

THE UNIVERSITY OF CINCINNATI FOUNDATION
HAMILTON COUNTY
CINCINNATI, OHIO

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

OHIO AUDITOR OF STATE
KEITH FABER



65 East State Street
Columbus, Ohio 43215
ContactUs@ohioauditor.gov
800-282-0370

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

We have reviewed the *Independent Auditor's Report* of The University of Cincinnati Foundation, Hamilton County, prepared by Plante & Moran, PLLC, for the audit period July 1, 2023 through June 30, 2024. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

November 27, 2024

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Independent Auditor's Report

To the Board of Trustees
The University of Cincinnati Foundation

Report on the Audits of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of The University of Cincinnati Foundation (the "Foundation"), which comprise the consolidated statements of financial position as of June 30, 2024 and 2023 and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Foundation as of June 30, 2024 and 2023 and the changes in its net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As described in Note H to the consolidated financial statements, the Foundation has investments valued at approximately \$618,062,000 (72 percent of net assets) and \$564,120,000 (75 percent of net assets) as June 30, 2024 and 2023, respectively, whose fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the University of Cincinnati. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued or available to be issued.

To the Board of Trustees
The University of Cincinnati Foundation

Auditor's Responsibilities for the Audits of the Consolidated Financial Statements

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

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

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

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

Supplementary Information

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

To the Board of Trustees
The University of Cincinnati Foundation

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2024 on our consideration of The University of Cincinnati Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of The University of Cincinnati Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The University of Cincinnati Foundation's internal control over financial reporting and compliance.

Plante & Moran, PLLC

October 4, 2024

THE UNIVERSITY OF CINCINNATI FOUNDATION
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2024 and 2023

	2024	2023
ASSETS		
Cash and cash equivalents	\$ 22,767,381	\$ 22,846,170
Due from UC Health Foundation	-	684,980
Accrued interest receivable	1,243,552	1,166,565
Stock proceeds receivable	38,944	304,234
Prepaid expenses	373,532	771,212
Pledges receivable, net of allowance	162,335,670	107,652,449
Trusts held by others	15,509,646	14,016,715
Cash surrender value of life insurance policies	598,144	664,814
Other	1,397,279	858,331
Investments:		
Mutual funds	15,955,143	14,642,719
Equities	26,925,787	25,635,232
Cash equivalents	9,919,239	7,575,196
Corporate bonds	11,395,444	9,494,134
Government and agency obligations	7,223,242	8,367,684
Real estate and other	10,800,000	11,020,000
University pooled investments	618,061,878	564,119,869
Total investments	700,280,733	640,854,834
Right-of-use assets, net - operating leases	67,996	307,475
Property and equipment:		
Leasehold improvements, net of accumulated amortization of \$1,859,360 in 2024 and \$1,727,557 in 2023	34,911	162,701
Equipment and software, net of accumulated depreciation of \$5,706,881 in 2024 and \$5,691,391 in 2023	46,181	61,671
	\$ 904,693,969	\$ 790,352,151
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable:		
University of Cincinnati	\$ 3,271,817	\$ 2,493,201
Other	588,256	1,406,028
Accrued liabilities	2,608,824	2,381,279
Accrued compensated absences	1,042,415	978,489
Agency payable	24,014,714	18,389,658
Lease liabilities - operating leases	67,996	307,475
Trusts held for the benefit of others	5,356,177	3,892,974
Refundable deposits	1,385,337	1,303,356
Accrued interest income due to investment pool	689,410	660,205
Present value of annuities payable	7,191,322	7,247,318
TOTAL LIABILITIES	46,216,268	39,059,983
NET ASSETS		
Without donor restrictions	19,686,113	19,651,447
With donor restrictions	838,791,588	731,640,721
TOTAL NET ASSETS	858,477,701	751,292,168
	\$ 904,693,969	\$ 790,352,151

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

THE UNIVERSITY OF CINCINNATI FOUNDATION

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other additions:			
Contributions of cash and other financial assets:			
University	\$ 467,650	\$ 118,036,266	\$ 118,503,916
Foundation	170,100	-	170,100
University fee	16,795,373	-	16,795,373
UC Health Foundation fee	3,350,861	-	3,350,861
Assessment fee	10,561,821	-	10,561,821
Change in value of split interest agreements	66,982	1,425,949	1,492,931
Other income	173,791	1,357,537	1,531,328
Investment income:			
Dividend and interest income	991,145	13,545,511	14,536,656
Net unrealized and realized gains	107,151	48,447,001	48,554,152
Pledge loss	-	(2,135,630)	(2,135,630)
Net assets released from restrictions - satisfaction of donor restrictions	73,087,458	(73,087,458)	-
Total revenues and other additions	105,772,332	107,589,176	213,361,508
Expenses and other deductions:			
Programs activities:			
Distributions to University of Cincinnati	67,321,364	-	67,321,364
Alumni experience	4,040,105	-	4,040,105
Assessment fee	4,826,723	-	4,826,723
Total program activities	76,188,192	-	76,188,192
Supporting services:			
Management and general	5,619,743	-	5,619,743
Fundraising	23,929,731	-	23,929,731
Total support services	29,549,474	-	29,549,474
Total expenses	105,737,666	-	105,737,666
Change in present value of annuities payable	-	438,309	438,309
Total expenses and other deductions	105,737,666	438,309	106,175,975
Increase in net assets	34,666	107,150,867	107,185,533
Net assets at beginning of year	19,651,447	731,640,721	751,292,168
Net assets at end of year	\$ 19,686,113	\$ 838,791,588	\$ 858,477,701

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

THE UNIVERSITY OF CINCINNATI FOUNDATION

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other additions:			
Contributions of cash and other financial assets:			
University	\$ 1,229,983	\$ 92,391,368	\$ 93,621,351
Foundation	129,913	-	129,913
University fee	12,202,509	-	12,202,509
UC Health Foundation fee	3,493,328	-	3,493,328
Assessment fee	12,230,321	-	12,230,321
Change in value of split interest agreements	10,922	1,538,904	1,549,826
Other income	203,005	1,183,822	1,386,827
Investment income:			
Dividend and interest income	424,086	7,447,026	7,871,112
Net unrealized and realized gains	722,848	22,839,894	23,562,742
Pledge loss	-	(3,169,196)	(3,169,196)
Net assets released from restrictions - satisfaction of donor restrictions	76,323,381	(76,323,381)	-
Total revenues and other additions	106,970,296	45,908,437	152,878,733
Expenses and other deductions:			
Programs activities:			
Distributions to University of Cincinnati	69,755,344	-	69,755,344
Alumni experience	3,569,891	-	3,569,891
Assessment fee	5,983,568	-	5,983,568
Total program activities	79,308,803	-	79,308,803
Supporting services:			
Management and general	5,288,858	-	5,288,858
Fundraising	21,932,464	-	21,932,464
Total support services	27,221,322	-	27,221,322
Total expenses	106,530,125	-	106,530,125
Change in present value of annuities payable	-	(641,839)	(641,839)
Total expenses and other deductions	106,530,125	(641,839)	105,888,286
Increase in net assets	440,171	46,550,276	46,990,447
Net assets at beginning of year	19,211,276	685,090,445	704,301,721
Net assets at end of year	\$ 19,651,447	\$ 731,640,721	\$ 751,292,168

