UIUC SUB AFRL FA8650	63,345.45
TOTAL DEPARTMENT OF DEFENSE			9,108,481.51
Department of Education			
Department of Education	84	HEZEL SUB ODE/USED	5,938.53
Department of Education	84	UNC CHAPEL HILL #5-3	-826.80
Office of Educational Research and Improvement	84.295	UNIV PENN/USED/5-45800-D	55,209.58
Office of Special Education and Rehabilitative Services	84.323	ODE/USED/OHIO SEPDAC	1,119.44
Office of Special Education and Rehabilitative Services	84.324	OSURF SUB USED R	15,855.61
Office of Elementary and Secondary Education	84.350	Campbellsville Univ/ESED	31,249.98
TOTAL DEPARTMENT OF EDUCATION			108,546.34
Department of Energy			
Department of Energy	81	ARGONNE/DOE/6F-00001	4,677.34
Department of Energy	81	ARGONNE/DOE/9F-30461	32,191.92
Department of Energy	81	B&W Y12 sub DOE: Dr	59,175.61
Department of Energy	81	B&W/DOE 43000069160	33,059.22
Department of Energy	81	Battelle/DOE No. 113	6,526.17
Department of Energy	81	NERL / AAM-0-40879-01	16,757.82
Department of Energy	81	ORISE/DOE/AFRL/HEP F	56,709.85
Department of Energy	81	ORISE/DOE/HEP Fellow: Rogers	30,436.60
Department of Energy	81	ORISE/DOE/HEP Fellow: Wortman	10,141.67
Department of Energy	81.049	Applied Nanotech/PO 15975	28,074.73
Department of Energy	81.049	Battelle/DOE Subcont	111,766.57
Department of Energy	81.049	CPWR/DOE EH06004 HAN	66,858.28
Department of Energy	81.049	CPWR/DOE-HANFORD 96S	-23,419.10
Department of Energy	81.057	NM INST MINING / DOE	74,537.74
Department of Energy	81.089	Univ Mo/No.00026229-01	41,327.51
Department of Energy	81.114	MUSC09-095/DOE ID14692	39,646.29
Department of Energy	81.119	Energy Industries of	13,945.60
TOTAL DEPARTMENT OF ENERGY			602,413.82
Department of Health and Human Services			
Department of Health and Human Services	93	ARRA SSS CRB-DCR01-S-09-00319	3,243.38
Department of Health and Human Services	93	Brown Univ/#00000300	398,355.83
Department of Health and Human Services	93	CCHMC sub NICHD N01-	4,476.85
Department of Health and Human Services	93	FMMP SUB NCI	23,683.06
Department of Health and Human Services	93	NIH/NLM HHSN27620100	7,043.41
Department of Health and Human Services	93	ODJFS G-1011-06-0072	34,495.96
Department of Health and Human Services	93	ODJFS SUB NICYF G-89	46,142.59
Department of Health and Human Services	93	TERA CDC GS-10F-0369	364.05
Department of Health and Human Services	93	U TOLEDO NS 2008-029	25,553.11
Department of Health and Human Services	93	UNC-CH / SUB N01 MH0	17,053.49
Department of Health and Human Services	93	UNC-CH SUB N01MH9000	854.60
Department of Health and Human Services	93	UTHSC/N01-AR02251	-482.36

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Federal Agency	Federal CFDA	Program Title or Sponsor ID	Federal Expenditures
Department of Health and Human Services	93	Wake Forest/NHLBI N01-WH-4-4221	506.70
Substance Abuse and Mental Health Services Administration	93.104	CCMHRB/SAMHSA/SM-09-002	50.84
Health Resources and Services Administration	93.107	MODEL STATE SUB HRSA	91,645.89
Health Resources and Services Administration	93.110	HFM SUB 6H30MC0015-1	-223.14
Health Resources and Services Administration	93.110	HFM SUB 6H30MC0015-2	11,000.00
National Institutes of Health	93.113	CCHMC sub ES016003 -	9,856.13
National Institutes of Health	93.113	CHMC sub ES014575-02	-47.98
National Institutes of Health	93.113	CHMC Sub ES014575-03	11,839.58
National Institutes of Health	93.113	CHS Sub NIH R01ES01	11,599.55
National Institutes of Health	93.113	COLUMBIA SUB P50-E30	1,641.25
National Institutes of Health	93.113	COLUMBIA UNIVERSITY	173,504.39
National Institutes of Health	93.113	OREGEON SUB ES016629	5,479.19
National Institutes of Health	93.113	PITT/ES015675	28,342.77
National Institutes of Health	93.113	U IL SUB ES015584-02	250,416.35
National Institutes of Health	93.113	UAB SUB ES016003 -03	25,564.52
National Institutes of Health	93.121	U. Rochester / 414843-G	40,820.30
Health Resources and Services Administration	93.134	LIFELINE SUB HRSA R3	63,526.04
National Institutes of Health	93.142	ICWU SUB ES06162-17	170.25
National Institutes of Health	93.142	ICWU SUB ES06162-18	4,400.20
National Institutes of Health	93.142	ICWUC - ES06162-17	4,310.28
National Institutes of Health	93.142	ICWUC - ES06162-18	45,472.28
National Institutes of Health	93.142	ICWUC - ES09758-18	3,807.47
Health Resources and Services Administration	93.145	U PITT SUB H4AAH0006	7,884.71
Health Resources and Services Administration	93.145	U PITT SUB-AETC 5	237,852.95
National Institutes of Health	93.173	BGSU SUB 5 R01 DC035	-10,684.30
National Institutes of Health	93.173	COMPUSNIFF LLC SUB D	-754.08
National Institutes of Health	93.173	CW/SUB-R21 DC007866-	10,462.39
National Institutes of Health	93.173	OSMIC SUB DC006369-2	-579.08
National Institutes of Health	93.173	STAR Sub DC010104-01	30,565.47
National Institutes of Health	93.173	STAR Sub DC010289-01	28,721.51
Centers for Disease Control and Prevention	93.184	SPEC OLYMPCS SUB CDC	187.80
Centers for Disease Control and Prevention	93.185	CHMC SUB CDC U38CCU5	-977.61
Agency for Healthcare Research and Quality	93.226	CHRF SUB HS016957-01	43,123.01
National Institutes of Health	93.233	CHMC Sub HL080670 Va	31,439.00
National Institutes of Health	93.242	CHMC/Sub MH074033-04	28,897.16
National Institutes of Health	93.242	CHRF/ SUB 5 R01 MH07	-1,976.58
National Institutes of Health	93.242	TUL/SUB-576-08/09, 2	40,267.57
National Institutes of Health	93.242	UNC/SUB MH090001 / A	17,073.25
Substance Abuse and Mental Health Services Administration	93.243	CCJC SUB 5 H79 TI017	-754.31
Substance Abuse and Mental Health Services Administration	93.243	CCJC SUB 5H79TI07560	37,378.63
Substance Abuse and Mental Health Services Administration	93.243	ODMH/TSG3-09-034-08-001	22,702.52
Substance Abuse and Mental Health Services Administration	93.243	TALBERT HOUSE-SUB SA	12,595.50
Centers for Disease Control and Prevention	93.262	UKRF/ OH07650-01A1	5,307.80
Centers for Disease Control and Prevention	93.262	UL SUB R01 OH007650	-179.23
National Institutes of Health	93.279	BATTELLE/DA023615	64,231.83
National Institutes of Health	93.279	BREF/NIDA-CSP-1022	204,907.53
National Institutes of Health	93.279	CHMC/SUB DA019965-04	10,879.88
National Institutes of Health	93.279	KCL/ SUB 5 R01 DA004	629.52

