



THE UNIVERSITY OF CHICAGO

OMB Circular A-133 Audit Report

Year ended June 30, 2012

(With Independent Auditors' Reports Thereon)

THE UNIVERSITY OF CHICAGO

Table of Contents

	Page
Management Responsibility for Consolidated Financial Statements	1
Independent Auditors' Report	2
Consolidated Financial Statements:	
Consolidated Balance Sheets	4
Consolidated Statements of Activities	5
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8
Schedule of Expenditures of Federal Awards	43
Notes to Schedule of Expenditures of Federal Awards	54
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 <i>Government Auditing Standards</i>	58
Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	60
Schedule of Findings and Questioned Costs	62

THE UNIVERSITY OF CHICAGO

Management Responsibility for Consolidated Financial Statements

The management of The University of Chicago (University) is responsible for the preparation, integrity, and fair presentation of the consolidated financial statements. The consolidated financial statements, presented on pages 4 to 42, have been prepared in conformity with U.S. generally accepted accounting principles and, as such, include amounts based on judgments and estimates by management.

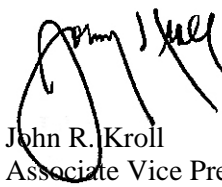
The consolidated financial statements have been audited by the independent accounting firm KPMG LLP, (KPMG), which was given unrestricted access to all financial records and related data, including minutes of all meetings of trustees. KPMG did not audit the financial statements of The University of Chicago Medical Center (the Medical Center) and their opinion, insofar as it relates to the amounts included for the Medical Center, is based solely on the report of PricewaterhouseCoopers, the independent auditors for the Medical Center. The University believes that all representations made to KPMG during its audit were valid and appropriate. KPMG's audit opinion is presented on pages 2 and 3.

The University maintains a system of internal controls over financial reporting, which is designed to provide reasonable assurance to the University's management and Board of Trustees regarding the preparation of reliable published financial statements. Such controls are maintained by the establishment and communication of accounting and financial policies and procedures, by the selection and training of qualified personnel, and by an internal audit program designed to identify internal control weakness in order to permit management to take appropriate corrective action on a timely basis. There are, however, inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention of controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statement preparation.

The Trustees of The University of Chicago, through its Audit Committee comprised of trustees not employed by the University, are responsible for engaging the independent accountants and meeting with management, internal auditors, and the independent accountants to ensure that each is carrying out their responsibilities. Both internal auditors and the independent accountants have full and free access to the Audit Committee.



Nimalan Chinniah
Vice President for Administration
and Chief Financial Officer



John R. Kroll
Associate Vice President for
Finance



KPMG LLP
Aon Center
Suite 5500
200 East Randolph Drive
Chicago, IL 60601-6436

Independent Auditors' Report

The Board of Trustees
The University of Chicago:

We have audited the accompanying consolidated balance sheets of The University of Chicago (the University) as of June 30, 2012 and 2011, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of The University of Chicago Medical Center (the Medical Center), which statements reflect total assets constituting 20% and 20% and total revenues constituting 44% and 42% of the related consolidated totals in 2012 and 2011, respectively. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Medical Center, is based solely on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and 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, 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 report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The University of Chicago as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United State of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 10, 2012, on our consideration of the University'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 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 internal control over financial reporting or 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.

Our audits were performed for the purpose of forming an opinion on the basic consolidated financial statements of the University taken as a whole. The accompanying schedule of expenditures of federal



awards for the year ended June 30, 2012 is presented for purposes 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 2012 basic 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 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 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 expenditure of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

October 10, 2012, except for our report
on the Schedule of Expenditures
of Federal Awards, for which
the date is March 25, 2013

THE UNIVERSITY OF CHICAGO

Consolidated Balance Sheets

June 30, 2012 and 2011

(In thousands of dollars)

Assets	2012	2011
Cash and cash equivalents	\$ 146,278	202,487
Notes and accounts receivable	376,812	292,484
Prepaid expenses and other assets	100,566	115,001
Pledges receivable	371,561	368,642
Investments	7,440,884	7,480,714
Land, buildings, equipment, and books	<u>3,518,629</u>	<u>3,247,952</u>
Total assets	\$ <u>11,954,730</u>	<u>11,707,280</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 650,491	552,947
Deferred revenue	89,521	88,711
Assets held in custody for others	61,535	61,279
Self-insurance liability	264,248	262,726
Pension and other postretirement benefit obligations	568,634	485,729
Asset retirement obligation	64,201	64,522
Notes and bonds payable	3,284,066	3,022,873
Refundable U.S. government student loan funds	<u>38,107</u>	<u>37,804</u>
Total liabilities	<u>5,020,803</u>	<u>4,576,591</u>
Net assets:		
Unrestricted	2,324,884	2,553,311
Temporarily restricted	3,150,524	3,172,866
Permanently restricted	<u>1,458,519</u>	<u>1,404,512</u>
Total net assets	<u>6,933,927</u>	<u>7,130,689</u>
Total liabilities and net assets	\$ <u>11,954,730</u>	<u>11,707,280</u>

See accompanying notes to consolidated financial statements.

THE UNIVERSITY OF CHICAGO

Consolidated Statements of Activities

Years ended June 30, 2012 and 2011

(In thousands of dollars)

	<u>2012</u>	<u>2011</u>
Changes in unrestricted net assets:		
Operating:		
Revenue:		
Tuition and fees – gross	\$ 629,288	607,644
Less student aid	(294,394)	(273,917)
Tuition and fees – net	334,894	333,727
Government grants and contracts	386,797	417,882
Private gifts, grants, and contracts	146,475	146,615
Endowment payout	371,632	376,701
Earnings on other investments	2,477	3,243
Patient care	1,429,667	1,314,096
Auxiliaries	206,240	203,480
Other income	209,087	199,897
Net assets released from restrictions	47,399	60,586
Total operating revenue	<u>3,134,668</u>	<u>3,056,227</u>
Expenses:		
Compensation:		
Academic salaries	466,394	443,405
Staff salaries	889,895	849,100
Benefits	388,774	368,679
Total compensation	<u>1,745,063</u>	<u>1,661,184</u>
Other operating expenses:		
Utilities, alterations, and repairs	68,960	72,373
Depreciation	210,742	204,338
Interest	90,698	84,150
Supplies, services, and other	888,842	855,651
Insurance	51,154	51,452
Total other operating expenses	<u>1,310,396</u>	<u>1,267,964</u>
Total operating expenses	<u>3,055,459</u>	<u>2,929,148</u>
Excess of operating revenue over expenses	<u>79,209</u>	<u>127,079</u>

THE UNIVERSITY OF CHICAGO

Consolidated Statements of Activities

Years ended June 30, 2012 and 2011

(In thousands of dollars)

	<u>2012</u>	<u>2011</u>
Changes in unrestricted net assets:		
Nonoperating:		
Investment gains (losses)	\$ (54,066)	274,954
Postretirement benefit changes other than net periodic benefit cost	(123,322)	9,052
Change in value of derivative instruments	(112,658)	11,046
Loss on debt refinancing	(18,776)	—
Others, net	1,186	88,528
	<u>(307,636)</u>	<u>383,580</u>
Change in unrestricted net assets from nonoperating activities		
Increase (decrease) in unrestricted net assets	<u>(228,427)</u>	<u>510,659</u>
Changes in temporarily restricted net assets:		
Private gifts	79,212	65,304
Investment gains (losses)	(39,494)	471,287
Others, net	(14,661)	(44,974)
Net assets released from restrictions	(47,399)	(60,586)
	<u>(22,342)</u>	<u>431,031</u>
Increase (decrease) in temporarily restricted net assets		
Changes in permanently restricted net assets:		
Private gifts	55,584	75,880
Endowment payout	2,517	5,201
Investment gains	400	9,456
Others, net	(4,494)	20,228
	<u>54,007</u>	<u>110,765</u>
Increase in permanently restricted net assets		
Increase (decrease) in net assets	(196,762)	1,052,455
Net assets at beginning of year	<u>7,130,689</u>	<u>6,078,234</u>
Net assets at end of year	<u>\$ 6,933,927</u>	<u>7,130,689</u>

See accompanying notes to consolidated financial statements.