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

THE UNIVERSITY OF CINCINNATI FOUNDATION
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

Years ended June 30, 2024 and 2023

2024						
	Program Activities			Management and General	Fundraising	Total
	University Support	Alumni Experience	Program Subtotal			
Distributions to University of Cincinnati	\$ 67,321,364	\$ -	\$ 67,321,364	\$ -	\$ -	\$ 67,321,364
Assessment fee	4,826,723	-	4,826,723	-	-	4,826,723
Salaries and benefits	-	2,513,238	2,513,238	4,192,362	17,872,454	24,578,054
Promotional materials and events	-	881,519	881,519	28,329	1,651,958	2,561,806
Professional services	-	68,029	68,029	702,786	855,136	1,625,951
Information technologies	-	112,116	112,116	279,727	1,131,981	1,523,824
Depreciation and amortization	-	17,675	17,675	22,094	107,524	147,293
Occupancy	-	114,039	114,039	133,761	754,244	1,002,044
Miscellaneous	-	85,132	85,132	54,073	186,234	325,439
Direct marketing	-	132,504	132,504	5,727	321,232	459,463
Travel	-	49,953	49,953	6,409	396,874	453,236
Business meetings, dues, recruitment	-	31,431	31,431	180,691	202,045	414,167
Cultivation	-	17,138	17,138	3,047	271,316	291,501
Resource materials, postage and supplies	-	17,331	17,331	10,737	178,733	206,801
	\$ 72,148,087	\$ 4,040,105	\$ 76,188,192	\$ 5,619,743	\$ 23,929,731	\$ 105,737,666
2023						
	Program Activities			Management and General	Fundraising	Total
	University Support	Alumni Experience	Program Subtotal			
Distributions to University of Cincinnati	\$ 69,755,344	\$ -	\$ 69,755,344	\$ -	\$ -	\$ 69,755,344
Assessment fee	5,983,568	-	5,983,568	-	-	5,983,568
Salaries and benefits	-	2,400,607	2,400,607	3,465,407	16,513,523	22,379,537
Promotional materials and events	-	559,124	559,124	28,554	1,495,523	2,083,201
Professional services	-	57,364	57,364	1,013,809	601,217	1,672,390
Information technologies	-	107,971	107,971	469,398	1,097,336	1,674,705
Depreciation and amortization	-	17,325	17,325	19,990	95,954	133,269
Occupancy	-	87,677	87,677	97,323	550,759	735,759
Miscellaneous	-	101,027	101,027	15,134	227,890	344,051
Direct marketing	-	133,319	133,319	2,340	334,728	470,387
Travel	-	48,563	48,563	4,596	341,243	394,402
Business meetings, dues, recruitment	-	27,723	27,723	155,909	210,183	393,815
Cultivation	-	16,170	16,170	4,294	300,310	320,774
Resource materials, postage and supplies	-	13,021	13,021	12,104	163,798	188,923
	\$ 75,738,912	\$ 3,569,891	\$ 79,308,803	\$ 5,288,858	\$ 21,932,464	\$ 106,530,125

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

THE UNIVERSITY OF CINCINNATI FOUNDATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended June 30, 2024 and 2023

	2024	2023
Operating activities:		
Payments to the University of Cincinnati	\$ (67,673,455)	\$ (69,279,549)
University fees, assessment fees and other	28,936,376	22,281,884
Cash paid for compensation	(24,526,061)	(21,293,452)
Cash received for gifts	45,634,678	48,959,833
Investment income available for distribution	13,579,635	6,797,067
Cash paid for operating expenses	(9,262,615)	(7,530,812)
Net cash used in operating activities	(13,311,442)	(20,065,029)
Investing activities:		
Proceeds from sale of investments	18,693,219	24,350,564
Purchase of investments	(29,564,968)	(34,016,038)
Purchase of property and equipment	(4,014)	(63,479)
Net cash used in investing activities	(10,875,763)	(9,728,953)
Financing activities:		
Proceeds from contributions to endowment and similar funds	23,228,382	23,645,342
Investment income restricted for reinvestment	880,034	869,117
Net cash provided by financing activities	24,108,416	24,514,459
Net decrease in cash and cash equivalents	(78,789)	(5,279,523)
Cash and cash equivalents, beginning of year	22,846,170	28,125,693
Cash and cash equivalents, end of year	\$ 22,767,381	\$ 22,846,170

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

THE UNIVERSITY OF CINCINNATI FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE A – DESCRIPTION OF ORGANIZATION

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

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

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Presentation

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

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

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

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors or by the change of restrictions specified by the donors. In 2024, the Foundation released approximately \$73,087,000 in restricted assets (\$3,798,000 for operations, maintenance, and plant, \$32,985,000 for college programs, \$4,054,000 for instruction, \$1,494,000 for auxiliary, \$14,091,000 for scholarships, \$4,300,000 for academic support, \$6,961,000 for research, and \$5,404,000 for other). In 2023, the Foundation released approximately \$76,323,000 in restricted assets (\$4,117,000 for operations, maintenance, and plant, \$38,903,000 for college programs, \$3,643,000 for instruction, \$1,973,000 for auxiliary, \$13,898,000 for scholarships, \$2,302,000 for academic support, \$6,977,000 for research and \$4,510,000 for other).

Contributions received by the Foundation for the benefit of the University are classified as University contributions on the accompanying Consolidated Statements of Activities. Revenues from sources other

THE UNIVERSITY OF CINCINNATI FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

1. Basis of Presentation (continued)

than contributions are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Contributions are reported as increases in the appropriate category of net assets.

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

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

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

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

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

THE UNIVERSITY OF CINCINNATI FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Cash and Cash Equivalents

Cash equivalents consist principally of overnight funds, money market securities and certificates of deposit. As of June 30, 2024 and 2023, approximately \$24,178,000 and \$25,441,000, respectively, of cash and cash equivalents were in excess of federally insured limits. The overnight funds were collateralized by U.S. government-backed securities. Cash equivalents are carried at amortized cost and mature in 90 days or less.