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National Institutes of Health	93.279	UOR SUB DA019434	707.76
National Institutes of Health	93.279	UOR/ SUB DA018697	6,323.66
National Institutes of Health	93.279	UOR/ SUB DA019434	-1,406.34
National Institutes of Health	93.279	UOR/SUB DA015849	7,307.97
National Institutes of Health	93.279	UTHSCH/DA004376-23	30,686.02
Centers for Disease Control and Prevention	93.283	AAMC SUB CDC CCU3192	83,546.48
Centers for Disease Control and Prevention	93.283	HFM SUB U01 DD00293	12,769.46
Centers for Disease Control and Prevention	93.283	NCHH 07-1064 Subcont	34,899.78
Centers for Disease Control and Prevention	93.283	NCHH SUB CDC U59 CCU	8,016.30
Centers for Disease Control and Prevention	93.283	NCHH-07-1064 sub CDC	68.09
Centers for Disease Control and Prevention	93.283	ODH 3140012AE07	-398.68
Centers for Disease Control and Prevention	93.283	ODH SUB CDC 03140014	47,457.70
Centers for Disease Control and Prevention	93.283	ODH SUB CDC 3140014B	239,104.61
Centers for Disease Control and Prevention	93.283	VAMC CFBR SUB CDC CI	552.70
National Institutes of Health	93.286	U Mich/2 EB004527-06	1,974.09
National Institutes of Health	93.286	UMICH/ 2 EB004527-05	89,873.12
National Institutes of Health	93.286	VA Tech Sub EB007244	18,028.47
National Center for Research Resources	93.306	CINCY ZOO SUB R24 RR	54.29
National Institutes of Health	93.361	U Penn/R01 NR005352	7,886.34
National Institutes of Health	93.361	U Penn/R01 NR005352A	8,527.47
Health Resources and Services Administration	93.365	5 U1EMC07655-04-00	366,744.42
National Institutes of Health	93.389	CCHMC SUB 5U54RR0194	-90.21
National Institutes of Health	93.389	CCHMC/U54 RR019498-6	3,379.57
National Institutes of Health	93.389	CHMC SUB 5 U54 RR019	491.94
National Institutes of Health	93.389	CHMC SUB 5M01RR00808	2,440.61
National Institutes of Health	93.393	BAYLOR/CHMC/CA112182	16,946.95
National Institutes of Health	93.393	Brig&Wms Hosp/104375	39,819.00
National Institutes of Health	93.393	CHMC SUB R01 CA11218	11,401.08
National Institutes of Health	93.393	CREAL SUB 1R01CA1247	57,276.23
National Institutes of Health	93.393	OSU sub CA150297 Mi	2,408.78
National Institutes of Health	93.393	U PITTT/CA088041-08 M	11,893.22
National Institutes of Health	93.393	WASH UNIV/CA058554	97,642.14
National Institutes of Health	93.393	WASH UNIV/CA093643	-29,949.38
National Institutes of Health	93.393	WASH UNIV/CA134682	113,205.66
National Institutes of Health	93.394	ACRIN 6652/CA080098	1,067.08
National Institutes of Health	93.394	ACRIN 6666/CA080098	-252.79
National Institutes of Health	93.394	ACRIN 6667/CA080098	2,887.67
National Institutes of Health	93.394	ARDENT/1 R43 CA124283	-11,492.34
National Institutes of Health	93.394	BAYLOR SUB 5 R01 CA7	-7,560.04
National Institutes of Health	93.395	DUKE UNIV GCID SITE CDE103	3,256.00
National Institutes of Health	93.395	GOG #27469-33	36,044.70
National Institutes of Health	93.395	J WAYNE C I/MSLT-II TRIALSUB CA29605	1,591.00
National Institutes of Health	93.395	METAMOL/CA136011	26,909.21
National Institutes of Health	93.395	NCCF SUB 19492 U10	1,363.60
National Institutes of Health	93.395	NCCF SUB U10 CA9854	4,605.81
National Institutes of Health	93.395	NCCF SUB 18834 CA985	1,636.12
National Institutes of Health	93.395	NSAPB SUB NCI TFED 187	6,009.25
National Institutes of Health	93.395	RTOG #2113	15,805.61

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National Institutes of Health	93.395	RTOG SUB NIH CA21661	15,495.28
National Institutes of Health	93.395	U of MI/SWOG/CA32102	30,842.50
National Institutes of Health	93.395	UN MICH/SWOGCA32	1,025.91
National Institutes of Health	93.396	CHMC105687	15,219.89
National Institutes of Health	93.396	OSU U01 CA84291-A -	-22,608.77
National Institutes of Health	93.396	OSU U01 CA84291-B -	-10,324.64
National Institutes of Health	93.399	NSABP STAR PFED24- CN01	25,839.07
National Institutes of Health	93.399	NSABP SUB NCI TIND 187	148.52
National Institutes of Health	93.399	U South Florida 0000140751	14,642.86
National Institutes of Health	93.399	UTHSCSA SB CA37429SE	40,914.37
Administration for Children and Families	93.586	UTEN/SUB AI057157	26,281.37
National Institutes of Health	93.701	ARRA BU 3772-5 CORE B	101,529.44
National Institutes of Health	93.701	ARRA BU 3772-5 PROJECT 3	124,442.25
National Institutes of Health	93.701	ARRA BU sub AI083222	111,098.00
National Institutes of Health	93.701	ARRA CCHMC 104329	42,646.82
National Institutes of Health	93.701	ARRA CCHMC 106619	10,826.36
National Institutes of Health	93.701	ARRA CCHMC 106639	8,911.90
National Institutes of Health	93.701	ARRA CCHMC 106676	128,640.68
National Institutes of Health	93.701	ARRA CCHMC 106699	45,047.13
National Institutes of Health	93.701	ARRA CCHMC 107489	35,689.95
National Institutes of Health	93.701	ARRA CCHMC/CA139275	15,103.51
National Institutes of Health	93.701	ARRA CHMC 105588	21,962.46
National Institutes of Health	93.701	ARRA CHMC 106761	60,285.75
National Institutes of Health	93.701	ARRA COLUMBIA UN ES015905	29,329.34
National Institutes of Health	93.701	ARRA Emory U/S278741	3,780.25
National Institutes of Health	93.701	ARRA IU/IUPUI4686278CINN	91,901.67
National Institutes of Health	93.701	ARRA Titan Pharmaceutical	4,963.52
National Institutes of Health	93.701	ARRA UI/ES018758	141,600.16
National Institutes of Health	93.701	ARRA UMich Sub NS NE	12,243.89
National Institutes of Health	93.701	ARRA Univ. Washington	26,495.24
National Institutes of Health	93.701	ARRA University of I	142,858.65
National Institutes of Health	93.701	ARRA UT Sub RC2 ES01	228,750.78
National Institutes of Health	93.701	ARRA UWSM/HL085868	136,719.59
National Institutes of Health	93.701	ARRA/MIAMI U/RR01630	5,576.83
Administration for Children and Families	93.708	ARRA COLA/CHCCAA/HHS	14,994.10
Administration for Children and Families	93.708	ARRA QI/CHCCAA/08-72-A	38,859.24
Centers for Medicare and Medicaid Services	93.779	OBR Sub MedTapp	306,346.84
Centers for Medicare and Medicaid Services	93.779	OBR Sub MEDTAPP Asse	68,495.29
Centers for Medicare and Medicaid Services	93.779	OBR Sub MEDTAPP Deve	10,582.91
Centers for Medicare and Medicaid Services	93.779	OBR Sub MEDTAPP Obes	2,712.93
Centers for Medicare and Medicaid Services	93.779	OBR SUB ODJFS MEDTAP	351,756.74
Centers for Medicare and Medicaid Services	93.779	OBR SUB ODJRS MEDTAP	117,133.77
Centers for Medicare and Medicaid Services	93.779	OSURF Sub MEDTAPP RF	34,500.00
National Institutes of Health	93.837	CHMC 106210 1F30HL09	2,043.00
National Institutes of Health	93.837	CHRF SUB 2P01HL06977	105,279.63
National Institutes of Health	93.837	DUKE UNIV HFACITION 218	5,293.89
National Institutes of Health	93.837	OSURF RF01081502 N01	25,480.51
National Institutes of Health	93.837	U IL CHICAGO SUB HLO	-5,597.84

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National Institutes of Health	93.837	U IOWA 1000742618 su	20,379.60
National Institutes of Health	93.837	Univ of Iowa /HL062984	340,175.96
National Institutes of Health	93.837	UTHC sub HL059586-8	-186.05
National Institutes of Health	93.837	UTHC sub R01HL74002	-1,449.92
National Institutes of Health	93.837	UTHS sub R01HL059586	204,860.91
National Institutes of Health	93.837	UTHSC HL074002 Echog	8,904.17
National Institutes of Health	93.837	VUMC sub R01HL088459	136,207.30
National Institutes of Health	93.838	CHMC Sub HL097135-01	14,572.89
National Institutes of Health	93.838	UCSF 4914S/HL090335	144,096.70
National Institutes of Health	93.838	Univ of Pitt/HL085655	42,094.24
National Institutes of Health	93.839	CHMC SUB HL70871-6:	-110.00
National Institutes of Health	93.839	CHMC SUB HL70871-7:	80,391.68
National Institutes of Health	93.839	CHMC SUB HL70871-8 C	17,210.71
National Institutes of Health	93.839	CHMC#105984-U10HL083	7,587.00
National Institutes of Health	93.839	CHRF SUB HL69779-05	27,941.03
National Institutes of Health	93.846	CARDI/SUB 1 R44 AR04	-10,669.42
National Institutes of Health	93.846	CCHMC Project 105591	17,653.03
National Institutes of Health	93.846	CHMC 397 M2/ CCHM100243	-1,142.98
National Institutes of Health	93.846	CHMC NIAMS P30AR0473	77,411.22
National Institutes of Health	93.846	CHMC/AR055054-482-M3	15,978.92
National Institutes of Health	93.846	CHMC/SUB 5 U01 AR051	-147.84
National Institutes of Health	93.846	CHMC/SUB AR047784 Ci	23,314.99
National Institutes of Health	93.846	CHMC/SUB P60 AR04778	4,930.20
National Institutes of Health	93.846	CHRF/SUB 1 R01 AR049	2,319.01
National Institutes of Health	93.846	UTHSC SUB AR44888-07	-1,448.72
National Institutes of Health	93.847	CCHMC103075/DK072493	41,462.44
National Institutes of Health	93.847	CHMC 103952	4,775.80
National Institutes of Health	93.847	CHMC SUB 482 DK07405	1,866.93
National Institutes of Health	93.847	CWRU SUB N01-HC-9518	179,081.63
National Institutes of Health	93.847	CWRU/NHLBI/N01-HC-95181	5,285.00
National Institutes of Health	93.847	MCG/ SUB U24 DK07616	50,376.77
National Institutes of Health	93.847	MCG/SUB DK076169-03	44,302.06
National Institutes of Health	93.847	Sub MSSM 7 R01 DK073	54,634.43
National Institutes of Health	93.847	U OF PITTSBURGH SUB	-8,200.00
National Institute of Diabetes and Digestive and Kidney Disease	93.848	Brown Univ/DK59642	-204.55
National Institute of Diabetes and Digestive and Kidney Disease	93.848	CHMC 101668 M5	61,792.02
National Institute of Diabetes and Digestive and Kidney Disease	93.848	CHMC 459	-19,049.48
National Institute of Diabetes and Digestive and Kidney Disease	93.848	P2D/SUB R43 DK081293	12,483.31
National Institute of Diabetes and Digestive and Kidney Disease	93.848	UC DAVIS SUB DK07476	183,996.65
National Institute of Diabetes and Digestive and Kidney Disease	93.849	MERCATOR MED/SUB 1 R	2,587.38
National Institute of Diabetes and Digestive and Kidney Disease	93.849	UF/ SUB R01 DK056245	15,705.89
National Institutes of Health	93.853	Mass Gen Hosp 2CARE	12,161.70
National Institutes of Health	93.853	BIDMC SUB NS 39466 P	3,641.51
National Institutes of Health	93.853	CHMC 105495	9,228.84
National Institutes of Health	93.853	CHMC sub P50 NS05753	221,637.78
National Institutes of Health	93.853	CMD, Inc. Sub NS0438	25,115.89
National Institutes of Health	93.853	COLUMBIA UNIV. NS048212	3,282.18
National Institutes of Health	93.853	Cornell Univ. NS50324	21,030.80