THE UNIVERSITY OF CHICAGO
Consolidated Statements of Cash Flows
Years ended June 30, 2012 and 2011
(In thousands of dollars)

	2012	2011
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (196,762)	1,052,455
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	210,742	204,338
Change in value of derivative instruments	112,658	(11,046)
Loss on debt refinancing	18,776	—
Loss on disposal of land, buildings, equipment, and books	5,701	15,845
Net gain on investments	(200,080)	(1,060,317)
Private gifts and grants restricted for long-term investment	(134,795)	(141,184)
Other nonoperating changes	97,566	40,601
Postretirement benefit changes other than net periodic benefit cost	123,322	(9,053)
Changes in assets and liabilities:		
Notes and accounts receivable	(83,877)	(5,545)
Prepaid expenses and other assets	(13,446)	3,796
Accounts payable and other liabilities	(51,456)	(9,358)
Self-insurance liability	1,522	8,518
Total adjustments	86,633	(963,405)
Net cash provided by (used in) operating activities	(110,129)	89,050
Cash flows from investing activities:		
Purchase of investments	(738,989)	(2,232,550)
Proceeds from sale of investments	1,003,174	2,317,929
Acquisition of land, buildings, equipment, and books	(489,155)	(513,611)
Loans disbursed	(5,563)	(5,908)
Principal collected on loans	5,876	21,707
Net cash used in investing activities	(224,657)	(412,433)
Cash flows from financing activities:		
Proceeds from issuance of debt instruments	1,804,200	1,057,539
Principal payments on debt instruments	(1,562,730)	(750,421)
Proceeds from private gifts and grants restricted for long-term investment	82,566	110,573
Other nonoperating changes	(45,459)	(15,579)
Net cash provided by financing activities	278,577	402,112
Increase (decrease) in cash and cash equivalents	(56,209)	78,729
Cash and cash equivalents at:		
Beginning of year	202,487	123,758
End of year	\$ 146,278	202,487
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 91,211	96,014

See accompanying notes to consolidated financial statements.

THE UNIVERSITY OF CHICAGO

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(In thousands of dollars)

(1) Summary of Significant Accounting Policies

(a) Description of Business

The University of Chicago (the University) is a private, nondenominational, coeducational institution of higher learning and research. The University provides education and training services, primarily for students enrolled in undergraduate, graduate, and professional degree programs, and performs research, training, and other services under grants, contracts, and other agreements with sponsoring organizations, including both government agencies and private enterprises. Certain members of the University's faculty also provide professional medical services to patients at The University of Chicago Medical Center (the Medical Center) and other healthcare facilities located in the area.

Significant accounting policies followed by the University and the Medical Center are set forth as follows. Accounting policies specific to the Medical Center are discussed in note 2.

(b) Basis of Presentation

The consolidated financial statements of the University have been prepared on the accrual basis and include the accounts of the University and the Medical Center. The organization of the Medical Center and agreements between the University and the Medical Center are discussed in note 2.

The University maintains its accounts in accordance with the principles of fund accounting. Under this method of accounting, resources for various purposes are classified into funds that are in accordance with activities or objectives specified by donors. Separate accounts are maintained for each fund.

For reporting purposes, however, the University follows the reporting requirements of the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants (AICPA), *Audit and Accounting Guide for Not-for-Profit Entities*, which require that resources be classified for reporting purposes based on the existence or absence of donor-imposed restrictions. This is accomplished by classification of fund balances into three classes of net assets – unrestricted, temporarily restricted, and permanently restricted. Descriptions of the three net asset categories and the types of transactions affecting each category follow:

- Unrestricted – net assets that are not subject to donor-imposed restrictions. Items that affect this net asset category principally consist of fees for service and related expenses associated with the core activities of the University – instruction, conduct of sponsored research, and provision of healthcare services. In addition to these exchange transactions, changes in this category of net assets include investment returns on unrestricted “funds functioning as endowment” funds, actuarial adjustments to self-insurance liabilities, and certain types of philanthropic support. Such philanthropic support includes unrestricted gifts, including those designated by the Board to function as endowment and restricted gifts whose donor-imposed restrictions were met during the fiscal year, as well as restricted gifts and grants for buildings and equipment that have been amortized over the useful life of the assets acquired or constructed.

THE UNIVERSITY OF CHICAGO

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(In thousands of dollars)

- Temporarily Restricted – net assets subject to donor-imposed restrictions that will be met either by actions of the University or the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met, gifts and grants for buildings and equipment, annuity and life income gifts, pledges for which the ultimate purpose of the proceeds is not permanently restricted, investment returns on “true” endowment funds, and endowments where the principal may be expended upon the passage of a stated period of time (term endowments). Expirations of restrictions on temporarily restricted net assets, including amortization of restricted gifts and grants for buildings and equipment, are reported as net assets released from restrictions.
- Permanently Restricted – net assets subject to donor-imposed restrictions to be maintained permanently by the University. Items that affect this net asset category include gifts and pledges wherein donors stipulate that the corpus be held in perpetuity (primarily gifts for endowment and providing loans to students) and only the income be made available for program operations, and annuity and life income gifts for which the ultimate purpose of the proceeds is permanently restricted.

Temporarily and permanently restricted net assets consisted of the following at June 30:

Detail of net assets	2012		2011	
	Temporarily restricted	Permanently restricted	Temporarily restricted	Permanently restricted
University:				
Operating	\$ 9,934	—	8,604	—
Pledges	312,549	48,579	308,178	46,439
Student loans	—	18,954	—	18,601
Endowment	2,552,126	1,350,616	2,574,275	1,299,857
Annuity and life income	18,313	34,278	17,337	33,503
Net investment in physical properties	162,257	—	170,533	—
Subtotal	<u>3,055,179</u>	<u>1,452,427</u>	<u>3,078,927</u>	<u>1,398,400</u>
Medical Center:				
Operating	17,653	—	12,087	—
Pledges	10,413	20	13,995	40
Endowment	67,279	6,072	67,857	6,072
Subtotal	<u>95,345</u>	<u>6,092</u>	<u>93,939</u>	<u>6,112</u>
Total	<u>\$ 3,150,524</u>	<u>1,458,519</u>	<u>3,172,866</u>	<u>1,404,512</u>

(c) Operations

Operating results in the consolidated statements of activities reflect all transactions increasing or decreasing unrestricted net assets except those items associated with long-term investment, actuarial

THE UNIVERSITY OF CHICAGO

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(In thousands of dollars)

adjustments to self-insurance liabilities, changes in postretirement benefit obligations, changes in the fair value of the interest rate swap agreements, and other infrequent gains and losses.

(d) Tuition and Fees

Student tuition and fees are recorded as revenue during the year the related academic services are rendered. Student tuition and fees received in advance of services to be rendered are recorded as deferred revenue.

(e) Gifts, Grants, and Contracts

Gifts, including unconditional pledges, are recognized in the appropriate category of net assets in the period received. Contributions of assets other than cash are recorded at their estimated fair value at date of gift. Pledges receivable are stated at the estimated net present value, net of an allowance for uncollectible amounts. Conditional promises to give are not recognized until the conditions on which they depend are substantially met.

Revenue from government and private grant and contract agreements is recognized as it is earned through expenditure in accordance with the agreements. Any funding received in advance of expenditure is recorded as deferred revenue on the consolidated balance sheets. Included in deferred revenue at June 30, 2012 and 2011 are \$47,138 and \$46,169, respectively, of private grant and contract receipts, which have not been expended.

Private gifts, grants, and contracts operating revenue for fiscal years 2012 and 2011 consist of the following:

	2012			2011 Consolidated
	University	Medical Center	Consolidated	
Private gifts:				
Unrestricted as to use	\$ 16,869	1,463	18,332	29,815
Temporarily restricted gifts whose restrictions were met during the fiscal year and reported as unrestricted revenue	67,165	—	67,165	51,552
Private grants and contracts	60,978	—	60,978	65,248
Total	\$ 145,012	1,463	146,475	146,615

(f) Patient Care

Patient service revenue is reported net of a provision for doubtful accounts of \$13,370 and \$12,475 for the University and \$45,133 and \$45,300 for the Medical Center for the years ended June 30, 2012 and 2011, respectively. This provision reflects the estimated net realizable amounts due from third-party payors for services rendered. A majority of patient care revenue is derived from

THE UNIVERSITY OF CHICAGO

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(In thousands of dollars)

contractual agreements with Medicare, Medicaid, Blue Cross/Blue Shield, managed care, and certain other programs. Payments under these agreements and programs are based on specific amounts per case or contracted prices. Certain revenue received from third-party payors is subject to audit and retroactive adjustment. Any changes in estimates under these contracts are recorded in operations currently.