3. Custodial Credit Risk of Cash Equivalents

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

4. Investment Securities

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

5. Property and Equipment

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

6. Agency Transactions

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

The amount of assets that are due to other third-party organizations is recorded as a payable of approximately \$24,015,000 and \$18,390,000 at June 30, 2024 and 2023, respectively. Included in agency payable is approximately \$9,523,000 and \$5,842,000 for amounts due to or held for the benefit of UC Health Foundation as of June 30, 2024 and 2023, respectively.

7. Income Taxes

The Foundation is a not-for-profit organization as defined under Section 501(c)(3) of the Internal

THE UNIVERSITY OF CINCINNATI FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Income Taxes (continued)

Revenue Code and, as such, is exempt from Federal income taxes. The Foundation evaluates its uncertain tax positions as to whether it is more likely than not a tax position could be sustained in the event of an audit by the applicable taxing authority. Accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements, and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. Open tax years for the Foundation include 2023, 2022, and 2021. As of June 30, 2024, and 2023, the Foundation has no assets or liabilities recorded related to uncertain tax positions.

8. Self-Insurance

The Foundation has a self-insured medical plan covering all eligible employees. The individual excess risk benefit level per employee for 2024 and 2023 was \$100,000, with total exposure limited to approximately \$1,000,000 and \$1,814,000 at June 30, 2024 and 2023, respectively. Losses in excess of these limitations are covered by reinsurance. Amounts expensed by the Foundation under the plan were approximately \$1,699,000 and \$1,590,000 for the years ended June 30, 2024 and 2023, respectively. The Foundation has recorded an accrual of approximately \$266,000 and \$200,000 at June 30, 2024 and 2023, respectively, for known claims and estimated claims incurred but not reported.

9. Use of Estimates

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

10. Risks and Uncertainties

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

11. Concentrations

During the year ended June 30, 2023, the Foundation was informed that it is one of several beneficiaries of an estate valued in excess of \$283,000,000. As of June 30, 2024, the Foundation recognized restricted contribution revenue and a pledge receivable of approximately \$66,875,000 in the Consolidated Statement of Activities and Consolidated Statement of Financial Position, respectively, related to this estate gift. Therefore, for the year ended June 30, 2024, 66% of total revenues and other

THE UNIVERSITY OF CINCINNATI FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

11. Concentrations (continued)

additions with donor restrictions, and 41% of total pledges receivable, net of allowance, are related to one estate gift. The Foundation did not record any amounts related to this gift during the year ended June 30, 2023, as the criteria for revenue recognition under US GAAP had not been met.

In addition, University support represents a significant portion of the Foundation's revenues without donor restrictions. For the years ended June 30, 2024 and 2023, the University fee was 16% and 11%, respectively, of total revenues and other additions without donor restrictions on the Consolidated Statements of Activities.

12. Fair Value Measurements

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

13. Leases

The Foundation leases its corporate facility and certain office equipment. The Foundation determines if an arrangement is a lease at inception. Operating leases are included in right-of-use ("ROU") assets on the accompanying Consolidated Statements of Financial Position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. As the leases do not provide an implicit rate, the Foundation uses a risk-free rate based on the information available at the commencement date to determine the present value of lease payments. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Foundation will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The lease agreements do not contain any material residual value guarantees or material restrictive covenants. When leases contain non-lease components, the Foundation accounts for the lease and non-lease components as a single lease component. The Foundation's lease agreements do not contain any material non-lease components.

When evaluating contracts to determine if they qualify as a lease, the Foundation considers factors such as if it has obtained substantially all the rights to the underlying asset through exclusivity, if it can direct the use of the asset by making decisions about how and for what purpose the assets will be used, and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

THE UNIVERSITY OF CINCINNATI FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

14. Functional Reporting of Expenses

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

15. Operating Expenses

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

16. Availability and Liquidity

The Foundation receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. It also receives gifts to establish donor restricted endowments; the income generated from which is to be used in accordance with the associated purpose restrictions. In addition, during the year ended June 30, 2024, the Foundation received support without donor restriction from the University to provide funding for annual operations. Prior to July 1, 2023, the Foundation received support without donor restriction from the University, UCHF, assessment fees on current use and endowment funds, and temporary investment income on current use gifts to provide funding for annual operations.

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

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

THE UNIVERSITY OF CINCINNATI FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

16. Availability and Liquidity (continued)

The table below presents financial assets available for general expenditures within one year at June 30, 2024:

Financial assets at year-end:	
Cash and cash equivalents	\$ 22,767,381
Due from University of Cincinnati	2,748
Accrued interest receivable	1,243,552
Stock proceeds receivable	38,944
Pledges receivable, net of allowance	162,335,670
Other	405,062
Investments	<u>689,480,734</u>
Total financial assets	<u>\$ 876,274,091</u>
Less amounts not available for use within one year due to:	
Donor restrictions:	
Cash and cash equivalents	\$ (8,381,605)
Accrued interest receivable	(999,256)
Stock proceeds receivable	(38,944)
Pledges receivable	(162,335,670)
Investments	<u>(684,493,910)</u>
Total	<u>\$ (856,249,385)</u>
Board restrictions:	
Investments	<u>\$ (2,938,307)</u>
Financial assets available to meet general expenditures	<u>\$ 17,086,399</u>

The table below presents financial assets available for general expenditures within one year at June 30, 2023:

Financial assets at year-end:	
Cash and cash equivalents	\$ 22,846,170
Due from University of Cincinnati	1,162,664
Due from UC Health Foundation	684,980
Accrued interest receivable	1,166,565
Stock proceeds receivable	304,234
Pledges receivable	107,652,449
Investments	<u>629,834,834</u>
Total financial assets	<u>\$ 763,651,896</u>

THE UNIVERSITY OF CINCINNATI FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

16. Availability and Liquidity (continued)

Less amounts not available for use within one year due to:

Donor restrictions:

Cash and cash equivalents	\$ (9,714,426)
Accrued interest receivable	(999,660)
Stock proceeds receivable	(304,234)
Pledges receivable	(107,652,449)
Investments	(624,981,350)
Total	<u>\$ (743,652,119)</u>

Board restrictions:

Investments	<u>\$ (2,827,543)</u>
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Financial assets available to meet general expenditures	<u>\$ 17,172,234</u>
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The Foundation maintains reserves to cover approximately three months of operating expenditures, balance the fiscal year's budget, and provide for unanticipated strategic needs. Allocation of reserves is reviewed and approved as part of the budgetary process. Spending of reserves outside of the budgetary process requires additional internal review and approvals, as well as applicable board or committee approvals.