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National Institutes of Health	93.853	EMORY S383887	21,445.17
National Institutes of Health	93.853	Emory University S383887	7,222.82
National Institutes of Health	93.853	INDIANA UNIV/NS04207	21.35
National Institutes of Health	93.853	JHU 2000796412	10,127.09
National Institutes of Health	93.853	JHU/8506-10376-4	46,214.80
National Institutes of Health	93.853	MAYO SUB NS039987-09	948.29
National Institutes of Health	93.853	MAYO/NS028492-12	43.18
National Institutes of Health	93.853	MAYO/NS039987-01,02,	247.94
National Institutes of Health	93.853	MAYO/R01 NS039987-08	65.08
National Institutes of Health	93.853	MUCSS/NS/MUSC08-160	18,219.07
National Institutes of Health	93.853	Sub Mayo NS058698-03	23,113.53
National Institutes of Health	93.853	U of FL UF07065	-17,022.88
National Institutes of Health	93.853	U of Wash 688607	784.31
National Institutes of Health	93.853	U. Rochester/414197-G	4,526.81
National Institutes of Health	93.853	U. Rochester/NS37167	-1,400.27
National Institutes of Health	93.853	U.Roch 414668-G	1,920.36
National Institutes of Health	93.853	UKRF/5 R01 NS050311	32,715.97
National Institutes of Health	93.853	UMDNJ/NS038384-06	5,166.74
National Institutes of Health	93.853	UN MICH 3000691483-RPT07	284,813.28
National Institutes of Health	93.853	UN MICH 5000002770	122,534.84
National Institutes of Health	93.853	UN MICH 5000002951	49,193.09
National Institutes of Health	93.853	UN MICH/3000691483-RPT07	321,770.53
National Institutes of Health	93.853	UN MICH/3001300231-PIII	121,148.72
National Institutes of Health	93.853	UNC SUB NS042167	87,060.45
National Institutes of Health	93.853	UNIV AL-BIRMINGHAM/NS41588	60,943.90
National Institutes of Health	93.853	Univ Cal 2009-2120	756.00
National Institutes of Health	93.853	WASH U/WU-06-137	-7,278.84
National Institutes of Health	93.853	WASH UNIV/NS058797	51,090.52
National Institutes of Health	93.853	YALE A07223 M05A00382	546.10
National Institutes of Health	93.853	Yale A07593 M10A10557	15,779.31
National Institutes of Health	93.853	YALE/A06379	-36,999.28
National Institutes of Health	93.853	YALE/A06760 (M-08-286)	-263.46
National Institutes of Health	93.853	Yale/A07593 M10A10557	220,928.23
National Institutes of Health	93.853	YALE/NS044281-04	252.19
National Institutes of Health	93.855	ACE AT FIMR/08-B-113	-26,411.29
National Institutes of Health	93.855	CHMC/SUB 102680 M2-0	36,581.00
National Institutes of Health	93.855	CHRF SUB 103666 / AI	22,823.00
National Institutes of Health	93.855	CHRF SUB AI068524 -	2,678.14
National Institutes of Health	93.855	GLRCE sub AI057153	494.22
National Institutes of Health	93.855	SRI sub R21AI085402-	3,561.80
National Institutes of Health	93.855	SSS SUB 1 U01 AI0686	65,968.36
National Institutes of Health	93.855	SSS sub AI068636-01	10,000.00
National Institutes of Health	93.855	SSS/SUB 1 U01 AI0686	22,426.04
National Institutes of Health	93.855	SUNY sub AI075257-01	15,997.25
National Institutes of Health	93.855	UCSF/ SUB AI052748-0	6,782.14
National Institutes of Health	93.856	CHMC SUB AI25459	-29,088.97
National Institutes of Health	93.856	CHMC/SUB AI056927-04	18,829.77
National Institutes of Health	93.856	SSS SUB AI38858-SHER	6,796.82

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National Institutes of Health	93.856	U IOWA S/AI57192 PO#	-48.14
National Institutes of Health	93.856	UCSF SUB AI52748-05	-1,039.10
National Institutes of Health	93.856	UCSF/SUB AI052748-06	3,438.05
National Institutes of Health	93.859	UT-Austin/GM0678323	17,586.06
National Institutes of Health	93.865	CCHMC SUB HD013021 -	11,776.60
National Institutes of Health	93.865	CHRF SUB HD37249-09	202.71
National Institutes of Health	93.865	PURDUE/HD052112	87,675.74
National Institutes of Health	93.866	CHMC/1 R21 AG025149-	-3,307.24
National Institutes of Health	93.866	CHMC/5 R21 AG025149	3,986.16
National Institutes of Health	93.866	IU SUB P30 AG010133	249.00
National Institutes of Health	93.866	U Neb sub U MD 1 R34	1,844.10
National Institutes of Health	93.866	U of CO sub AG026529	-13,373.42
National Institutes of Health	93.866	UKRF SUB 5P01AG10836	822.78
National Institutes of Health	93.867	PITT/2 R01 EY09368-1	-1,366.83
Health Resources and Services Administration	93.918	CHN SUB HRSA CHN_Em	60,925.50
Health Resources and Services Administration	93.918	CHN SUB HRSA Sub HA	439,033.86
Health Resources and Services Administration	93.918	CHN SUB HRSA 5H76HA0	276,134.28
Centers for Disease Control and Prevention	93.940	CBOH/ODH/CDC/05 X 9871	64,172.82
Centers for Disease Control and Prevention	93.940	CBOH/ODH/CDC/95X9708	78,513.07
Centers for Disease Control and Prevention	93.940	CINTI BOH SUB CDC/ S	14,505.93
Centers for Disease Control and Prevention	93.940	CINTI BOH/CDC/ 75 X 9524	2,580.13
Centers for Disease Control and Prevention	93.940	CINTI BOH/CDC/55X9350	-6,014.74
Centers for Disease Control and Prevention	93.940	CINTI BOH/CDC/95 X 9759	47,820.78
Substance Abuse and Mental Health Services Administration	93.959	ODADA/99-8028-ORN-P-08-0801S SUB SAMHSA	9,528.47
Substance Abuse and Mental Health Services Administration	93.959	ODADAS 998028CPREV-P	229,392.81
Substance Abuse and Mental Health Services Administration	93.959	ODADAS SUB SAMHSA AT	1,674.47
Substance Abuse and Mental Health Services Administration	93.959	ODADAS/99-8028-CPREV-P-08-9227	-4,141.31
Health Resources and Services Administration	93.969	UKRF 3048104874-09-042	-4,072.23
Health Resources and Services Administration	93.969	UKRF/HRSA/HP088331-03-00	90,556.13
Centers for Disease Control and Prevention	93.977	CBOH SUB CDC STD/HIV	2,117.79
Centers for Disease Control and Prevention	93.991	ODH SUB CDC 0314001	77,221.17
Centers for Disease Control and Prevention	93.991	ODH SUB CDC 03140014	71,300.53
Health Resources and Services Administration	93.994	ODH SUB HRSA WOMENS	6,963.34
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			11,549,493.49
Department of Housing and Urban Development			
Department of Housing and Urban Development	14	NCHH-08-1126 SUB HUD	8,456.07
Department of Housing and Urban Development	14	NCHH-08-1127 sub HUD	49,770.45
TOTAL DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			58,226.52
Department of Justice			
Department of Justice	16	KINSOW 1224708 CHAKR	29,013.28
Department of Justice	16	UNISYS CORP SUB DOJ	87,377.58
Office of Juvenile Justice and Delinquency Prevention	16.523	City of Richmond, VA/CJ System	45,675.68
Office of Juvenile Justice and Delinquency Prevention	16.523	FRANKLIN CTY SUB DOJ	1,787.02
Office of Juvenile Justice and Delinquency Prevention	16.523	FRANKLIN CTY/DOJ 05-JB-010-FI36	-3,470.99
Bureau of Justice Assistance	16.579	PCCD/2004 2005-DS/JG19-19	47,940.71
Office of Community Oriented Policing Services	16.710	ARRA/CPD Crime Analysis	46,100.32
Bureau of Justice Assistance	16.738	City of Cincinnati O5X0058	12,596.73