(g) Capitalized Interest

The University capitalizes interest costs incurred on debt during the construction of major projects exceeding one year. During fiscal years 2012 and 2011, the amount of interest capitalized amounted to \$11,930 and \$12,883 for the University and \$10,015 and \$7,729 for the Medical Center, respectively.

(h) Cash Equivalents

Cash equivalents include U.S. Treasury notes, commercial paper, and corporate notes with original maturities of three months or less, except that such instruments purchased with endowment assets or funds on deposit with bond trustees are classified as investments.

(i) Investments

Investments are recorded in the consolidated financial statements at estimated fair value. If an investment is held directly by the University and an active market with quoted prices exists, the market price of an identical security is used as reported fair value. Reported fair values for shares in mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year. The University's interests in alternative investment funds such as private equity, real estate, natural resources, and absolute return are generally reported at the net asset value (NAV) reported by the fund managers, which is used as a practical expedient to estimate the fair value, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2012 and 2011, the University had no plans to sell investments at amounts different from NAV.

The University does not engage directly in unhedged speculative investments; however, the Board of Trustees has authorized derivative investments to adjust market exposure within asset class ranges.

THE UNIVERSITY OF CHICAGO

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(In thousands of dollars)

The following table sets forth the gross and net notional values and the University's gain (loss) related to internally managed derivative activities as of June 30, 2012 and 2011 and for the fiscal years then ended:

	2012		
	Gross notional	Net notional	Gain
Interest rate derivatives	\$ —	—	2,623
Currency derivatives	24,974	—	2,122
Equity derivatives	195,241	108,296	2,494
Other derivatives	—	—	60
Total	\$ 220,215	108,296	7,299
	2011		
	Gross notional	Net notional	Gain
Interest rate derivatives	\$ —	—	(12)
Currency derivatives	(45,227)	—	(256)
Equity derivatives	(123,903)	(123,903)	273
Total	\$ (169,130)	(123,903)	5

To minimize the risk of loss, externally managed absolute return investments are diversified by strategy, external manager, and number of positions. In addition, the activities of external hedge fund managers are reviewed by their independent auditors and the University Investment Office. The risk of any derivative exposure associated with an externally managed hedge fund is limited to the amount invested with each manager. Investment managers report derivative investments at fair value and valuation gains and losses are included in investment gains in the consolidated statements of activities.

(j) Land, Buildings, Equipment, and Books

Land, buildings, equipment, and books are generally stated at cost, less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets, ranging from 20 to 45 years for buildings and building improvements, 3 to 10 years for equipment, and 10 years for library books.

(k) Asset Retirement Obligation

Asset retirement obligations arise primarily from regulations that specify how to dispose of asbestos if facilities are demolished or undergo major renovations or repairs. The obligation to remove asbestos was estimated using site-specific surveys where available and a per-square-foot estimate where surveys were unavailable.

THE UNIVERSITY OF CHICAGO

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(In thousands of dollars)

(l) *Split-Interest Agreements*

The University's split-interest agreements with donors consist primarily of irrevocable charitable remainder trusts for which the University serves as trustee. Assets held in these trusts are included in investments. Contribution revenue is recognized at the dates the trusts are established after recording liabilities for the present value of the estimated future payments to be made to the donors and/or other beneficiaries. The liabilities are adjusted during the term of the trusts for changes in the value of the assets, accretion of the discount, and other changes in the estimates of future benefits.

At June 30, 2012 and 2011, the University had a liability of \$48,366 and \$49,992 associated with its charitable remainder trust and gift annuities and deferred revenue of \$5,151 and \$5,638 associated with its pooled income agreements, respectively.

(m) *Income Taxes*

The University is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, except to the extent the University has unrelated business income, is exempt from federal income taxes. There was no provision for income taxes due on unrelated business income in fiscal years 2012 and 2011. The University has no uncertain tax positions, which the University considers to be material.

(n) *Use of Estimates*

The preparation of the consolidated financial statements in accordance with generally accepted accounting principles requires that management make a number of estimates and assumptions related to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities at the balance sheet date, and the reporting of revenue, expenses, gains, and losses during the period. Actual results may differ from those estimates.

(o) *Subsequent Events*

The University has performed an evaluation of subsequent events through October 10, 2012, which is the date the consolidated financial statements were issued.

(2) *The University of Chicago Medical Center*

(a) *Organization*

The Medical Center, an Illinois not-for-profit corporation, operates the Bernard Mitchell Hospital, the Chicago Lying-In Hospital, the University of Chicago Comer Children's Hospital, the Duchossois Center for Advanced Medicine, and various other outpatient clinics and treatment areas. The University, as the sole corporate member of the Medical Center, elects the Medical Center's Board of Trustees and approves its bylaws.

(b) *Agreements with the University*

The relationship between the University and the Medical Center is defined in an Affiliation Agreement and an Operating Agreement along with an associated Lease Agreement. The Affiliation

THE UNIVERSITY OF CHICAGO

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(In thousands of dollars)

Agreement specifies University and Medical Center responsibilities for the provision of patient care, teaching, and research at the hospitals and clinics. The Operating Agreement provides for the management and operation by the Medical Center of the University's hospital and clinic facilities. The Lease Agreement provides the Medical Center a leasehold interest in certain University facilities and land.

(c) Community Benefits

The Medical Center's policy is to treat patients in immediate need of medical services without regard to their ability to pay for such services, including patients transferred from other hospitals and patients accepted through the Perinatal and Pediatrics Trauma Networks. Patients are offered discounts of up to 100% of charges on a sliding scale based both on income as a percentage of the Federal Poverty Level guidelines and the charges for services rendered. The Medical Center policy also contains provisions that are responsive to those patients subject to catastrophic healthcare expenses. Since the Medical Center does not pursue collection of these amounts, they are not reported as net patient care revenue. The unreimbursed cost of providing such care, along with the unreimbursed cost of government sponsored indigent healthcare programs, unreimbursed cost to support education, clinical research, and other community programs amounted to \$252,000 and \$204,000 for the years ended June 30, 2012 and 2011, respectively.

(d) Basis of Presentation

The Medical Center maintains its accounts and prepares stand-alone financial statements in conformity with accounting and reporting principles of the AICPA *Audit and Accounting Guide for Health Care Organizations*. For purposes of presentation of the Medical Center financial position and changes in net assets in the consolidated financial statements, several reclassifications have been made as follows: (1) investment gains used for operations of \$37,722 in fiscal year 2012 and \$36,454 in fiscal year 2011 have been recorded as unrestricted operating revenue and (2) transfers to the University of \$31,892 in fiscal year 2012 and \$23,000 in 2011 have been recorded as a reduction of other income.

THE UNIVERSITY OF CHICAGO

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(In thousands of dollars)

(3) Investments

Investments at June 30, 2012 and 2011 comprise the following:

	<u>2012</u>			<u>2011</u> <u>Consolidated</u>
	<u>University</u>	<u>Medical Center</u>	<u>Consolidated</u>	
Cash equivalents	\$ 93,569	15,423	108,992	117,979
Global public equities (primarily international)	1,032,509	235,444	1,267,953	1,385,601
Private debt	237,183	22,848	260,031	290,369
Private equity:				
U.S. venture capital	293,044	33,918	326,962	354,911
U.S. corporate finance	345,195	33,196	378,391	390,420
International	413,208	40,233	453,441	498,282
Real estate	724,554	57,296	781,850	698,677
Natural resources	622,761	59,953	682,714	674,468
Absolute return:				
Equity-oriented	301,218	28,983	330,201	297,264
Global macro/relative value	418,161	40,235	458,396	169,862
Multistrategy	523,005	50,350	573,355	634,316
Credit-oriented	116,548	11,214	127,762	88,339
Protection-oriented	103,672	9,975	113,647	—
Fixed income:				
U.S. Treasuries, including TIPS	675,237	149,665	824,902	578,924
Other fixed income (primarily credit funds)	431,226	81,482	512,708	1,048,073
Funds in trust	185,356	54,223	239,579	253,229
Total	<u>\$ 6,516,446</u>	<u>924,438</u>	<u>7,440,884</u>	<u>7,480,714</u>

(a) Overall Investment Objective

The overall investment objective of the University is to invest its assets in a prudent manner that will achieve a long-term rate of return sufficient to fund a portion of its annual operating activities and increase investment value after inflation. The University diversifies its investments among various asset classes incorporating multiple strategies and external investment managers. Major investment decisions are authorized by the Board of Trustee's Investment Committee, which oversees the University's investment program in accordance with established guidelines.