NOTE C – NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions were as follows for the years ended June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Undesignated	\$ 15,988,900	\$ 16,088,750
Board designated	<u>3,697,213</u>	<u>3,562,697</u>
Total net assets without donor restrictions	<u>\$ 19,686,113</u>	<u>\$ 19,651,447</u>

Endowment funds included in net assets without donor restrictions are \$3,697,213 and \$3,562,697 as of June 30, 2024 and 2023, respectively. See Note F for more information on endowment funds.

THE UNIVERSITY OF CINCINNATI FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE D – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were as follows for the years ended June 30, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
College programs	\$ 374,401,320	\$ 347,601,338
Capital projects	13,008,151	14,148,179
Scholarships	257,136,139	187,885,482
Instruction	61,374,275	57,008,203
Academic support	47,862,072	45,500,944
Research	38,960,362	38,017,485
Annuity and life income funds	6,158,205	5,815,300
Auxiliary	17,203,924	15,019,040
Other	<u>22,687,140</u>	<u>20,644,750</u>
Total net assets with donor restrictions	\$ <u>838,791,588</u>	\$ <u>731,640,721</u>

Endowment funds included in net assets with donor restrictions are \$666,881,537 and \$608,816,850 as of June 30, 2024 and 2023, respectively. See Note F for more information on endowment funds.

NOTE E – PLEDGES RECEIVABLE

Contributors to the Foundation have made unconditional pledges totaling approximately \$181,732,000 and \$124,536,000 as of June 30, 2024 and 2023, respectively. For payments that extend beyond one year, these pledges receivable have been discounted at rates ranging from 0.5% to 6.0% to a net present value of approximately \$169,674,000 and \$114,356,000 as of June 30, 2024 and 2023, respectively.

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

	<u>2024</u>	<u>2023</u>
Less than one year	\$ 62,917,731	\$ 30,477,854
One to five years	92,900,087	58,850,235
More than five years	<u>25,913,701</u>	<u>35,207,882</u>
	181,731,519	124,535,971
Less discount to present value	(12,057,849)	(10,179,595)
Less allowance for uncollectible pledges	<u>(7,338,000)</u>	<u>(6,703,927)</u>
	\$ <u>162,335,670</u>	\$ <u>107,652,449</u>

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

THE UNIVERSITY OF CINCINNATI FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE E – PLEDGES RECEIVABLE (continued)

Amounts due from irrevocable bequests, which are unconditional promises to give, as of June 30, 2024 and 2023, are approximately \$13,573,000 and \$15,095,000, respectively. The irrevocable bequests are included in the total amount of unconditional pledges due and fall primarily within the due in more than five years category. The allowance for uncollectible pledges includes approximately \$144,000 and \$141,000 associated with the irrevocable bequests, as of June 30, 2024 and 2023, respectively.

Pledges receivable at June 30, 2024, include an estimated \$66,875,000 for the Foundation's share of one estate. The estate gift is expected to be paid in three equal payments. The first payment of \$23,556,600 was received in July 2024. Payments expected to be received beyond one year have been discounted to net present value using a 4.3% discount rate. No amounts have been recorded in the allowance for uncollectible pledges related to this gift. See also Note B(11).

As of June 30, 2024 and 2023, twenty-two and twenty-seven donors, respectively, have outstanding conditional pledges to the Foundation. As of June 30, 2024 and 2023, the conditions were not substantially met, therefore, the net present value of the pledges is not included in pledges receivable. The net present value of the conditional pledges approximated \$6,503,000 and \$9,978,000 as of June 30, 2024 and 2023, respectively.

NOTE F – ENDOWMENT FUNDS

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

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

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

THE UNIVERSITY OF CINCINNATI FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE F – ENDOWMENT FUNDS (continued)

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

There are 1,565 and 1,511 endowment funds, at June 30, 2024 and 2023, respectively.

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires to retain as a fund of perpetual duration. Deficiencies of this nature exist in 294 donor-restricted endowment funds, which together have an original gift value of \$104,932,898, and current fair value of \$97,444,034, and a deficiency of \$7,488,864 as of June 30, 2024. Deficiencies of this nature exist in 453 donor-restricted endowment funds, which together have an original gift value of \$133,638,641, and current fair value of \$121,862,981 and a deficiency of \$11,775,660 as of June 30, 2023. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment funds and continued appropriation for certain programs that was deemed prudent by the Board of Trustees.

The Foundation has adopted a spending rate policy that limits the distribution of endowment income. The spending rate was 4.0% and 4.1% in fiscal years 2024 and 2023, respectively, of the rolling average market value for the twelve-quarter period ended each December. Earnings above the spend rate limit are reinvested in the endowment fund for the purposes of promoting endowment fund growth. During 2024 and 2023, income earned in the investment pool was less than the amount allocated for expenditure by approximately \$15,074,000 and \$21,571,000, respectively. This shortfall was funded by cumulative capital gains in the investment pool for the years ended June 30, 2024 and 2023. The Foundation is also funded by a fee assessed on certain endowment funds held by the University and the Foundation, which also falls under UPMIFA. See Note M for more information.

The endowment net asset composition by type of fund as of June 30, 2024, was as follows:

	Without Donor Restriction	With Donor Restriction	Total
Donor restricted endowment funds:			
Original amount	\$ -	\$ 517,922,987	\$ 517,922,987
Accumulated gains	-	105,221,759	105,221,759
Term endowments	-	43,736,791	43,736,791
Board designated endowment funds	3,697,213	-	3,697,213
Total	\$ 3,697,213	\$ 666,881,537	\$ 670,578,750

THE UNIVERSITY OF CINCINNATI FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE F – ENDOWMENT FUNDS (continued)

The change in endowment fund net assets for the year ended June 30, 2024, is as follows:

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 3,562,697	\$ 608,816,850	\$ 612,379,547
Investment income:			
Interest and dividend income	147,038	13,539,339	13,686,377
Net realized /unrealized gains	<u>270,274</u>	<u>46,915,484</u>	<u>47,185,758</u>
Total investment income	417,312	60,454,823	60,872,135
Contributions and other transfers	-	23,228,382	23,228,382
Appropriation of endowment assets for expenditure	(282,796)	(28,477,524)	(28,760,320)
Other changes:			
Other income	-	1,363,648	1,363,648
Income reinvestment	<u>-</u>	<u>1,495,358</u>	<u>1,495,358</u>
Endowment net assets, end of year	<u>\$ 3,697,213</u>	<u>\$ 666,881,537</u>	<u>\$ 670,578,750</u>

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

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
Donor restricted endowment funds:			
Original amount	\$ -	\$ 494,343,717	\$ 494,343,717
Accumulated gains	-	71,069,393	71,069,393
Term endowments	-	43,403,740	43,403,740
Board designated endowment funds	<u>3,562,697</u>	<u>-</u>	<u>3,562,697</u>
Total	<u>\$ 3,562,697</u>	<u>\$ 608,816,850</u>	<u>\$ 612,379,547</u>

THE UNIVERSITY OF CINCINNATI FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE F – ENDOWMENT FUNDS (continued)

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

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

NOTE G - INVESTMENTS

The Foundation combines its pooled investment securities with the investment pool of the University to maximize investment diversification and realize economies of scale with respect to costs of managing the investments. The Foundation continues to serve as trustee for these assets. The Foundation maintains individual records of each fund included in the transfer of assets to the investment pool of the University.