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Bureau of Justice Assistance	16.738	OCJS CIRV SUB DOJ 20	79,393.17
Bureau of Justice Assistance	16.738	OCJS/2009-JG-EOR-623	281.05
Bureau of Justice Assistance	16.738	OCJS/DOJ/EVALULATION	6,844.69
Department of Justice	16.803	ARRA OCJS/2009-RA-EOR-2220	8,751.91
Department of Justice	16.803	ARRA OCJS/2009-RA-EOR-2221	41,341.91
TOTAL DEPARTMENT OF JUSTICE			403,633.06
Department of Labor			
Department of Labor	17	Butler CTY/DOL/07-05-017	-11,243.33
Department of Labor	17	CPWR/DOL -J059E22270	15,887.28
Department of Labor	17	CPWR/DOL-J059E22270	40,982.83
TOTAL DEPARTMENT OF LABOR			45,626.78
Department of the Interior			
U.S. Geological Survey	15.805	OSURF Sub USGS RF01	12,133.78
U.S. Geological Survey	15.805	OSURF SUB USGS 06HQG	4,014.43
U.S. Geological Survey	15.805	OSURF Sub USGS Project	4,579.94
U.S. Geological Survey	15.805	OSURF SUB USGS RF009	-1,566.00
TOTAL DEPARTMENT OF THE INTERIOR			19,162.15
Department of Transportation			
Department of Transportation	20	NAS SUB DOT NCHRP HR	196,443.65
Department of Transportation	20.701	Univ Akron sub USDOT	33,422.31
Department of Transportation	20.701	UWM/UCDOT 995B503	1,510.44
Department of Transportation	20.701	UWM/USDOT 995B724	4,989.38
TOTAL DEPARTMENT OF TRANSPORTATION			236,365.78
Environmental Protection Agency			
Environmental Protection Agency	66	AEROMETECH SUB EPA	-2,295.97
Environmental Protection Agency	66	Emory University sub	56,233.63
Environmental Protection Agency	66	HAMILTON COUNTY ENVI	-407.02
Environmental Protection Agency	66	IT CORP. PO 168279	-103.80
Environmental Protection Agency	66	IT CORP. PO 174730 W	-287.51
Environmental Protection Agency	66	ORISE/EPA	2,798.18
Environmental Protection Agency	66	PEG 3-02, WA3-02 SUB	14,817.88
Environmental Protection Agency	66	PEG 3-14UC, WA 3-14	41,878.49
Environmental Protection Agency	66	PEG 3-47UC, WA3-47 S	24,689.57
Environmental Protection Agency	66	Peg 4- 37 UC sub EPA	28,751.63
Environmental Protection Agency	66	Peg 4-67 WA 4-67 sub	57,825.39
Environmental Protection Agency	66	pEG2-67, WA-67 SUB	40,490.92
Environmental Protection Agency	66	PEG3- 53 TASK 2 sub	3,892.32
Environmental Protection Agency	66	PEG3-06, WA3-06	79,325.58
Environmental Protection Agency	66	PEG3-37UC, WA3-37 P	31,305.55
Environmental Protection Agency	66	PEG3-37UC, WA3-37 S	7,622.55
Environmental Protection Agency	66	PEG3-44UC, WAS 3-44	18,999.49
Environmental Protection Agency	66	PEG3-52UC TASK 1	49,001.51
Environmental Protection Agency	66	PEG3-52UC TASK 2, WA	20,360.66
Environmental Protection Agency	66	PEG3-65UC, WA3-65 SU	16,629.68
Environmental Protection Agency	66	PEG3-73UC, WA3-73 SU	81,050.40
Environmental Protection Agency	66	PEG3-74, WA3-74 sub	22,393.88

Continued

University of Cincinnati
Schedule of Expenditures of Federal Awards
for the period ending June 30, 2010

Federal Agency	Federal CFDA	Program Title or Sponsor ID	Federal Expenditures
Environmental Protection Agency	66	Pegasus 4-02, WA 4-	83,388.90
Environmental Protection Agency	66	Pegasus 4-44 UC, WA	2,099.87
Environmental Protection Agency	66	Pegasus 4-74UC, 4-	58,565.42
Environmental Protection Agency	66	Pegasus 3-52UC,TASK	26,109.88
Environmental Protection Agency	66	Pegasus 4 - 52, WA 4	35,245.39
Environmental Protection Agency	66	Pegasus 4 - 77 UC WA	18,252.76
Environmental Protection Agency	66	Pegasus 4-06, WA 4-0	177,876.28
Environmental Protection Agency	66	Pegasus 4-14 UC WA 4	63,867.84
Environmental Protection Agency	66	Pegasus 4-37 UC Part	3,109.24
Environmental Protection Agency	66	Pegasus 4-47 sub EPA	9,748.71
Environmental Protection Agency	66	Pegasus 4-52 UC, WA	92,576.80
Environmental Protection Agency	66	Pegasus 4-52 UC, WA4	18,721.72
Environmental Protection Agency	66	Pegasus 4-52UC, WA 4	39,865.46
Environmental Protection Agency	66	Pegasus 4-64, WA 4-6	22,647.30
Environmental Protection Agency	66	Pegasus 4-65, WA 4-	4,891.56
Environmental Protection Agency	66	Pegasus 4-84 UC Task	41,902.48
Environmental Protection Agency	66	Pegasus 4-84UC Task	16,486.40
Environmental Protection Agency	66	Pegasus 4-86 uc WA 4	101,313.86
Environmental Protection Agency	66	Pegasus sub EPA: 02U	20,630.79
Environmental Protection Agency	66	Pegasus sub EPA: 03U	1,201.86
Environmental Protection Agency	66	Pegasus sub EPA: 04U	-2,410.94
Environmental Protection Agency	66	Pegasus sub EPA: 05U	-114.59
Environmental Protection Agency	66	Pegasus sub EPA: 06U	-3,788.19
Environmental Protection Agency	66	Pegasus sub EPA: 12U	-67.38
Environmental Protection Agency	66	Pegasus sub EPA: 14U	-4,256.80
Environmental Protection Agency	66	Pegasus sub EPA: 20U	4,375.91
Environmental Protection Agency	66	Pegasus sub EPA: 22U	17,691.62
Environmental Protection Agency	66	Pegasus sub EPA: 24U	-27,002.95
Environmental Protection Agency	66	Pegasus sub EPA: 29U	24,517.43
Environmental Protection Agency	66	Pegasus sub EPA: 30U	757.52
Environmental Protection Agency	66	Pegasus sub EPA: 37U	1,699.43
Environmental Protection Agency	66	Pegasus sub EPA: 38U	17,776.40
Environmental Protection Agency	66	Pegasus sub EPA: 40U	11,092.17
Environmental Protection Agency	66	Pegasus sub EPA: 51U	395.36
Environmental Protection Agency	66	Pegasus sub EPA: 65U	1,036.13
Environmental Protection Agency	66	Pegasus sub EPA:52T1	1,028.72
Environmental Protection Agency	66	Pegasus sub EPA:52T2	1,515.24
Environmental Protection Agency	66	Pegasus sub EPA:53UC	-1,164.29
Environmental Protection Agency	66	Pegasus Year 4 -37 U	107,345.00
Environmental Protection Agency	66	Saw Env sub EPA WA#4	2,348.31
Environmental Protection Agency	66	Shaw WA 0-03 sub EPA	47,364.88
Environmental Protection Agency	66	SHAW/SUB EPA PO 2139	-47,717.17
Environmental Protection Agency	66	Waterstone/EPA/TO 804	30,038.55
Office of Water	66.460	OHIO EPA C997550001	-165.37
Office of Water	66.463	SAIC #IM-2-21(P) SUB	-33.75
Office of Water	66.474	Big Fish Sub EPA	3,000.00
Office of Research and Development	66.509	UMICH/EPA RD-83172702	12,424.33
TOTAL ENVIRONMENTAL PROTECTION AGENCY			1,631,161.10
National Aeronautics and Space Administration			
National Aeronautics and Space Administration	43	CRG Inc./NASA SBIR N	12,957.27
National Aeronautics and Space Administration	43	JPL/NASA/No. 1356415	11,597.85
National Aeronautics and Space Administration	43	PURDUE U SUB NASA NN	38,733.77
National Aeronautics and Space Administration	43	STSI SUB NASA HST-AR	5,858.99
National Aeronautics and Space Administration	43.001	AVETEC sub NASA AV07	68,931.85
National Aeronautics and Space Administration	43.001	NNH06CC28C SUB NASA	13,071.55
TOTAL NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			151,151.28