(b) Investment Strategies

Cash equivalent investments include cash equivalents and fixed income investments, with maturities of less than one year, which are valued based on quoted market prices in active markets. The majority of these investments are held in U.S. money market accounts. Global public equity investments consist of separate accounts, commingled funds with liquidity ranging from daily to

THE UNIVERSITY OF CHICAGO

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(In thousands of dollars)

monthly, and limited partnerships. Securities held in separate accounts and daily traded commingled funds are generally valued based on quoted market prices in active markets. Commingled funds with monthly liquidity are valued based on independently determined NAV. Limited partnership interests in equity-oriented funds are valued based upon NAV provided by external fund managers.

Investments in private debt, private equity, real estate, and natural resources are in the form of limited partnership interests, which typically invest in private securities for which there is not readily determinable market value. In these cases, market value is determined by external managers based on a combination of discounted cash flow analysis, industry comparables, and outside appraisals. Where private equity, real estate, and natural resources managers hold publicly traded securities, these securities are generally valued based on market prices. The value of the limited partnership interests are held at the manager's reported NAV, unless information becomes available indicating the reported NAV may require adjustment. The methods used by managers to assess the NAV of these external investments vary by asset class. The University monitors the valuation methodologies and practices of managers.

The absolute return portfolio is comprised of investments of limited partnership interests in hedge funds and drawdown private equity style partnerships whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. The majority of the underlying holdings are marketable securities. The remainder of the underlying holdings is held in marketable securities that trade infrequently or in private investments, which are valued by the manager on the basis of an appraised value, discounted cash flow, industry comparables, or some other method. Most hedge funds that hold illiquid investments designate them in special side pockets, which are subject to special restrictions on redemption.

Fixed income investments consist of directly held actively traded treasuries, separately managed accounts, commingled funds, and bond mutual funds that hold securities, the majority of which have maturities greater than one year. These are valued based on quoted market prices in active markets.

Funds in trust investments consist primarily of project construction funds and externally managed endowments.

The University believes that the reported amount of its investments is a reasonable estimate of fair value as of June 30, 2012 and 2011. Because of the inherent uncertainties of valuation, these estimated fair values may differ significantly from values that would have been used had a ready market existed.

(c) *Fair Value of Financial Instruments*

Fair value is defined as the price that the University would receive upon selling an investment in an orderly transaction between market participants.

The University uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the University. Inputs refer

THE UNIVERSITY OF CHICAGO

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(In thousands of dollars)

broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

- Level 1 – quoted market prices in active markets for identical investments.
- Level 2 – inputs other than quoted prices for similar investments in active markets, quoted prices for identical or similar investments in markets that are not active, or inputs other than quoted prices that are observable including model-based valuation techniques.
- Level 3 – valuation techniques that use significant inputs that are unobservable because they trade infrequently or not at all.

THE UNIVERSITY OF CHICAGO

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(In thousands of dollars)

Following is a summary of the inputs used as of June 30, 2012 in valuing the University's investments carried at fair value:

	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	2012 Consolidated total
Cash equivalents	\$ 108,992	—	—	108,992
Global public equities	615,604	191,763	460,586	1,267,953
Private debt	—	—	260,031	260,031
Private equity:				
U.S. venture capital	—	—	326,962	326,962
U.S. corporate finance	—	—	378,391	378,391
International	—	—	453,441	453,441
Real estate	14,172	—	767,678	781,850
Natural resources	—	—	682,714	682,714
Absolute return:				
Equity-oriented	65,257	62,065	202,879	330,201
Global macro/relative value	65,666	63,099	329,631	458,396
Multistrategy	—	—	573,355	573,355
Credit-oriented	—	—	127,762	127,762
Protection-oriented	—	113,647	—	113,647
Fixed income:				
U.S. Treasuries, including TIPS	\$ 750,115	74,787	—	824,902
Other fixed income (primarily credit funds)	512,705	—	3	512,708
Funds in trust	237,579	—	2,000	239,579
 Total investments at fair value as of June 30, 2012	 \$ <u>2,370,090</u>	 <u>505,361</u>	 <u>4,565,433</u>	 <u>7,440,884</u>

THE UNIVERSITY OF CHICAGO

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(In thousands of dollars)

Following is a summary of the inputs used as of June 30, 2011 in valuing the University's investments carried at fair value:

	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	2011 Consolidated total
Cash equivalents	\$ 117,979	—	—	117,979
Global public equities	664,302	237,594	483,705	1,385,601
Private debt	—	—	290,369	290,369
Private equity:				
U.S. venture capital	—	—	354,911	354,911
U.S. corporate finance	—	—	390,420	390,420
International	—	—	498,282	498,282
Real estate	11,536	—	687,141	698,677
Natural resources	—	—	674,468	674,468
Absolute return:				
Equity-oriented	50,000	34,630	212,634	297,264
Global macro/relative value	—	53,247	116,615	169,862
Multistrategy	—	—	634,316	634,316
Credit-oriented	—	—	88,339	88,339
Fixed income:				
U.S. Treasuries, including TIPS	482,448	96,476	—	578,924
Other fixed income (primarily credit funds)	852,249	—	195,824	1,048,073
Funds in trust	251,229	—	2,000	253,229
Total investments at fair value as of June 30, 2011	\$ 2,429,743	421,947	4,629,024	7,480,714

THE UNIVERSITY OF CHICAGO

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(In thousands of dollars)

Changes to the reported amounts of investments measured at fair value using unobservable inputs (Level 3) for the years ended June 30, 2012 and 2011 are as follows:

	Equities and fixed income	Alternative investments			Absolute return	2012 Consolidated total
		Private equity	Private debt	Real assets		
Balance at June 30, 2011	\$ 679,529	1,243,613	290,369	1,363,609	1,051,904	4,629,024
Total net realized gains or losses	(2,477)	122,720	27,941	104,334	36,055	288,573
Total net unrealized gains or losses	2,624	(219,405)	(35,683)	(90,813)	(11,888)	(355,165)
Purchases	18,277	119,818	37,495	213,595	199,533	588,718
Proceeds from sales, redemptions, and distributions	(69,735)	(107,952)	(60,091)	(138,333)	(237,797)	(613,908)
Transfer in (out) of Level 3	(167,629)	—	—	—	195,820	28,191
Balance at June 30, 2012	<u>\$ 460,589</u>	<u>1,158,794</u>	<u>260,031</u>	<u>1,452,392</u>	<u>1,233,627</u>	<u>4,565,433</u>
	Equities and fixed income	Alternative investments			Absolute return	2011 Consolidated total
		Private equity	Private debt	Real assets		
Balance at June 30, 2010	\$ 601,618	1,061,005	421,601	1,102,253	1,063,467	4,249,944
Total net realized gains or losses	138	163,100	39,505	123,686	4,951	331,380
Total net unrealized gains or losses	129,986	12,267	3,689	15,961	149,808	311,711
Purchases	74,149	132,605	52,548	214,815	20,000	494,117
Proceeds from sales, redemptions, and distributions	(126,362)	(125,364)	(226,974)	(92,466)	(262,459)	(833,625)
Transfer in (out) of Level 3	—	—	—	(640)	76,137	75,497
Balance at June 30, 2011	<u>\$ 679,529</u>	<u>1,243,613</u>	<u>290,369</u>	<u>1,363,609</u>	<u>1,051,904</u>	<u>4,629,024</u>

During fiscal year 2012, there were no transfers between investment Levels 1 and 2, which are considered material to the consolidated financial statements. Transfers between investment levels primarily take place between Levels 2 and 3 in recognition of changes in observable market data at the end of each reporting period.

THE UNIVERSITY OF CHICAGO

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(In thousands of dollars)

A summary of the University's investment returns for the years ended June 30, 2012 and 2011 is presented as follows:

	2012			2011
	University	Medical Center	Consolidated	Consolidated
Investment return:				
Interest and dividends	\$ 80,807	39,332	120,139	75,154
Net realized and unrealized gains (losses)	<u>171,564</u>	<u>(8,237)</u>	<u>163,327</u>	<u>1,058,388</u>
Investment return	<u>\$ 252,371</u>	<u>31,095</u>	<u>283,466</u>	<u>1,133,542</u>

Investment returns are reported in the accompanying consolidated statements of activities as endowment payout, earnings on other investments, and investment gains (losses).