Each fund subscribes to, or disposes of, units in the pool at the unit market value at the end of each month. Income is allocated to each fund in the pool based on units of participation. The investment pool consists of Fund A and Fund C. In July 2016, Fund C was created by segregating each share of Fund A into one share of Fund A, which owns the diversified portfolio of investment funds in separate accounts, in one share of Fund C, which owns neighborhood development corporation loans (“NDCLs”) and strategic real estate. As NDCLs and strategic real estate produce distributions to Fund C unitholders, the proceeds will be used to periodically purchase newly-created Fund A units for the Fund C unitholders. No additional assets will be purchased within Fund C. It is expected that Fund C will cease to exist by June 30, 2040, as the last distributions are made from NDCLs. As of June 30, 2024 and 2023, the University is holding approximately \$7,038,000 and \$4,810,000, respectively, that is to be invested in the University pooled investments. These amounts are recorded as cash equivalents on the accompanying Consolidated Statements of Financial Position.

THE UNIVERSITY OF CINCINNATI FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE G – INVESTMENTS (continued)

The Foundation also manages other investments, which amounted to approximately \$83,189,000 and \$71,924,000 as of June 30, 2024 and 2023, respectively. These funds represent separately invested endowments, temporary cash investments, and split-interest trusts where the Foundation is the remainderman.

The following presents investments held by the Foundation as of June 30, 2024 and 2023:

	<u>2024</u> <u>Fair Value</u>	<u>2024</u> <u>Cost</u>	<u>2023</u> <u>Fair Value</u>	<u>2023</u> <u>Cost</u>
Cash equivalents	\$ 9,919,239	\$ 9,919,239	\$ 7,575,196	\$ 7,575,196
Government and agency obligations	7,223,242	7,510,417	8,367,684	8,890,497
Corporate bonds	11,395,444	11,801,886	9,494,134	10,161,012
Mutual funds	15,955,143	15,055,097	14,642,719	14,952,314
Equities	26,925,787	18,317,701	25,635,232	19,506,559
Real estate and other	10,800,000	10,800,000	11,020,000	10,800,000
University pooled investments (Fund A and Fund C)	<u>618,061,878</u>	<u>564,216,608</u>	<u>564,119,869</u>	<u>534,491,141</u>
Total	<u>\$ 700,280,733</u>	<u>\$ 637,620,948</u>	<u>\$ 640,854,834</u>	<u>\$ 606,376,719</u>

The number of units in Fund A owned by the Foundation totaled 6,771,828 and 6,445,895, which represents 41.4% and 40.9% of the Fund A pool, as of June 30, 2024 and 2023, respectively. Fund A holds common stock, mutual funds, and corporate and government fixed income obligations, which are stated at fair value as determined by market prices. In addition, the Foundation owned 3,968,064 shares or 36.1% of Fund C, as of June 30, 2024 and 2023. Fund C invests in loans to certain not-for-profit entities for the purpose of developing residential and commercial facilities near the University's main campus. These loans are secured by mortgages, some of which are subordinated to external financing arrangements, on parcels of land purchased by these not-for-profit entities for development.

Certain investments in the University pooled investments are stated at fair value, as provided by the investment managers. Audited financial statements as of June 30, 2024 and 2023, for the underlying investments are used as a basis for fair value when available. When not available, the fair value is based upon financial information as of an interim date, adjusted for cash receipts, cash disbursements and other distributions made through June 30, 2024 and 2023. The Foundation believes that the carrying value of these investments is a reasonable estimate of fair value at June 30, 2024 and 2023.

Certain underlying investments in the University pooled investments are not readily marketable; therefore, the estimated values of these investments are subject to certain risks. As a result, the fair value of the University pooled investments could differ from the value that may have been determined had a market for certain investments in the University investment pool existed.

THE UNIVERSITY OF CINCINNATI FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE G – INVESTMENTS (continued)

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

	2024	2023
Fund A		
U.S. and international equity securities	29%	30%
Hedge funds and private equity capital	54	52
Fixed income securities	14	14
Fund C		
Real estate and community development	3	4
Total	100%	100%

NOTE H – FAIR VALUE MEASUREMENTS

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

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

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

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

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

THE UNIVERSITY OF CINCINNATI FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE H – FAIR VALUE MEASUREMENTS (continued)

The following table summarizes the valuation of financial instruments measured at fair value on a recurring basis on the accompanying Consolidated Statements of Financial Position at June 30, 2024:

	Balance at June 30, 2024	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
ASSETS				
Investments:				
Common stock:				
Consumer	\$ 2,635,530	\$ 2,635,530	\$ -	\$ -
Health care	2,195,438	2,195,438	-	-
Financial	2,973,946	2,973,946	-	-
Technology	4,004,766	4,004,766	-	-
Materials	149,004	149,004	-	-
Energy	831,292	831,292	-	-
Industrial	1,895,501	1,895,501	-	-
Utilities	518,056	518,056	-	-
Telecommunication	344,521	344,521	-	-
Other	204,099	204,099	-	-
Total common stocks	<u>15,752,153</u>	<u>15,752,153</u>	-	-
Exchange-traded funds (ETFs):				
Index - equity	10,510,746	10,510,746	-	-
Index – emerging markets	514,162	514,162	-	-
Other	148,726	148,726	-	-
Total exchange-traded funds	<u>11,173,634</u>	<u>11,173,634</u>	-	-
Mutual funds:				
Fixed	5,785,340	5,785,340	-	-
Value	1,416,272	1,416,272	-	-
Growth	2,083,191	2,083,191	-	-
Blended	6,650,775	6,650,775	-	-
Other	19,565	19,565	-	-
Total mutual funds	<u>15,955,143</u>	<u>15,955,143</u>	-	-
Corporate bonds	11,395,444	-	11,395,444	-
Government and agency obligations	7,223,242	-	7,223,242	-
University pooled investments	618,061,878	-	-	618,061,878
Real estate and other	10,800,000	-	10,800,000	-
Total investments at fair value	<u>\$ 690,361,494</u>	<u>\$ 42,880,930</u>	<u>\$ 29,418,686</u>	<u>\$ 618,061,878</u>
Trusts held by others	<u>\$ 15,509,646</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,509,646</u>
LIABILITIES				
Trusts held for the benefit of others	<u>\$ 5,356,177</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,356,177</u>