Continued

University of Cincinnati
Schedule of Expenditures of Federal Awards
for the period ending June 30, 2010

Federal Agency	Federal CFDA	Program Title or Sponsor ID	Federal Expenditures
National Endowment for the Humanities			
National Endowment for the Humanities	45.161	Sub NU RZ-50804-07 N	8,971.90
National Endowment for the Humanities	45.168	OH Humanities Darwin	7,000.00
TOTAL NATIONAL ENDOWMENT FOR THE HUMANITIES			15,971.90
National Science Foundation			
National Science Foundation	47	UES SUB NSF 0945814	6,056.75
National Science Foundation	47.041	ECOSIL SUB NSF IIP0	28,144.35
National Science Foundation	47.041	General Nano NSF-0945085	81.16
National Science Foundation	47.041	NCAT/NSF EEC-0812348	631,653.49
National Science Foundation	47.041	SUB/EECO 0812348PRO1	83,272.75
National Science Foundation	47.041	SUNY/NSF-0930305	56,203.18
National Science Foundation	47.041	U OF COLO SUB NSF-15	406.76
National Science Foundation	47.041	UWM Award NSF 0117518	412.04
National Science Foundation	47.041	UWM K087570 sub NSF	43,016.78
National Science Foundation	47.049	NKU/NSF DMS-0752881	-55.14
National Science Foundation	47.049	OSURF NSF SUB 60004	7,896.38
National Science Foundation	47.049	UND sub NSF PHY-0715	16,812.83
National Science Foundation	47.074	Sub CCHMC IOS0843424	9,772.83
National Science Foundation	47.076	KSU sub NSF ESI-0628	14,999.99
National Science Foundation	47.076	WSU/NSF DUE-0618571	42,370.29
National Science Foundation	47.079	LSU sub NSF OISE-073	14,113.02
TOTAL NATIONAL SCIENCE FOUNDATION			955,157.46
Nuclear Regulatory Commission			
Nuclear Regulatory Commission	77.006	Tuskegee Univ. Subag	34,320.50
TOTAL NUCLEAR REGULATORY COMMISSION			34,320.50
U.S. Department of State			
Bureau of Educational and Cultural Affairs	19.401	CIES - Fullbright	3,351.52
TOTAL U.S. DEPARTMENT OF STATE			3,351.52
TOTAL RESEARCH AND DEVELOPMENT - PASS THROUGH FUNDS			24,973,967.15
TOTAL RESEARCH AND DEVELOPMENT CLUSTER			154,656,160.85
STATE FISCAL STABILIZATION FUNDS CLUSTER			
STATE FISCAL STABILIZATION FUNDS - PASS THROUGH FUNDS			
Department of Education			
Department of Education	84.394	ARRA State Fiscal Stabilization Funds	28,229,545.00
TOTAL DEPARTMENT OF EDUCATION			28,229,545.00
TOTAL STATE FISCAL STABILIZATION FUNDS - PASS THROUGH FUNDS			28,229,545.00
TOTAL STATE FISCAL STABILIZATION FUNDS CLUSTER			28,229,545.00
STUDENT FINANCIAL AID CLUSTER			
STUDENT FINANCIAL AID - DIRECT FUNDS - DISBURSEMENTS			
Department of Education			
Office of Student Financial Assistance Programs	84.007	Federal Supplemental Educational Opportunity	1,789,753.66
Office of Student Financial Assistance Programs	84.033	Federal Work-Study Program	1,365,845.21
Office of Student Financial Assistance Programs	84.038	Federal Perkins Loan Disbursements	-126.00
Office of Student Financial Assistance Programs	84.063	Federal Pell Grant Program	34,427,483.58
Office of Postsecondary Education	84.375	Academic Competitiveness Grants	1,275,141.77
Office of Student Financial Assistance Programs	84.376	National Science and Mathematics Access to	664,334.31
Department of Education	84.379	Teacher Education Assistance for College and	90,335.75
TOTAL DEPARTMENT OF EDUCATION			39,612,768.28

Continued

University of Cincinnati
Schedule of Expenditures of Federal Awards
for the period ending June 30, 2010

Federal Agency	Federal CFDA	Program Title or Sponsor ID	Federal Expenditures
Department of Health and Human Services			
Office of Student Financial Assistance Programs	93.342	Health Professions Student Loan Disbursements	127,655.00
Office of Student Financial Assistance Programs	93.364	Nursing Student Loan Disbursements	162,299.00
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			289,954.00
TOTAL STUDENT FINANCIAL AID - DIRECT FUNDS - DISBURSEMENTS			39,902,722.28
STUDENT FINANCIAL AID - DIRECT FUNDS – OUTSTANDING LOAN BALANCES			
Department of Education			
Office of Student Financial Assistance Programs	84.038	Federal Perkins Loans Outstanding	25,129,461.00
TOTAL DEPARTMENT OF EDUCATION			25,129,461.00
Department of Health and Human Services			
Office of Student Financial Assistance Programs	93.342	Health Professions Student Loans Outstanding	869,123.00
Office of Student Financial Assistance Programs	93.364	Nursing Student Loans Outstanding	705,724.00
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			1,574,847.00
TOTAL STUDENT FINANCIAL AID - DIRECT FUNDS – OUTSTANDING LOAN BALANCES			26,704,308.00
STUDENT FINANCIAL AID – DISBURSEMENTS FROM THIRD PARTY LENDERS			
Department of Education			
Office of Student Financial Assistance Programs	84.032	Federal Family Education Loans	268,419,329.00
TOTAL DEPARTMENT OF EDUCATION			268,419,329.00
TOTAL STUDENT FINANCIAL AID – DISBURSEMENTS FROM THIRD PARTY LENDERS			268,419,329.00
TOTAL STUDENT FINANCIAL AID CLUSTER			335,026,359.28
TANF (TEMPORARY ASSISTANCE FOR NEEDY FAMILIES) CLUSTER			
TANF (TEMPORARY ASSISTANCE FOR NEEDY FAMILIES) - PASS THROUGH FUNDS			
Department of Health and Human Services			
Administration for Children and Families	93.558	Lucas County Sub Adm	35,412.02
Administration for Children and Families	93.558	ODR SUB NICYF OH DEP	-25.94
Administration for Children and Families	93.558	ODRC Reentry	10,655.00
Administration for Children and Families	93.558	ODRC SUB TANF/DRCF0028	54,353.73
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			100,394.81
TOTAL TANF - PASS THROUGH FUNDS			100,394.81
TOTAL TANF (TEMPORARY ASSISTANCE FOR NEEDY FAMILIES) CLUSTER			100,394.81
TRIO CLUSTER			
TRIO - DIRECT FUNDS			
Department of Education			
Office of Postsecondary Education	84.042	TRIO Student Support Services	224,492.40
Office of Postsecondary Education	84.044	TRIO Talent Search	266,744.78
Office of Postsecondary Education	84.047	TRIO Upward Bound	870,425.29
Office of Postsecondary Education	84.066	TRIO Educational Opportunity Centers	357,926.82
Office of Postsecondary Education	84.217	TRIO McNair Post-Baccalaureate Achievement	235,590.48
TOTAL DEPARTMENT OF EDUCATION			1,955,179.77
TOTAL TRIO - DIRECT FUNDS			1,955,179.77
TOTAL TRIO CLUSTER			1,955,179.77
TOTAL EXPENDITURES OF FEDERAL AWARDS			528,627,345.48

UNIVERSITY OF CINCINNATI

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation—The accompanying schedule of expenditures of federal awards includes the federal grant transactions of the University of Cincinnati (“University”) and is recorded on the accrual basis of accounting.

Subrecipients—Certain funds are passed through to subgrantee organizations by the University. Expenditures incurred by the subgrantees and reimbursed by the University are presented in the schedule of expenditures of federal awards. The University is also the subrecipient of federal funds which have been subjected to testing and are reported as expenditures and listed as federal pass-through funds.

Negative Expenditures—Certain grant expenditures are negative as a result of various adjustments made during the year.

2. CATALOG OF FEDERAL DOMESTIC ASSISTANCE NUMBERS

Catalog of Federal Domestic Assistance (“CFDA”) numbers are presented for those programs for which such numbers are available.