The University is obligated under certain limited partnership investment fund agreements to advance additional funding periodically up to specified levels. At June 30, 2012, the University had unfunded commitments of \$757,332, which are likely to be called through 2021. Details of these commitments are as follows:

	Unfunded commitments
Private equity	\$ 281,644
Real estate	188,774
Natural resources	185,265
Absolute return	3,750
Private debt	<u>97,899</u>
Total	<u>\$ 757,332</u>

THE UNIVERSITY OF CHICAGO

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(In thousands of dollars)

The University has made investments in various long-lived partnerships and, in other cases, has entered into contractual agreements that may limit its ability to initiate redemptions due to notice periods, lock-ups, and gates. Details on typical redemption terms by asset class and type of investment are provided as follows:

	Remaining life	Redemption terms	Redemption restrictions and terms	Redemption restrictions in place at June 30, 2012
Cash	N/A	Daily	None	None
Global public equities:				
Separate accounts	N/A	Daily to monthly with notice periods of 1 to 14 days	None	None
Partnerships	N/A	Quarterly to annually with notice periods of 30 to 180 days	Lock-up provisions ranging from 0 to 5 years, some investments have a portion of capital held in side pockets with no redemptions permitted	None
Private debt	1 to 9 years	Redemptions not permitted	N/A	N/A
Private equity	1 to 19 years	Redemptions not permitted	N/A	N/A
Real estate	1 to 9 years	Redemptions not permitted	N/A	N/A
Natural resources	1 to 9 years	Redemptions not permitted	N/A	N/A
Absolute return:				
Partnerships	N/A	Monthly to annually with varying notice periods	Lock-up provisions ranging from 0 to 5 years, some investments have a portion of capital held in side pockets with no redemptions permitted	Approximately \$36.7 million of investments are in gated or liquidating funds
Drawdown partnerships	1 to 4 years	Redemptions not permitted	N/A	N/A
Fixed income:				
Separate accounts	N/A	Daily	None	None
Commingled funds	N/A	Daily	None	None
Partnerships	N/A	Quarterly with notice periods of 90 days	Only one-third capital available in any 12-month period	None
Funds in Trust	N/A	Daily	None	None

THE UNIVERSITY OF CHICAGO

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(In thousands of dollars)

(4) Endowments

The University of Chicago endowment consists of approximately 2,900 individual funds established for a variety of purposes. The endowment includes both donor-restricted “true” endowment funds and funds designated by the Board of Trustees to function as endowments commonly referred to as “funds functioning as endowment.” Net assets associated with endowment funds, including funds functioning as endowment, are classified and reported based on the existence or absence of donor-imposed restrictions.

(a) University Endowment

Changes in the fair value of the University endowment investments and net assets by type of fund were as follows for the fiscal year ended June 30, 2012:

	2012			Total
	Unrestricted	Temporarily restricted	Permanently restricted	
Investment return:				
Endowment yield (interest and dividends)	\$ 23,682	51,875	2,773	78,330
Net appreciation (realized and unrealized) on investments	67,382	100,960	2,232	170,574
Total investment return	91,064	152,835	5,005	248,904
Endowment payout	(133,243)	(195,166)	(4,605)	(333,014)
Net investment return	(42,179)	(42,331)	400	(84,110)

THE UNIVERSITY OF CHICAGO

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(In thousands of dollars)

	2012			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Other changes in endowment investments:				
Gifts and pledge payments received in cash	—	386	58,690	59,076
Transfers to create funds functioning as endowment	23,004	—	—	23,004
Other changes	<u>971</u>	<u>19,796</u>	<u>(8,331)</u>	<u>12,436</u>
Total other changes in endowment investments	<u>23,975</u>	<u>20,182</u>	<u>50,359</u>	<u>94,516</u>
Net change in endowment investments	(18,204)	(22,149)	50,759	10,406
Endowment investments at:				
Beginning of year	<u>1,816,881</u>	<u>2,574,275</u>	<u>1,299,857</u>	<u>5,691,013</u>
End of year	<u>\$ 1,798,677</u>	<u>2,552,126</u>	<u>1,350,616</u>	<u>5,701,419</u>

	2012			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Net assets by type of fund:				
Donor-restricted "true" endowment	\$ (4,429)	2,552,126	1,350,616	3,898,313
Board-designated "funds functioning as endowment"	<u>1,803,106</u>	<u>—</u>	<u>—</u>	<u>1,803,106</u>
Total – as above	<u>\$ 1,798,677</u>	<u>2,552,126</u>	<u>1,350,616</u>	<u>5,701,419</u>

THE UNIVERSITY OF CHICAGO

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(In thousands of dollars)

Changes in the fair value of the University endowment investments and net assets by type of fund were as follows for the fiscal year ended June 30, 2011:

	2011			Total
	Unrestricted	Temporarily restricted	Permanently restricted	
Investment return:				
Endowment yield (interest and dividends)	\$ 16,429	41,038	985	58,452
Net appreciation (realized and unrealized) on investments	<u>300,850</u>	<u>622,442</u>	<u>13,672</u>	<u>936,964</u>
Total investment return	317,279	663,480	14,657	995,416
Endowment payout	<u>(132,200)</u>	<u>(204,459)</u>	<u>(5,201)</u>	<u>(341,860)</u>
Net investment return	<u>185,079</u>	<u>459,021</u>	<u>9,456</u>	<u>653,556</u>
Other changes in endowment investments:				
Gifts and pledge payments received in cash	—	190	87,858	88,048
Transfers to create funds functioning as endowment	\$ 40,383	—	—	40,383
Other changes	<u>21,032</u>	<u>(29,032)</u>	<u>12,309</u>	<u>4,309</u>
Total other changes in endowment investments	<u>61,415</u>	<u>(28,842)</u>	<u>100,167</u>	<u>132,740</u>
Net change in endowment investments	246,494	430,179	109,623	786,296
Endowment investments at:				
Beginning of year	<u>1,570,387</u>	<u>2,144,096</u>	<u>1,190,234</u>	<u>4,904,717</u>
End of year	<u>\$ 1,816,881</u>	<u>2,574,275</u>	<u>1,299,857</u>	<u>5,691,013</u>

THE UNIVERSITY OF CHICAGO

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(In thousands of dollars)

	2011			Total
	Unrestricted	Temporarily restricted	Permanently restricted	
Net assets by type of fund:				
Donor-restricted "true" endowment	\$ (4,803)	2,574,275	1,299,857	3,869,329
Board-designated "funds functioning as endowment"	<u>1,821,684</u>	<u>—</u>	<u>—</u>	<u>1,821,684</u>
Total – as above	<u>\$ 1,816,881</u>	<u>2,574,275</u>	<u>1,299,857</u>	<u>5,691,013</u>

(b) Medical Center Endowment

Changes in the fair value of the Medical Center endowment investments and net assets by type of fund were as follows for the fiscal year ended June 30, 2012:

	2012			Total
	Unrestricted	Temporarily restricted	Permanently restricted	
Investment return:				
Endowment yield (interest and dividends)	\$ 36,192	3,140	—	39,332
Net appreciation (realized and unrealized) on investments	<u>(11,335)</u>	<u>(305)</u>	<u>—</u>	<u>(11,640)</u>
Total investment return	24,857	2,835	—	27,692
Endowment payout	<u>(37,343)</u>	<u>(3,792)</u>	<u>—</u>	<u>(41,135)</u>
Net investment return	<u>(12,486)</u>	<u>(957)</u>	<u>—</u>	<u>(13,443)</u>

THE UNIVERSITY OF CHICAGO

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(In thousands of dollars)

	2012			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Other changes in endowment investments	(1,593)	379	—	(1,214)
Net change in endowment investments	(14,079)	(578)	—	(14,657)
Endowment investments at:				
Beginning of year	810,184	67,857	6,072	884,113
End of year	\$ 796,105	67,279	6,072	869,456

	2012			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Net assets by type of fund:				
Donor-restricted "true" endowment	\$ —	67,279	6,072	73,351
Board-designated "funds functioning as endowment"	796,105	—	—	796,105
Total – as above	\$ 796,105	67,279	6,072	869,456

Included in board-designated "funds functioning as endowment" are \$296,863 of net assets that are separately invested by the Medical Center.