THE UNIVERSITY OF CINCINNATI FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE H – FAIR VALUE MEASUREMENTS (continued)

The following table summarizes the valuation of financial instruments measured at fair value on a recurring basis on the accompanying Consolidated Statements of Financial Position at June 30, 2023:

	Balance at June 30, 2023	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
ASSETS				
Investments:				
Common stock:				
Consumer	\$ 2,577,712	\$ 2,577,712	\$ -	\$ -
Health care	2,057,294	2,057,294	-	-
Financial	2,523,591	2,523,591	-	-
Technology	3,471,010	3,471,010	-	-
Materials	139,829	139,829	-	-
Energy	794,190	794,190	-	-
Industrial	2,219,135	2,219,135	-	-
Utilities	514,113	514,113	-	-
Telecommunication	307,062	307,062	-	-
Other	204,638	204,638	-	-
Total common stocks	<u>14,808,574</u>	<u>14,808,574</u>	-	-
Exchange-traded funds:				
Index - equity	9,699,884	9,699,884	-	-
Index - emerging markets	874,293	874,293	-	-
Other	252,481	252,481	-	-
Total exchange-traded funds	<u>10,826,658</u>	<u>10,826,658</u>	-	-
Mutual funds:				
Fixed	5,563,858	5,563,858	-	-
Value	660,552	660,552	-	-
Growth	1,698,008	1,698,008	-	-
Blended	6,676,963	6,676,963	-	-
Other	43,338	43,338	-	-
Total mutual funds	<u>14,642,719</u>	<u>14,642,719</u>	-	-
Corporate bonds	9,494,134	-	9,494,134	-
Government and agency obligations	8,367,684	-	8,367,684	-
University pooled investments	564,119,869	-	-	564,119,869
Real estate and other	11,020,000	-	11,020,000	-
Total investments at fair value	<u>\$ 633,279,638</u>	<u>\$ 40,277,951</u>	<u>\$ 28,881,818</u>	<u>\$ 564,119,869</u>
Trusts held by others	<u>\$ 14,016,715</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,016,715</u>
LIABILITIES				
Trusts held for the benefit of others	<u>\$ 3,892,974</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,892,974</u>

THE UNIVERSITY OF CINCINNATI FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE H – FAIR VALUE MEASUREMENTS (continued)

Net unrealized and realized gains related to fair value instruments total approximately \$48,554,000 and \$23,563,000 as of June 30, 2024 and 2023, respectively, and are included in net unrealized and realized gains on the accompanying Consolidated Statements of Activities, except for those fair value instruments where the Foundation is not the beneficiary.

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

A reconciliation of the balance of level 3 financial instruments for the year ended June 30, 2024, is as follows:

	<u>University pooled investments</u>	<u>Trusts held by others</u>	<u>Trusts held for the benefit of others</u>
Beginning balance	\$ 564,119,869	\$ 14,016,715	\$ 3,892,974
Purchases and contributions	28,403,252	-	1,260,783
Interest and dividend income	7,504,947	-	170,277
Reinvested income	1,249,232	-	8,232
Liquidations	(23,419,416)	-	(173,350)
Net unrealized and realized gains	<u>40,203,994</u>	<u>1,492,931</u>	<u>197,261</u>
Ending balance	<u>\$ 618,061,878</u>	<u>\$ 15,509,646</u>	<u>\$ 5,356,177</u>

A reconciliation of the balance of level 3 financial instruments for the year ended June 30, 2023, is as follows:

	<u>University pooled investments</u>	<u>Trusts held by others</u>	<u>Trusts held for the benefit of others</u>
Beginning balance	\$ 536,198,865	\$ 12,466,889	\$ 3,880,193
Purchases and contributions	34,505,992	-	15,150
Interest and dividend income	1,818,260	-	152,103
Reinvested income	1,537,405	-	7,786
Liquidations	(22,714,834)	-	(167,096)
Net unrealized and realized losses	<u>12,774,181</u>	<u>1,549,826</u>	<u>4,838</u>
Ending balance	<u>\$ 564,119,869</u>	<u>\$ 14,016,715</u>	<u>\$ 3,892,974</u>

THE UNIVERSITY OF CINCINNATI FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE H – FAIR VALUE MEASUREMENTS (continued)

Real estate and other includes donated property and property under contract for sale. These properties are recorded at their fair value based on independent appraisals performed periodically or the sales contract amount, as applicable.

Cash equivalents at June 30, 2024 and 2023, are \$9,919,239 and \$7,575,196, and are included in investments on the accompanying Consolidated Statements of Financial Position. These amounts are not measured at fair value on a recurring basis and, therefore, they are excluded from the fair value hierarchy.

Gains and losses for level 3 fair value instruments are included in net unrealized and realized gains on the accompanying Consolidated Statements of Activities. The total amount of gains above included in changes in net assets that is attributable to assets held at June 30, 2024 and 2023, is approximately \$41,894,000 and \$14,329,000, respectively.

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

The Foundation’s share of University pooled investments is categorized as level 3 in the fair value hierarchy due to several significant unobservable inputs related to investments in private equity funds and loans made to neighborhood development corporations (“NDC”). The remaining investments are categorized as level 1 or level 2 in the fair value hierarchy if active trading data are available for similar or identical financial instruments at or near the balance sheet date, or in the case of hedge funds, the net asset value is provided via annual audited financial statements at or near the balance sheet date, and redemption provisions are not prohibitive. Private equity funds, which are categorized as level 3 in the fair value hierarchy due to prohibitive redemption provisions, are recorded at net asset value based on the most recently available audited financial statements and fund manager information, as applicable. NDC loans are stated at the principal amount plus accrued interest less an allowance for loan losses. As of June 30, 2024 and 2023, 46% and 49%, respectively, of the principal and accrued interest was offset by an allowance for loan losses.