3. INDIRECT COSTS

The University recovers indirect costs by means of predetermined indirect cost rates. The predetermined rates are a result of negotiated agreements with the U.S. Department of Health and Human Services. On June 11, 2009, the University received approval for indirect cost recovery rate effective from July 1, 2009 through June 30, 2012. The indirect cost rates structure is as follows:

Rate Type	Effective July 1, 2009 through June 30, 2012
Organized research:	
On-campus	57.0 %
Off-campus	26.0 %
Instruction:	
On-campus	57.0 %
Off-campus	26.0 %
Public Service:	
On-campus	30.0 %
Off-campus	26.0 %

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

To the Board of Trustees of
the University of Cincinnati:

We have audited the financial statements of the University of Cincinnati (the "University"), a component unit of the State of Ohio, as of and for the year ended June 30, 2010, and have issued our report thereon dated October 13, 2010, which included a reference on our reliance on the other auditors' reports that related to their audits of the University of Cincinnati Foundation and the University of Cincinnati Physicians, Inc., and an emphasis of a matter paragraph related to the University's investment in alternative investments. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

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

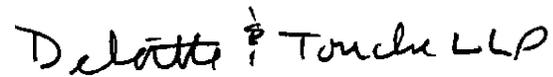
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University'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*.

We noted certain matters that we reported to management of the University in a separate letter dated October 13, 2010.

This report is intended solely for the information and use of the Board of Trustees of the University of Cincinnati, management, federal awarding agencies, pass-through entities and the Auditor of State of Ohio and is not intended to be and should not be used by anyone other than those specified parties.

Deloitte & Touche LLP

October 13, 2010

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Trustees of
the University of Cincinnati:

Compliance

We have audited the compliance of the University of Cincinnati (the "University"), a component unit of the State of Ohio, with the types of compliance requirements described in the *U.S. Office of Management and Budget* ("OMB") *Circular A-133, Compliance Supplement*, that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2010. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the University's compliance with those requirements.

In our opinion, the University complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the University's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

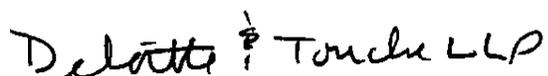
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above. However, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 10-1. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The University's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the University's response and, accordingly, we express no opinion on the response.

We noted certain matters that we reported to management of the University in a separate letter dated October 13, 2010.

This report is intended solely for the information and use of the Board of Trustees of the University of Cincinnati, management, federal awarding agencies, pass-through entities and the Auditor of State of Ohio and is not intended to be and should not be used by anyone other than those specified parties.

Deloitte & Touche LLP

October 13, 2010

UNIVERSITY OF CINCINNATI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

PART I — SUMMARY OF INDEPENDENT AUDITORS' RESULTS

I. Financial Statements

Type of auditor's report issued:	Unqualified		
Internal control over financial reporting:			
Material weakness(es) identified?	_____ Yes	<u> X </u> No	
Significant deficiencies identified that are not considered to be material weaknesses?	_____ Yes	<u> X </u> N/a	
Noncompliance material to financial statements noted?	_____ Yes	<u> X </u> No	

II. Federal Awards

Internal control over major programs:			
Material weakness(es) identified?	_____ Yes	<u> X </u> No	
Significant deficiencies identified that are not considered to be material weaknesses?	<u> X </u> Yes	_____ N/a	
Type of auditor's report issued on compliance for major programs:	Unqualified		
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	<u> X </u> Yes	_____ No	
Identification of Major Programs:	Research and Development – Cluster Student Financial Aid – Cluster State Fiscal Stabilization Funds – Cluster Gear Up – 84.334		
Dollar threshold used to distinguish between Type A and Type B programs	\$3,000,000		
Auditee qualified as low-risk auditee?	<u> X </u> Yes	_____ No	

UNIVERSITY OF CINCINNATI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010 (Continued)

PART II — FINANCIAL STATEMENT FINDINGS SECTION

No matters are reportable.

PART III — FEDERAL AWARD FINDINGS AND QUESTIONED COSTS SECTION

10-1 Federal Program—all with purchases of goods and services from outside parties

Requirement—Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. “Covered transactions” include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other specified criteria.

Condition—The University’s process for verifying that goods and services purchased directly with federal awards are not purchased from federally suspended or debarred vendors is decentralized, undocumented, and lacks internal control.

Context—We inquired about the University’s process for verifying that goods and services purchased with federal awards are not purchased from federally suspended or debarred vendors. We determined that the process for subawards is centralized, documented, and includes an appropriate level of management review; whereas the corresponding process for direct purchases of goods and services with federal awards is performed by the various research departments, is not documented, and includes no audit trail to facilitate management review. We selected 40 expenditures of federal awards and noted no instances of purchases from or subawards to federally suspended or debarred vendors or contractors.

Effect—The University has a significant deficiency in internal control over compliance related to debarment of vendors from which goods and services are directly purchased with federal awards.

Cause—The University departments involved, Sponsored Research Services Accounting (“SRSA”), Purchasing, and the various research departments, failed to sufficiently communicate with one another regarding the tasks that each department would perform in order to verify that goods and services purchased directly with federal awards are not purchased from federally suspended or debarred vendors. As a result, each department believed the others were performing more tasks than they actually were.

Questioned Cost—No compliance exceptions or questioned costs were identified.

Recommendation—The University should institute a formal policy whereby the research departments or the Purchasing department systematically verify that vendors for direct purchases of goods and services with federal awards are not federally suspended or debarred. The process should include management review as well as sufficient documentation to facilitate that review.

Views of Responsible Officials and Planned Corrective Action—Management agrees with the facts as presented. University awardees sign-off on federal grants and take responsibility for adhering to compliance requirements. In certain circumstances, various University departments have contacted the University’s purchasing department to check for federal debarment. In order to further ensure that no commitments are made to entities that are suspended or debarred, the University will add language to the terms and conditions of all purchase orders stipulating that by accepting the purchase order the vendor certifies that they are not presently suspended or debarred by a federal department or agency. Additionally, vendors authorized to sell goods or services to the University are subject to a rigorous process which minimizes the opportunity for businesses with poor business practices to be approved by the University. This process in itself helps lessen the potential that the University would attempt to contract with a federally suspended or debarred vendor.

UNIVERSITY OF CINCINNATI

SUMMARY OF SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2010

Condition 09-1 (Research and Development Cluster CFDA Numbers 93.279, 93.393, 93.396, 93.847, 93.853, and 93.865)

During the fiscal year 2009 audit, there were instances noted of financial status reports being filed subsequent to the deadlines set by the grantor agencies.

Management's Update on Current Status—Sponsored Research Services Accounting (SRSA) has successfully implemented our action plan as noted in last year's audit. It has resulted in no late FSRs findings during the FY2010 audit. Staff training is ongoing to ensure that all personnel responsible for grant reporting are aware of SRSA policies and procedures related to meeting agency guidelines for financial status reports.

University of Cincinnati

Independent Accountants' Report on
Agreed-Upon Procedures Performed
on the Department of Athletics as
Required by NCAA Constitution 6.2.3
for the Year Ended June 30, 2010

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To Dr. Gregory Williams
President
University of Cincinnati
Cincinnati, Ohio

We have performed the procedures enumerated below, which were agreed to by the University of Cincinnati (the "University"), with respect to the accounting records of the University as of June 30, 2010 solely to assist you in evaluating whether the accompanying statement of revenues and expenditures (the "statement") is in compliance with National Collegiate Athletic Association's (NCAA) Constitution 6.2.3 for the year ended June 30, 2010. The University's management is responsible for the statement and for the statement's compliance with those requirements. These agreed upon procedures were conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Affiliated/Outside Organizations

- a. The University has informed us that the only outside organization that receives revenues on behalf of the University is the University of Cincinnati Foundation (the "Foundation"). We obtained from the management of the Foundation its financial activity conducted on behalf of the University, a summary of which is included as Exhibit B to this report.
- b. We agreed a random sample of five selections of disbursements of athletics funds maintained by the Foundation to supporting documentation and noted no exceptions.
- c. We agreed a random sample of five selections of receipts of funds by the Foundation on behalf of the Department of Athletics to supporting documentation and noted no exceptions.

Statement of Revenues and Expenditures

- a. We obtained the statement of revenues and expenditures, as prepared by the Department of Athletics of the University, for the year ended June 30, 2010, which is included as Exhibit A. We agreed the revenue and expenditure amounts reported on the statement to the University's general ledger and noted no exceptions.
- b. We compared the classifications in the statement to the defined classifications in the NCAA Constitution section 6.2.3 and noted no exceptions.

- c. We obtained the schedule of athletics-related assets as of June 30, 2010, as prepared by management. For a random sample of five of these assets, we agreed them to amounts recorded in the University's property ledger and noted no exceptions.
- d. We obtained the schedule of annual maturities of both principal and interest of athletics-related debt as prepared by the University for the year ended June 30, 2010. We recalculated the annual maturities of principal and interest and agreed the maturities to supporting documentation and the University's general ledger, noting no exceptions.
- e. We compared each major revenue and expenditure category on the statement of revenues and expenditures to prior year amounts and current year budgeted amounts. Revenue and expenditure categories constituting more than 20% of total revenues or expenditures were considered major revenue categories. The only fluctuation meeting the criteria for investigation was the \$1,799,361 increase in NCAA and conference distributions compared to the prior year amounts. The explanation provided by the Department of Athletics is that the increase was the result of higher base pool distributions from the Big East Conference for football and men's basketball.