THE UNIVERSITY OF CHICAGO

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(In thousands of dollars)

Changes in the fair value of the Medical Center endowment investments and net assets by type of fund were as follows for the fiscal year ended June 30, 2011:

	2011			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Investment return:				
Endowment yield (interest and dividends)	\$ 12,811	648	—	13,459
Net appreciation (realized and unrealized) on investments	<u>112,358</u>	<u>12,356</u>	<u>—</u>	<u>124,714</u>
Total investment return	125,169	13,004	—	138,173
Endowment payout	<u>(36,056)</u>	<u>(3,986)</u>	<u>—</u>	<u>(40,042)</u>
Net investment return	<u>89,113</u>	<u>9,018</u>	<u>—</u>	<u>98,131</u>
Other changes in endowment investments:				
Gifts and pledge payments received in cash	—	—	11	11
Transfers to create funds functioning as endowment	25,000	—	—	25,000
Other changes	<u>5</u>	<u>(5)</u>	<u>—</u>	<u>—</u>
Total other changes in endowment investments	<u>25,005</u>	<u>(5)</u>	<u>11</u>	<u>25,011</u>
Net change in endowment investments	114,118	9,013	11	123,142
Endowment investments at:				
Beginning of year	<u>696,066</u>	<u>58,844</u>	<u>6,061</u>	<u>760,971</u>
End of year	<u>\$ 810,184</u>	<u>67,857</u>	<u>6,072</u>	<u>884,113</u>

THE UNIVERSITY OF CHICAGO

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(In thousands of dollars)

	2011			Total
	Unrestricted	Temporarily restricted	Permanently restricted	
Net assets by type of fund:				
Donor-restricted "true" endowment	\$ —	67,857	6,072	73,929
Board-designated "funds functioning as endowment"	810,184	—	—	810,184
Total – as above	\$ 810,184	67,857	6,072	884,113

Included in board-designated "funds functioning as endowment" are \$358,406 of net assets that are separately invested by the Medical Center.

(c) Interpretation of Relevant Law

The "Uniform Prudent Management of Institutional Funds Act" (UPMIFA) was enacted in the state of Illinois in 2009. Although UPMIFA does not preclude the University from spending below the original gift value of donor-restricted "true" endowment funds, for accounting and reporting purposes, the University and Medical Center classify as permanently restricted net assets the historical value of donor-restricted "true" endowment funds, which includes (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) changes to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. The remaining portion of the donor-restricted "true" endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

(d) Endowment Payout

The University utilizes the total return concept in allocating endowment income. In accordance with the University's return objective, between 4.5% and 5.5% of a 12-quarter moving average of the fair value of endowment investments lagged by one year, is available each year for expenditure in the form of endowment payout. The payout percentage, which is set each year by the Board of Trustees with the objective of a 5.0% average payout over time, was 5.5% for the fiscal years ended June 30, 2012 and 2011. Periodically, the University Board of Trustees will adjust the endowment payout to fund specifically approved strategic initiatives.

If endowment income received is not sufficient to support the total return objective, the balance is provided from capital gains. If income received is in excess of the objective, the balance is reinvested in the endowment.

THE UNIVERSITY OF CHICAGO

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(In thousands of dollars)

(e) *Funds with Deficiencies*

From time to time, the fair value of assets associated with individual donor-restricted “true” endowment funds may fall below the level that the donor or UPMIFA requires to be retained as a fund of perpetual duration. Deficiencies of this nature are reported in unrestricted net assets, which, as of June 30, 2012 and 2011, amounted to \$4,429 and \$4,803 for the University, respectively.

(5) **Notes and Accounts Receivable**

Components of notes and accounts receivable at June 30, 2012 and 2011 are shown as follows:

	2012			
	Receivable	Allowance for doubtful accounts	Net receivable	2011 Net receivable
University:				
Patients	\$ 87,163	(67,991)	19,172	16,803
Students:				
Loans	45,047	(2,500)	42,547	43,151
Tuition and fees	1,763	(1,250)	513	1,631
U.S. government	31,948	—	31,948	25,999
All other	78,617	(4,991)	73,626	66,299
Total university	244,538	(76,732)	167,806	153,883
Medical Center	239,802	(30,796)	209,006	138,601
Total	\$ 484,340	(107,528)	376,812	292,484

Accounts receivable are carried at estimated net realizable value. Management regularly assesses the adequacy of the allowance for doubtful accounts, and balances are written off when deemed permanently uncollectible.

THE UNIVERSITY OF CHICAGO

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(In thousands of dollars)

(6) Land, Buildings, Equipment, and Books

Components of land, buildings, equipment, and books at June 30, 2012 and 2011 are shown as follows:

	2012			2011 Consolidated
	University	Medical Center	Consolidated	
Land	\$ 68,426	36,008	104,434	101,424
Buildings	2,795,458	649,565	3,445,023	3,191,283
Equipment	432,079	479,832	911,911	897,760
Books	287,271	—	287,271	269,614
Construction in progress	218,170	610,211	828,381	706,319
Subtotal	3,801,404	1,775,616	5,577,020	5,166,400
Less accumulated depreciation	(1,349,269)	(709,122)	(2,058,391)	(1,918,448)
Total	\$ 2,452,135	1,066,494	3,518,629	3,247,952

THE UNIVERSITY OF CHICAGO
Notes to Consolidated Financial Statements
June 30, 2012 and 2011
(In thousands of dollars)

(7) Notes and Bonds Payable

Notes and bonds payable at June 30, 2012 and 2011 are shown as follows:

	<u>Fiscal year maturity</u>	<u>Interest rate</u>	<u>2012</u>	<u>2011</u>
University:				
Fixed rate:				
Illinois Educational Facilities Authority (IEFA):				
Series 1993	2014	6.0%	\$ 975	1,425
Series 2001A	2042	5.3	2,860	2,860
Series 2003A	2014	4.6	6,700	168,820
Illinois Finance Authority (IFA):				
Series 2004A	2035	5.0	15,810	92,620
Series 2004C *	2040	3.8	77,998	78,122
Series 2007	2047	5.0	241,085	242,595
Series 2008 *	2039	3.2	114,502	117,034
Series 2008B	2039	5.6	500,000	500,000
Series 2012A	2052	3.8	369,570	—
Illinois Health Facilities Authority (IHFA) – Series 1985	—	—	—	61,030
Taxable bonds:				
Series 2010	2031	5.3	300,000	300,000
Series 2012B	2043	4.4	190,485	—
Unamortized premium			56,251	10,290
Total fixed rate			<u>1,876,236</u>	<u>1,574,796</u>
Variable rate:				
IEFA:				
Series 1998B	2026	3.4	90,090	90,090
Series 2001B-1	2037	1.1	60,000	60,000
Series 2001B-2	2037	1.9	40,000	40,000
Series 2001B-3	2037	0.2	72,265	72,265
Series 2003B	2034	0.2	42,697	43,877
IFA – Series 2004B	2035	0.2	89,233	91,561
Taxable commercial paper (\$200,000 available)	2012	0.2	100,000	100,000
Bank lines of credit (\$250,000 available)	2012	0.6	69,000	97,000
Total variable rate			<u>563,285</u>	<u>594,793</u>
Total University			<u>2,439,521</u>	<u>2,169,589</u>
Medical Center:				
Fixed rate:				
IHFA:				
Series 2001	—	—	—	27,570
Series 2001	—	—	—	28,100
Series 2001	—	—	—	24,065
Series 2003	2015	5.0	21,235	27,725
IFA:				
Series 2009A and B	2027	4.9	152,350	153,670
Series 2009C	2037	5.4	85,000	85,000
Series 2009D-1 and 2 *	2044	3.9	70,000	70,000
Series 2009E-1 and 2 *	2044	4.0	70,000	70,000
Series 2010A and B *	2045	4.0	92,500	92,500
Series 2011A and B *	2045	4.0	92,500	92,500
Series 2011C	2042	5.5	90,000	90,000
Series 2012A	2037	4.5	75,155	—
Unamortized premium			12,528	7,088
Total fixed rate			<u>761,268</u>	<u>768,218</u>
Variable rate:				
IEFA pooled financing program	2038	0.2	83,277	85,066
Bank line of credit (\$15,000 available)	2012	—	—	—
Total variable rate			<u>83,277</u>	<u>85,066</u>
Total Medical Center			<u>844,545</u>	<u>853,284</u>
Total notes and bonds payable			<u>\$ 3,284,066</u>	<u>3,022,873</u>

* Variable rate debt with interest rates that have been fixed through interest rate swap agreements.

THE UNIVERSITY OF CHICAGO

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(In thousands of dollars)

(a) Fiscal 2012 Transactions

During fiscal year 2012, the University issued \$369,570 in fixed rate revenue bonds through the IFA (Series 2012A) and \$190,485 in taxable fixed rate bonds (Series 2012B). Proceeds from the Series 2012A and 2012B bonds were used to 1) advance refund all or a portion of the IHFA Series 1985A, IEFA Series 2003A, and IFA Series 2004A fixed rate bonds and 2) finance the construction and renovation of certain educational facilities.