The valuation technique, significant unobservable inputs and the ranges of input values for the most significant properties subject to the loan loss reserve are as follows:

<u>Valuation technique</u>	<u>Unobservable inputs</u>	<u>Range</u>
Expected future cash flows	Future occupancy rates	90% - 100%
	Future operating expenses (as a percentage of total revenue)	33% - 40%
	Average annual rental rate increase	2%

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

THE UNIVERSITY OF CINCINNATI FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE H – FAIR VALUE MEASUREMENTS (continued)

On an annual basis, the Foundation estimates the fair value of its beneficial interest in trusts held by other trustees. Management obtains trust statements as of the balance sheet date and calculates the fair value of their beneficial interest based on expected investment returns, and the life expectancies of any other income beneficiaries, discounted at a rate commensurate with the cash flow risk of the trusts' assets. The following table represents the Foundation's valuation technique, significant unobservable inputs, and ranges of values of those inputs for trusts held by others which are approximately \$15,510,000 and \$14,017,000 at June 30, 2024 and 2023, respectively.

<u>Valuation technique</u>	<u>Unobservable inputs</u>	<u>Range</u>
Discounted cash flows	Projected investment income	5% – 12%
	Life expectancy of beneficiaries	5 - 45 years
	Discount rate	5% - 12%

Trusts held for the benefit of others are included as a liability on the accompanying June 30, 2024 and 2023 Consolidated Statements of Financial Position. The trusts are stated at fair value, which is an equal and offsetting amount to the trusts' underlying investments that are included in University pooled investments at fair value in the accompanying June 30, 2024 and 2023, Consolidated Statements of Financial Position. As University pooled investments are also categorized as a level 3 financial instrument, the significant unobservable inputs for this investment are disclosed previously in this footnote.

NOTE I – EQUIPMENT AND SOFTWARE

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

	<u>2024</u>	<u>2023</u>
Office equipment	\$ 833,313	\$ 833,313
Software	4,622,223	4,622,223
Automobile	67,013	67,013
Computer equipment	230,513	230,513
	<u>5,753,062</u>	<u>5,753,062</u>
Less accumulated depreciation and amortization	<u>(5,706,881)</u>	<u>(5,691,391)</u>
	<u>\$ 46,181</u>	<u>\$ 61,671</u>

Amortization and depreciation expenses were approximately \$147,000 and \$133,000 for the years ended June 30, 2024 and 2023, respectively, and are included in expenses and other deductions on the accompanying Consolidated Statements of Activities.

NOTE J – LEASES

The Foundation has operating leases for a building and certain office equipment under noncancellable leases expiring in various years through fiscal year 2026. The building lease has two renewable twenty-year terms, however, the Foundation does not expect to exercise the option to renew. The Foundation's operating

THE UNIVERSITY OF CINCINNATI FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE J – LEASES (continued)

leases do not contain variable lease payments. Operating lease expense recognized during each of the years ended June 30, 2024 and 2023, was approximately \$246,000. The Foundation has no finance leases.

A summary of other lease information for the years ended June 30, 2024 and 2023, is as follows:

	2024	2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from leases	\$ 245,672	\$ 245,672
Weighted-average remaining lease term (in years)	.3	1.3
Weighted-average discount rate	2.8%	2.8%

Future minimum lease payments under noncancellable leases as of June 30, 2024, are as follows:

2025	\$ 65,642
2026	2,995
Total future minimum lease payments	68,637
Less: imputed interest	(641)
Total	\$ 67,996

NOTE K – LIFE INSURANCE POLICIES

The Foundation is the beneficiary of certain life insurance policies that are recorded at their cash surrender value in the accompanying Consolidated Statements of Financial Position. The cash surrender value represents the amount the Foundation, as beneficiary, would realize if such policies were surrendered as of June 30, 2024 and 2023. The face value of these policies, which would be paid only upon death of the insured and maturity of the contracts, is approximately \$2,736,000 and \$2,846,000 as of June 30, 2024 and 2023, respectively.

NOTE L – BENEFICIAL INTEREST IN TRUSTS – OTHER TRUSTEES

As of June 30, 2024 and 2023, the Foundation has been notified of twelve trusts held by other trustees where the remainder interest will irrevocably benefit the University. The Foundation values these assets by projecting the value of the trust assets to future periods and then discounting the anticipated cash flows at a rate reflective of the credit risk involved.

Beneficial interest in trusts held by other trustees amounted to approximately \$15,510,000 and \$14,017,000 as of June 30, 2024 and 2023, respectively.

THE UNIVERSITY OF CINCINNATI FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE M – FEES

The Foundation operates according to a contract for services with the University. Until July 1, 2023, the contract for services required the University to fund the Foundation in the form of (1) investment income earned on the temporary investment pool holding unexpended gift fund balances at the University (“TIP income”), (2) the assessment fee charged to endowment funds held by the University, Foundation, and outside trustees (“Endowment Fee”), (3) an endowment administrative fee to recover gift stewardship costs incurred by the Foundation for those endowments which are not charged the general endowment assessment fee (“Admin Fee”), and (4) operating support determined annually by mutual agreement. In addition, the Foundation assessed a fee upon all spendable cash gifts received by the Foundation, the University, and UC Health Foundation (“Current Use Fee”).

During the year ended June 30, 2016, the Foundation entered into an agreement with the UC Health Foundation (“UCHF”) to provide executive, administrative and fund-raising services for a monthly fee (“UCHF Fee”). The UCHF Fee is reimbursement for the cost incurred by the Foundation for providing support to UCHF.

During the year ended June 30, 2024, the Foundation, the University, and UCHF began discussions, which are ongoing, to revise the existing contract for services with the University and the agreement with UCHF. These discussions resulted in certain modifications to the Foundation’s fee structure for the year ended June 30, 2024. As a result, for the year ended June 30, 2024, the Foundation received only general operating support from the University. The Foundation did not receive TIP income. In addition, effective July 1, 2023, the Foundation discontinued the assessment of the Current Use Fee. The University did not remit the Endowment and Admin Fees to the Foundation; however, the Endowment and Admin Fees continue to be charged against eligible endowment funds and were maintained by the University to offset funding to the Foundation. In addition, the University collected the UCHF Fee and retained it to offset funding to the Foundation.

During the years ended June 30, 2024 and 2023, the University also provided the Foundation at no charge, the use of the building in which the Alumni Relations Department conducts business. In addition, the Foundation’s building lease contains a below-market rental rate. The value of donated occupancy costs is estimated to be approximately \$419,000 and \$193,000 for the years ended June 30, 2024 and 2023, respectively, and is included in University fee with an equal and offsetting amount recorded in expenses and other deductions on the accompanying Consolidated Statements of Activities.

For the year ended June 30, 2024, the University provided \$30,200,000 in general operating support. Of that amount, approximately \$10,211,000, \$263,000, and \$3,350,000 represent the Endowment Fee, Admin Fee, and UCHF Fee, respectively, which were retained by the University to offset Foundation support. The Endowment and Admin Fees are included in assessment fee on the June 30, 2024, Consolidated Statement of Activities. The UCHF Fee is included in UC Health Foundation fee on the June 30, 2024, Consolidated Statement of Activities. Net University operating support of \$16,376,000 is included in University fee in the June 30, 2024, Consolidated Statement of Activities. Approximately \$4,827,000 of the Endowment and Admin Fees was assessed on funds held by the Foundation and is presented as assessment fee expense on the June 30, 2024, Consolidated Statement of Activities.