Agreed Upon Procedures for Revenues

- a. For men's football and basketball ticket revenue, we compared the season and gate sold ticket information from the Paciolan ticketing system to the general ledger. For the year ended June 30, 2010, we noted unexplained differences of \$5,087 (0.2%) for men's basketball ticket revenue, with the Paciolan system higher than the general ledger, and \$10,970 (-0.3%) for men's football ticket revenue, with the Paciolan system lower than the general ledger. We randomly selected a total of five basketball and football games' ticket revenue reported and agreed such amounts to batch revenue support, noting no exceptions.
- b. We selected a random sample of five away game guaranteed contests from a list prepared by management and agreed each selection to amounts recorded in the University's general ledger and supporting documentation which included contracts and deposit slips. No exceptions were noted.
- c. We obtained a list of contributions of all money, goods, or services received directly by the Department of Athletics from the University. From the list provided by the University, we did not note any individual contributions that constituted 10% or more of total contributions received.
- d. We compared direct institutional support recorded by the University with institutional transfer authorizations held by the controller's office of the University and found them to be in agreement.
- e. We obtained the Big East Conference Distribution Schedule relating to the University's participation in revenues from tournaments during the year ended June 30, 2010, provided by the Department of Athletics, and agreed the amounts to the University's general ledger. No exceptions were noted.
- f. We obtained and read all agreements relating to broadcast, television, radio, and Internet rights from the Department of Athletics. We agreed the related revenue to supporting deposits and/or copies of checks and the general ledger. We noted for the year-ended June 30, 2010 that the University had recorded a portion of the NCAA Big East distribution of \$100,000 related to network appearances as broadcasting revenue. Based on review of the definition of NCAA/Conference Distributions within the guidance provided by the NCAA, the shares of conference television agreements received from the conference are recorded under NCAA/Conference Distributions. As a result, the University appropriately reclassified the network appearance distribution to NCAA/Conference Distributions.

- g. We obtained a schedule of program, concession, novelty, and parking revenue from the University. We randomly selected five revenue receipts and agreed them to cash remittance advices, noting no exceptions.
- h. We obtained a schedule of royalties, advertisements, and sponsorships from the University. We agreed the balance to the general ledger and noted no exceptions. We made a random sample of five receipts and agreed the receipts to supporting documentation and the related agreement, noting no exceptions.
- i. The University of Cincinnati Foundation is the trustee of certain athletic endowments. For a random sample of five endowments, we obtained and read endowment agreements and reviewed the relevant terms and conditions. We compared and agreed the classification of endowment and investment income to the uses defined within the related endowment agreement obtained and noted no exceptions.
- j. We obtained supporting schedules for other revenue and agreed amounts in the schedules to the amounts in the statement of revenues and expenditures. We made a random sample of five other revenue receipts from the supporting schedules and compared the receipts to deposit slips and/or copies of checks, noting no exceptions.

Agreed Upon Procedures for Expenditures

- a. We randomly selected five athletic students from the University's listing of student aid recipients. For each selection, we obtained individual student account detail and compared total aid allocated from the related award letter to amounts applied to the student's account and found them to be in agreement.
- b. We obtained and read five home game guarantee agreements received by the University and agreed the related expense to the University's general ledger and/or the statement of revenues and expenditures, noting no exceptions.
- c. We obtained a listing of coaches employed by the University and randomly selected five coaches that included football, men's basketball, and women's basketball. We compared and agreed the financial terms and conditions of each selection, along with the W-2s and 1099s for each selection, to the related coaching salaries, benefits, and bonuses recorded in the statement and noted no exceptions.
- d. We randomly selected a sample of five support staff/administrative personnel employed by the University and obtained and read the related W-2s and 1099s. We compared and agreed the related W-2s and 1099s to related salaries, benefits, and bonuses paid by the University to the statement and noted no exceptions.
- e. As fewer than five employees received severance pay during the year ended June 30, 2010, we selected all three employees who received severance pay during the year ended June 30, 2010, and agreed recorded severance pay for all employees who received severance payments during the year ended June 30, 2010 to the related termination letters, noting no exceptions.
- f. We obtained and reviewed the recruiting policies for the athletics department, as well as supporting schedules for recruiting expenses, from the athletics department. We agreed amounts in the schedules to the statement, noting no exceptions. We selected a random sample of five

- expenditures from the supporting schedules and compared the selected items to supporting documentation of invoices and purchase orders and found them to be in agreement.
- g. We obtained and reviewed team travel policies for the athletics department, as well as supporting schedules for travel expenses from the athletics department. We agreed the amounts in the schedules to the statement, noting no exceptions. We selected a random sample of five expenditures from the supporting schedules and compared the selected items to supporting documentation of invoices and purchase orders and found them to be in agreement.
 - h. We obtained supporting schedules for equipment, uniforms, and supplies expenses from the athletics department, and agreed amounts in the schedules to the statement, noting no exceptions. We selected a random sample of five expenditures from the supporting schedules and compared the selected items to supporting documentation of invoices and purchase orders and found them to be in agreement.
 - i. We obtained supporting schedules for game expenses from the Department of Athletics and agreed amounts in the schedules to the statement, noting no exceptions. We selected a random sample of five game expenditures from the supporting schedules and compared the selected items to supporting documentation and found them to be in agreement.
 - j. We obtained supporting schedules for fundraising, marketing, and promotion expenses from the athletics department and agreed amounts in the schedules to the statement, noting no exceptions. We selected a random sample of five fundraising, marketing, and promotional expenditures from the supporting schedules and compared the selected items to supporting documentation, noting no exceptions.
 - k. We obtained supporting schedules for direct facilities, maintenance, and rental expenses from the Department of Athletics and agreed amounts in the schedules to the statement, noting no exceptions. We selected a random sample of five direct facilities, maintenance, and rental expenses from the supporting schedules and compared the selected items to supporting documentation, noting no exceptions.
 - l. We obtained supporting schedules for spirit group expenses from the Department of Athletics and agreed amounts in the schedules to the statement, noting no exceptions. We selected a random sample of five spirit group expenditures from the supporting schedules and compared the selected items to supporting documentation and found them to be in agreement.
 - m. We obtained supporting schedules for medical and medical insurance expenses from the Department of Athletics and agreed amounts in the schedules to the statement, noting no exceptions. We selected a random sample of five medical and medical insurance expenditures from the supporting schedules and compared the selected items to supporting documentation and found them to be in agreement.
 - n. We obtained supporting schedules for membership and dues expenses from the Department of Athletics and agreed amounts in the schedules to the statement. We selected a random sample of five membership and dues expenditures from the supporting schedules and compared the selected items to supporting documentation and found them to be in agreement.
 - o. We obtained supporting schedules for other operating expenses from the Department of Athletics and agreed amounts in the schedules to the statement, noting no exceptions. We selected a random sample of five other expenditures from the supporting schedules and compared the

selected items to supporting documentation obtained. We noted that there were two expenditures that we found needed to be reclassified to more appropriate line item categories. The first expenditure related to equipment purchased for the cheerleading team costing \$10,419. The second expenditure item was lockers purchased for the Women's basketball team locker room costing \$14,590. Management appropriately reclassified these two items to Equipment, Uniforms, & Supplies Expense and Direct Facilities, Maintenance, & Rental Expense, respectively.

Agreed Upon Procedures Related to the Internal Control over Compliance

Our procedures and results are as follows:

- a. We made inquiries of the Controller's Office and Department of Athletics personnel relating to the procedures and internal accounting controls unique to the Department of Athletics, specifically departmental organization, control consciousness of staff, use of internal auditors in the department, competency of personnel, adequate safeguarding and control of records and assets, controls over interaction with the information technology department, and controls over gathering information on the nature and extent of outside organizations' activities for or on behalf of the intercollegiate athletic programs.
- b. We selected, on a random basis, 15 cash deposits related to ticket revenue from the deposit slip files for the year ended June 30, 2010 and compared the deposit amounts to the ticketing system and the general ledger. We noted no exceptions.
- c. We selected, on a random basis, 15 football and men's basketball home games from the 2009-2010 season schedules and compared the seller statements for the game-day ticket sales to the ticketing system, noting no exceptions.