During fiscal year 2012, the Medical Center issued \$75,155 in fixed rate revenue bonds through the IFA (Series 2012A), proceeds from which were used to refund the IHFA Series 2001 fixed rate bonds.

(b) Defeased Debt

As of June 30, 2012 and 2011, the total principal amount of indebtedness considered to be legally extinguished and, therefore, excluded from the University notes and bonds payable was \$295,855.

(c) Interest Rate Swaps

In order to reduce exposure to adjustable interest rates on variable rate debt, the University and Medical Center have entered into debt-related interest rate swap agreements. These agreements have the effect of fixing the rate of interest for the variable rate debt. The fair value of these swap agreements is the estimated amount that the University and Medical Center would have to pay or receive to terminate the agreements as of the consolidated balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparty.

At June 30, 2012 and 2011, the fair value of the interest rate swap agreements was an accrued liability of \$60,714 and \$25,864, for the University and \$135,872 and \$58,064 for the Medical Center, respectively. Changes in the fair value of the interest rate swap agreements for the fiscal years ended June 30, 2012 and 2011, which amounted to \$(34,850) and \$7,257 for the University, and \$(77,808) and \$3,789 for the Medical Center, respectively, are included in other unrestricted nonoperating changes in the accompanying consolidated statements of activities. These financial instruments involve counterparty credit exposure. The counterparties for these swap transactions are major financial institutions that meet the University's criteria for financial stability and creditworthiness.

(d) Debt Payments

Principal payments required for University notes and bonds in each of the five years ending June 30, 2013 through 2017 are approximately \$16,158; \$44,449; \$33,824; \$26,011; and \$39,218, respectively.

Principal payments required in each of the five years ending June 30, 2013 through 2017 for the Medical Center notes and bonds are approximately \$11,290; \$10,385; \$10,050; \$11,535; and \$11,975, respectively.

THE UNIVERSITY OF CHICAGO

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(In thousands of dollars)

(e) Fair Value

The carrying value of long-term debt does not differ materially from its estimated fair value as of June 30, 2012 and 2011, based on quoted market prices for the same or similar issues.

(f) Collateral

Each of the Medical Center bond series is collateralized by unrestricted receivables and subject to certain restrictions. In addition, the Medical Center variable rate bonds are guaranteed by bank letters of credit.

(g) Remarketing

Included in the University and Medical Center's notes and bonds payable are \$563,285 and \$408,277, respectively, of variable rate notes and bonds maturing through fiscal year 2045. In the event the University and Medical Center's remarketing agents are unable to remarket the notes and bonds, they become demand obligations and require immediate payment. To supplement internal liquidity, the University and Medical Center have standby bond purchase agreements totaling \$300,000 and \$408,277, respectively, which support variable rate debt in the event of a failed remarketing.

In addition, the University has a standby bond purchase agreement of \$114,502 in support of its IFA Series 2008 variable rate bonds, which, through an interest rate swap agreement, carry a synthetically fixed interest rate.

(8) Pledges

Pledges receivable at June 30, 2012 and 2011 are shown as follows:

	<u>2012</u>			<u>2011</u>
	<u>University</u>	<u>Medical Center</u>	<u>Consolidated</u>	<u>Consolidated</u>
Unconditional promises expected to be collected in:				
Less than one year	\$ 71,342	4,959	76,301	96,606
One year to five years	122,651	6,001	128,652	114,470
More than five years	239,574	—	239,574	227,213
	<u>433,567</u>	<u>10,960</u>	<u>444,527</u>	<u>438,289</u>
Less unamortized discount and allowance for uncollectible pledges	<u>(72,439)</u>	<u>(527)</u>	<u>(72,966)</u>	<u>(69,647)</u>
Total	\$ <u>361,128</u>	<u>10,433</u>	<u>371,561</u>	<u>368,642</u>

THE UNIVERSITY OF CHICAGO

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(In thousands of dollars)

The University's five largest pledges comprise 96% of pledges expected to be collected in more than five years. Included in this amount is the estimated fair value of a nonmarketable equity investment (based on discounted cash flow and market multiples) specifically aligned with a promise to give, the proceeds of which, when sold, will be used to satisfy the pledge.

In addition, at June 30, 2012, the University has received \$293,429 of promises to give, which are conditional upon the raising of matching gifts from other sources, implementation of academic programs, completion of construction projects, or future income from pledged investments. These amounts will be recognized as revenue in the periods in which the conditions are fulfilled.

(9) Self-Insurance Liability

The University maintains a self-insurance program for medical malpractice liability. This program is supplemented with commercial excess insurance above the University's self-insurance retention, which, for the years ended June 30, 2012 and 2011, was \$7,500 per claim and unlimited in the aggregate. Claims in excess of \$7,500 are subject to an additional self-insurance retention limited to \$12,500 per claim and \$12,500 in annual aggregate. The Medical Center is included under this insurance program and is charged for its portion of self-insurance costs. The University and Medical Center also maintain a self-insurance program for workers' compensation and certain other liability claims.

Under the medical malpractice self-insurance program, the University and Medical Center make annual contributions to a related trust fund at an actuarially determined rate that is intended to provide adequate funding of the self-insurance liability over a period of years. Actual settlements of medical malpractice claims may be more or less than the liability estimated by the University.

The medical malpractice self-insurance liability is the estimated present value of self-insured claims that will be settled in the future, and considers anticipated payout patterns as well as interest to be earned on available assets prior to payment. If the present value method was not used, the liability for medical malpractice self-insurance claims would be approximately \$40,000 higher than the amount recorded in the consolidated financial statements at June 30, 2012. The interest rate assumed in determining the present value was 3.75%. The University recorded unrestricted nonoperating actuarial income adjustments of \$14,973 and \$58,013 during the years ended June 30, 2012 and 2011, respectively, which are included in the accompanying consolidated statements of activities.

THE UNIVERSITY OF CHICAGO

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(In thousands of dollars)

The estimated liability for incurred malpractice, workers' compensation, and other claims (filed and unfiled) as of June 30, 2012 and 2011 is presented as follows:

	2012			2011
	University	Medical Center	Consolidated	
Medical malpractice	\$ 246,700	—	246,700	245,861
Workers' compensation	5,334	8,216	13,550	13,227
Others	3,998	—	3,998	3,638
Total	\$ 256,032	8,216	264,248	262,726

(10) Pension Plans and Other Postretirement Benefits

Substantially all personnel of the University participate in either the defined contribution pension plan for academic staff or the defined benefit and contribution pension plans for nonacademic personnel. The majority of Medical Center employees participate in the University's pension plans for nonacademic employees. The University and Medical Center make annual contributions to the defined benefit pension plans at a rate necessary to maintain plan funding on an actuarially recommended basis. Based primarily on participation, the University and Medical Center share equally in contributions made to the defined benefit pension plans. In fiscal year 2009, the University's 403(b) defined benefit pension plan was frozen and a new 401(a) plan was initiated to be in compliance with revised Internal Revenue Service regulations. Because this change does not impact participant benefits, information pertaining to these plans has been combined for financial reporting and disclosure purposes.

In addition to providing pension benefits, the University provides certain healthcare benefits for retired employees and a retirement incentive bonus for eligible faculty electing to participate in a retirement incentive program. In addition to a retirement bonus, all Medicare eligible-tenured faculty who elect to participate in the retirement incentive program receive supplemental health insurance at no cost for themselves and their spouses. All other academic and nonacademic employees are entitled to supplemental health insurance coverage subject to deductibles, copayment provisions, and other limitations.

THE UNIVERSITY OF CHICAGO

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(In thousands of dollars)

The funded status and amounts recognized in the consolidated financial statements for the defined benefit pension plans and other postretirement benefit plans are shown as follows:

	Defined benefit pension plans		Other postretirement benefit plans	
	2012	2011	2012	2011
Change in benefit obligation:				
Benefit obligation at beginning of year	\$ 651,244	592,464	211,793	196,857
Service cost	29,701	28,114	9,044	8,395
Interest cost	34,803	31,824	11,708	10,696
Benefits paid	(32,241)	(26,168)	(9,210)	(6,864)
Plan amendments	—	—	—	—
Actuarial loss, net	97,290	25,010	50,757	2,709
Benefit obligation at end of year	780,797	651,244	274,092	211,793
	Defined benefit pension plans		Other postretirement benefit plans	
	2012	2011	2012	2011
Change in fair value of plan assets:				
Fair value of plan assets at beginning of year	\$ 385,578	285,807	5,232	9,140
Actual return on plan assets	37,844	40,658	102	1,457
Employer contributions	105,476	85,281	3,877	1,499
Benefits paid	(32,241)	(26,168)	(9,210)	(6,864)
Fair value of plan assets at end of year	496,657	385,578	1	5,232
Funded status – liability	\$ (284,140)	(265,666)	(274,091)	(206,561)

The accumulated benefit obligation for the defined benefit pension plans was \$679,458 and \$560,647 at June 30, 2012 and 2011, respectively.