THE UNIVERSITY OF CINCINNATI FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE M – FEES (continued)

For the year ended June 30, 2023, operating support of approximately \$9,946,000 was provided by the University. In addition, TIP income earned was approximately \$2,064,000. These amounts are included in University fee on the accompanying June 30, 2023, Consolidated Statement of Activities. Revenue to the Foundation from the Endowment Fee, Admin Fee, and Current Use Fee was approximately \$9,508,000, \$584,000, and \$2,138,000, respectively, and is included in assessment fee on the June 30, 2023, Consolidated Statement of Activities. Approximately \$5,984,000 of these fees was recorded from funds held by the Foundation which is presented as assessment fee expense on the June 30, 2023, Consolidated Statement of Activities. During 2023, the Foundation incurred approximately \$3,493,000 in expenses and recognized corresponding revenue for services provided to UC Health Foundation.

Funds that are eligible for the Endowment Fee include quasi-endowment funds, funds that are broadly restricted by college or department, funds whereby the donor has not prohibited assessment of the fee, and unrestricted funds that do not have an internal designation. The gross assessment rate was 1% in 2024 and 2023. Those endowments which are not charged the general Endowment Fee are charged the Admin Fee, which is 5% of the spending policy distribution made to the endowment spending account.

During the year ended June 30, 2023, the Current Use Fee was 5% for gifts less than \$100,000, 3% for gifts from \$100,000 to less than \$5 million, 1% for gifts from \$5 million to less than \$10 million, and 0.5% on gifts over \$10 million, upon the receipt of cash to non-endowed gift and plant funds. Effective July 1, 2023, the Current Use Fee is no longer assessed.

NOTE N – ANNUITY AND LIFE INCOME FUNDS

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

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

	2024	2023
Annuities		
Investments, at fair value	\$ 3,498,404	\$ 3,216,206
Less present value of annuities payable	(1,371,469)	(1,394,752)
	\$ 2,126,935	\$ 1,821,454

THE UNIVERSITY OF CINCINNATI FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE N – ANNUITY AND LIFE INCOME FUNDS (continued)

	2024	2023
Trusts		
Investments, at fair value	\$ 11,462,532	\$ 11,412,028
Less present value of annuities payable	(5,819,853)	(5,852,566)
	\$ 5,642,679	\$ 5,559,462

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

For the year ended June 30, 2024, the Foundation received contributions of approximately \$75,000 for annuities. There were no contributions to unitrusts during the year ended June 30, 2024. For the year ended June 30, 2023, the Foundation received contributions of approximately \$170,000 and \$200,000 for annuities and unitrusts, respectively.

NOTE O – RETIREMENT PLANS

The Foundation participates in a qualified and contributory retirement plan covering eligible employees. Under this arrangement, plan participants make annual contributions via salary reductions which are matched by the Foundation up to 10% of compensation, as defined in the plan document. The Foundation's share of the cost of these benefits was approximately \$1,406,000 and \$1,271,000 for the years ended June 30, 2024 and 2023, respectively.

The Foundation also maintains a Section 457(b) plan for highly compensated employees. Accounts for participating employees are currently funded solely by salary reduction contributions. The plan is structured to permit Foundation contributions on behalf of the participants, as defined. There were no amounts contributed by the Foundation for the years ended June 30, 2024 and 2023. Although these deferred compensation liabilities are unsecured, assets designated to fund these liabilities are reported in other assets on the accompanying Consolidated Statements of Financial Position. Such assets are subject to the claims of the general creditors of the Foundation.

NOTE P – RELATED PARTY TRANSACTIONS

For the years ended June 30, 2024 and 2023, the Foundation collected contribution payments from certain board members of the Foundation of approximately \$2,404,000 and \$3,291,000, respectively. At June 30, 2024 and 2023, the pledges receivable balance on the accompanying Consolidated Statements of Financial Position included board member pledges of approximately \$2,121,000 and \$3,854,000, respectively. In addition, certain board members are employees of organizations which provide services to the Foundation. Total fees paid to these organizations were approximately \$179,000 and \$115,000 for the years ended June 30, 2024 and 2023, respectively.

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

THE UNIVERSITY OF CINCINNATI FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE Q – SUBSEQUENT EVENTS

The Foundation evaluated its June 30, 2024, consolidated financial statements for subsequent events through October 4, 2024, the date the consolidated financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

THE UNIVERSITY OF CINCINNATI FOUNDATION

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

Year ended June 30, 2024

	Gifts and Transfers	Foundation Operations	Total
Revenues and other additions:			
Contributions	\$ 467,650	\$ 170,100	\$ 637,750
University fee	-	16,795,373	16,795,373
UC Health Foundation fee	-	3,350,861	3,350,861
Assessment fee	-	10,561,821	10,561,821
Change in value of split interest agreements	66,982	-	66,982
Other income	-	173,791	173,791
Investment income:			
Dividend and interest income	290,923	700,222	991,145
Net unrealized and realized gains	90,638	16,513	107,151
Net assets released from restrictions - satisfaction of donor restrictions	73,087,458	-	73,087,458
Total revenues and other additions	74,003,651	31,768,681	105,772,332
Expenses and other deductions:			
Programs activities:			
Distributions to University of Cincinnati	67,321,364	-	67,321,364
Alumni experience	386,297	3,653,808	4,040,105
Assessment fee	4,826,723	-	4,826,723
Total program activities	72,534,384	3,653,808	76,188,192
Supporting services:			
Management and general	-	5,619,743	5,619,743
Fundraising	1,114,501	22,815,230	23,929,731
Total support services	1,114,501	28,434,973	29,549,474
Total expenses and other deductions	73,648,885	32,088,781	105,737,666
Increase (decrease) in net assets	354,766	(320,100)	34,666
Net assets, beginning of year	408,185	19,243,262	19,651,447
Net assets, end of year	\$ 762,951	\$ 18,923,162	\$ 19,686,113

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

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of The University of Cincinnati Foundation (the "Foundation"), which comprise the consolidated statement of financial position as of June 30, 2024 and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements and have issued our report thereon dated October 4, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Foundation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Foundation's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

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

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

October 4, 2024

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OHIO AUDITOR OF STATE KEITH FABER



UNIVERSITY OF CINCINNATI FOUNDATION

HAMILTON COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 12/10/2024

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

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