Because of inherent limitations in any internal control structure, errors or irregularities may occur and not be detected. In addition, projections by the specified users of their evaluation of the internal control structure over financial reporting to future periods are subject to risk that the internal control structure may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

We were not engaged to perform an audit, the objective of which would be the expression of an opinion on the statement of revenues and expenditures of the Department of Athletics of the University or the statement's compliance with NCAA Constitution 6.2.3. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we been engaged to perform additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the administration of the University, the Ohio Board of Regents, and authorized representatives of the NCAA and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

October 14, 2010

**UNIVERSITY OF CINCINNATI
DEPARTMENT OF ATHLETICS**

EXHIBIT A

**STATEMENT OF REVENUES AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2010**

	Football	Men's Basketball	Women's Basketball	Other Men	Other Women	NonProgram- Specific	Total
REVENUES:							
Ticket Sales	\$ 4,004,004	\$ 2,310,658	\$ 30,175	\$ 18,890	\$ 6,763	\$ 6,794	\$ 6,377,284
Guarantees	840,000		3,500	5,000	10,000		858,500
Contributions	2,509,171	171,366	9,801	267,216	83,143	2,609,555	5,650,252
Direct Institutional Support NCAA and Conference						13,457,464	13,457,464
Distributions Including all Tournament Revenue	5,351,175	2,302,695		5,599	10,950	839,352	8,509,771
Broadcast, Television, Radio, and Internet Rights							
Program Sales, Concessions, Novelty Sales, and Parking	538,762	123,955	920	2,355	2,767	309,987	978,746
Royalties, Licensing, Advertising, and Sponsorships						1,471,722	1,471,722
Endowment & Investment Income	69,023	5,344		56,577	8,974	486,821	626,739
Other Income	1,013,169	84,454	43,658	5,232	9,739	1,834,163	2,990,415
Total Revenues	14,325,304	4,998,472	88,054	360,869	132,336	21,015,858	40,920,893
EXPENDITURES:							
Athletics Student Aid	1,911,466	20,510	453,603	886,518	2,129,920	1,477,013	6,879,030
Guarantees	1,315,000	447,000	44,200	19,500			1,825,700
Salaries, Benefits, and Bonuses Paid by the University and Related Entities	4,745,092	1,990,474	777,105	787,257	1,114,711	5,657,168	15,071,807
Recruiting	150,053	151,341	78,224	50,827	110,529	3,633	544,607
Team Travel	1,430,830	423,204	183,303	399,718	610,904	289,422	3,337,381
Equipment, Uniforms, & Supplies	149,173	6,094	6,768	67,515	112,009	40,431	381,990
Game Expenses	259,198	51,343	17,801	68,783	80,087	1,088,658	1,565,870
Fund Raising, Marketing and Promotion	163,980	7,437	28,314	20,258	12,112	1,815,178	2,047,279
Direct Facilities, Maintenance, & Rental	255,271	2,911	23,465	12,264	17,855	7,994,220	8,305,986
Spirit Groups						6,707	6,707
Medical Expenses and Medical Insurance	9,970	117	942		840	808,559	820,428
Memberships & Dues	2,235	3,730	725	3,318	5,405	19,937	35,350
Other Operating Expenses	795,642	263,567	85,290	66,585	90,883	1,354,281	2,656,248
Total Expenditures	11,187,910	3,367,728	1,699,740	2,382,543	4,285,255	20,555,207	43,478,383
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ 3,137,394	\$ 1,630,744	\$ (1,611,686)	\$ (2,021,674)	\$ (4,152,919)	\$ 460,651	\$ (2,557,490)

See notes to the statement of revenue and expenses.

UNIVERSITY OF CINCINNATI

DEPARTMENT OF ATHLETICS

NOTES TO STATEMENT OF REVENUES AND EXPENDITURES FOR THE YEAR ENDED JUNE 30, 2010

1. SUMMARY OF PRESENTATION POLICIES

The amounts in the accompanying statement of revenues and expenditures were obtained from the University of Cincinnati's (the "University") general ledger, which is maintained on an accrual basis. All revenues and expenditures directly related to various sports were disclosed as such, except items which were not applicable, such as compensation and benefits paid by third parties. The University records depreciation on physical plant and equipment; however, depreciation is not part of the statement of revenues and expenditures.

2. CONTRIBUTIONS

Contribution revenue included in the statement of revenues and expenditures represents contributions given to the University's Department of Athletics based on the donor's instructions. There were no individual contributions in excess of 10% of all contributions received for the Department of Athletics for the year ended June 30, 2010.

3. PROPERTY, PLANT, AND EQUIPMENT

Land, land improvements, infrastructure, buildings, and equipment are recorded at cost at the date of acquisition or market value at date of donation. The University's capitalization threshold is \$100,000 for major capital projects and \$5,000 for all other capitalized items. Interest on related borrowing, net of interest earnings on invested proceeds, is capitalized during the period of construction. University property and equipment are depreciated using the straight-line method over the estimated useful lives (from five to fifty years) of the respective assets. When plant assets are sold or disposed of, the carrying value of such assets and the associated depreciation are removed from the University's records.

The University does not capitalize works of art or historical treasures that are held for public exhibition, education, or research in furtherance of public service. These collections are neither disposed of for financial gains nor encumbered in any way. In addition, the University requires the proceeds from the sale of collection items be used to acquire other collection items. Accordingly, such collections are not recognized or capitalized for financial statement purposes. All other works of art or historical treasures are capitalized at historical or fair value at date of donation.

4. REPAYMENT SCHEDULE FOR OUTSTANDING DEBT

The repayment schedule as of June 30, 2010, for outstanding debt related to the Department of Athletics of the University is as follows:

Fiscal Year	Principal	Interest	Total
2011	\$ 2,908,386	\$ 3,413,029	\$ 6,321,415
2012	3,275,724	3,210,376	6,486,100
2013	3,518,361	3,403,339	6,921,700
2014	3,481,281	3,173,916	6,655,197
2015	3,422,711	3,005,789	6,428,500
2016-2020	26,819,379	11,755,121	38,574,500
2021-2025	25,262,771	5,353,029	30,615,800
2026-2028	6,909,439	467,961	7,377,400

Principal and interest payments made during the year are included in the statement of revenues and expenditures as direct facilities, maintenance, and rental expenditures.

5. NON-RECURRING ITEMS IN OTHER INCOME

Other income includes a one-time receipt of \$1,000,000 from a former football coach required by a contractual buy-out clause.

**UNIVERSITY OF CINCINNATI
DEPARTMENT OF ATHLETICS**

**SCHEDULE OF EXPENDABLE FUNDS HELD BY THE UNIVERSITY OF CINCINNATI FOUNDATION
FOR THE DEPARTMENT OF ATHLETICS FOR THE YEAR ENDED JUNE 30, 2010**

	Beginning Fund Balance	Increase in Funds	Transfers to or Expenses on Behalf of Program (1)	Transfers Between Foundation Funds	Ending Fund Balance
Gift Accounts:					
Alton E. Purcell	\$ 4,098	\$ 16,991	\$ (16,693)	\$	\$ 4,396
Athletic Development Fund	(917)	4,076	(4,904)		(1,745)
Athletic Director Discretionary Fund	138,646	2,955,861	(2,908,348)	8,275	194,434
Athletic Tickets and Parking		52,985	(52,985)		
Athletic Training Development Fund	50	1,847	(1,897)		
Athletics — Dance	250		(250)		
Athletics — Football	30		(30)		
Athletics — Women's Swimming & Diving	178		(178)		
Athletics Opportunity Fund	2,768				2,768
Baseball Development Fund	204	189,940	(190,144)		
C' Club Fund	213	11,700	(9,763)	(250)	1,900
Cheerleading Development Fund		8,925	(5,975)		2,950
Dance Team Development Fund		3,315	(3,415)	250	150
Director of Athletics Discretionary	2,222				2,222
Football Bowl Gift Fund	1,775		(1,775)		
Football Development Fund	1,074	284,868	(280,062)	(205)	5,675
Football UCATS	140		(140)		
George Smith Society Athletic Scholarship	61,426	1,444,425	(1,295,767)	(17,520)	192,564
George Strike Insurance Prem.	298,207	77,618	(35,500)		340,325
Legion of Excellence Fund	3,226	12,942	(92)		16,076
Men's Basketball Development Fund	12,430	180,561	(171,366)	(1,500)	20,125
Men's Golf Development Fund	10	35,915	(33,250)		2,675
Men's Soccer Development Fund	1,315	35,308	(36,823)	200	
Men's Soccer Raffle	11,600	2,400	(7,100)	(200)	6,700
Men's Swimming & Diving Development Fund		6,630	(6,070)		560
Men's Track & Field Development Fund	350	3,080	(1,950)	(1,370)	110
Raising the Bar — Football Continuity Fund		325,323	(461,523)	136,200	
Raising the Bar — Football Fund		71,200	(10,000)	(61,200)	
Suiteholders Fund		123,300	(120,575)		2,725
Tennis Development Fund	19	4,281	(4,300)		
Volleyball Development Fund	500	24,008	(24,508)		
Women's Basketball Development Fund	84	14,867	(9,801)		5,150
Women's Golf Development Fund		32,413	(29,738)		2,675
Women's Lacrosse Development Fund	125	17,900	(17,825)		200
Women's Soccer Development Fund	50	5,510	(5,560)		
Women's Swimming & Diving Development Fund		454	(454)		
Women's Track & Field Development Fund	270	310	(580)		
Total Gift Accounts	\$ 540,343	\$ 5,948,953	\$ (5,749,341)	\$ 62,680	\$ 802,635

(1) Amount represents funds disbursed to or on behalf of the University's Department of Athletics. The funding source of the disbursements represents funds recognized as current gift revenue by the Department of Athletics of \$5,525,319 and funds expended on behalf of the University of Cincinnati athletics program of \$224,022.



Mary Taylor, CPA
Auditor of State

UNIVERSITY OF CINCINNATI

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
JANUARY 18, 2011