THE UNIVERSITY OF CHICAGO

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(In thousands of dollars)

(a) Components of Net Periodic Benefit Cost

	Defined benefit pension plans		Other postretirement benefit plans	
	2012	2011	2012	2011
Service cost	\$ 29,701	28,114	9,044	8,395
Interest cost	34,803	31,824	11,708	10,696
Expected return on plan assets	(34,500)	(29,126)	(152)	(428)
Amortization of prior service cost (benefit)	1,134	1,134	(2,105)	(2,105)
Amortization of transition obligation	—	—	1,300	1,370
Amortization of actuarial loss	18,462	14,951	5,298	5,478
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net periodic benefit cost	\$ 49,600	46,897	25,093	23,406
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Amounts included in the consolidated statements of activities:				
University	\$ (3,138)	4,257	25,093	23,406
Medical Center	52,738	42,640	—	—
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	\$ 49,600	46,897	25,093	23,406
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

(b) Actuarial Assumptions

The weighted average assumptions used in the accounting for the pension and other postretirement benefit plans are shown as follows:

	Defined benefit pension plans		Other postretirement benefit plans	
	2012	2011	2012	2011
Discount rate	4.5%	5.5%	4.1%	5.6%
Expected return on plan assets	7.1	7.1	7.0	6.5
Rate of compensation increase	3.5	3.5	3.5	3.5
Healthcare cost trend rates:				
Next two fiscal years			7.5% – 7.7%	7.7% – 8.0%
Next seven fiscal years			6.0% – 7.2%	6.2% – 7.5%
Thereafter			4.5% – 5.7%	4.5% – 6.0%

The expected return on plan assets assumptions for both the defined benefit pension plan and the other postretirement benefit plans is determined based on models that incorporate a number of different methodologies, including historical returns and capital market forecasts.

THE UNIVERSITY OF CHICAGO

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(In thousands of dollars)

Assumed healthcare cost trend rates have a significant effect on the amounts reported for healthcare plans. A one-percentage-point change in assumed healthcare cost trend rates would have the following effects for the fiscal years ended June 30:

		<u>2012</u>	<u>2011</u>
Effect on total service cost and interest cost:			
One-percentage-point increase	\$	3,904	3,569
One-percentage-point decrease		(3,017)	(2,752)
Effect on year-end postretirement benefit obligation:			
One-percentage-point increase	\$	46,751	31,657
One-percentage-point decrease		(36,832)	(25,404)

(c) **Plan Assets**

Weighted average asset allocations by asset category are as follows:

	Defined benefit pension plans		Other postretirement benefit plans	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Domestic public equities	27%	27%	—%	51%
International public equities	14	16	—	—
Fixed income	59	57	100	49
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

As of June 30, 2012, 90% of plan assets for the defined benefit pension plans are invested in cash, mutual funds, exchange traded funds, or separately managed accounts comprised of individual securities and are valued based on quoted market prices in active markets for identical investments (Level 1). The remaining assets are invested in commingled funds and limited partnerships generally valued based on quoted market prices in active markets valued based, NAV reported by external fund managers, or independently determined by the University. The remaining 10% of the plan assets are categorized as Level 2 or Level 3.

The defined benefit plans combined target asset allocation of 43% public equities and 57% fixed income securities is meant to result in a favorable long-term rate of return from a diversified portfolio of equity and fixed income investments. Plan assets for the other postretirement benefit plans are managed by the University and were held in cash at June 30, 2012.

(d) **Contributions**

The University expects to make a \$5,000 contribution to its postretirement healthcare plan and, combined with the Medical Center, expects to make a \$65,000 contribution to the defined benefit pension plans in fiscal year 2013.

THE UNIVERSITY OF CHICAGO

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(In thousands of dollars)

(e) *Estimated Future Benefits Payments*

The following benefit payments, which reflect expected future service, are expected to be paid for each of the fiscal years ending June 30:

	Defined benefit pension plans	Other postretirement benefit plans
Fiscal year:		
2013	\$ 31,125	7,079
2014	32,902	8,933
2015	35,008	9,778
2016	37,358	9,866
2017	39,846	10,558
2018 – 2021	235,874	65,568

(f) *Prescription Drug Act*

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act) provides for special tax-free subsidies to employers that offer retiree medical benefit plans with qualifying drug coverage. The University's postretirement plan currently meets Medicare's criteria for the tax-free subsidy because the University's plan provides for a higher level of reimbursement than Medicare. The University has recognized the effect of this subsidy in the calculation of its postretirement benefit obligation, the impact of which is to reduce the benefit obligation by \$60,640 and \$52,280 at June 30, 2012 and 2011, respectively.

(g) *Curtailed Pension Plan*

The Medical Center maintains a separate noncontributory defined benefit pension plan on behalf of a former affiliated organization. Prior to assumption, the benefit plan was curtailed by freezing participation and benefit accruals. At June 30, 2012 and 2011, the benefit obligation for the plan exceeded the plan's assets thus creating an unfunded liability of \$10,403 and \$13,502 at June 30, 2012 and 2011, respectively.

(h) *Defined Contribution Pension Plan*

Defined contribution pension plan expenses included in the consolidated statements of activities amounted to \$44,477 in fiscal year 2012 and \$42,895 in fiscal year 2011 for the University and \$11,100 in fiscal year 2012 and \$10,200 in fiscal year 2011 for the Medical Center.

THE UNIVERSITY OF CHICAGO

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(In thousands of dollars)

(11) Functional Classification of Expenses

Expenses by functional classification for the years ended June 30, 2012 and 2011 are shown as follows:

	2012	2011
University:		
Academic and research:		
Instruction	\$ 822,043	785,622
Research	270,846	296,716
Auxiliary enterprises	134,138	130,992
Library	15,639	17,237
Student services	55,264	47,768
Operation and maintenance of physical plant	112,576	124,799
Depreciation	113,533	109,878
Interest on notes and bonds	57,877	60,253
Total academic and research	1,581,916	1,573,265
Administration:		
Institutional support	125,030	115,753
Informational services	59,340	44,633
Development and alumni relations	59,469	56,340
Operation and maintenance of physical plant	9,261	10,368
Depreciation	29,688	27,257
Interest on notes and bonds	20,032	13,138
Total administration	302,820	267,489
Total University	1,884,736	1,840,754
Medical Center:		
Healthcare service	1,103,904	1,029,727
General and administrative	66,819	58,667
	1,170,723	1,088,394
Total	\$ 3,055,459	2,929,148

The University's primary program service is instruction and research. Expenses reported as auxiliary enterprises, library, and student services are incurred in support of this primary program activity.

THE UNIVERSITY OF CHICAGO

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

(In thousands of dollars)

(12) Affiliated Organizations

The University has an ongoing relationship with the National Opinion Research Center (NORC), a not-for-profit organization that conducts research in the public interest primarily for various federal agencies. The majority of NORC's board of trustees are faculty members or officers of the University. Program-related revenue for the years ended December 31, 2011 and 2010 was \$146,492 and \$148,970, respectively. Net assets at December 31, 2011 and 2010 were \$25,157 and \$21,477, respectively. Consolidation of this not-for-profit organization is not required because the University does not have both control and an economic interest.

The University, through its affiliate UChicago Argonne, LLC, operates Argonne National Laboratory (ANL) under a contract with the U.S. Department of Energy (DOE). This contract provides for the payment of a fixed management allowance and an additional fee based on performance judged against established measures. The University is the sole member of UChicago Argonne, LLC; however, the performance fee is shared with a subcontractor that assists UChicago Argonne, LLC with the management and operation of ANL.

The University, as a member of Fermi Research Alliance, LLC (FRA), also operates Fermi National Accelerator Laboratory (Fermilab) on behalf of DOE. The Fermilab contract between DOE and FRA provides for the payment of a fixed management allowance and an additional performance fee. The University shares the performance fee with Universities Research Association, the other member of FRA, and a subcontractor that assists FRA with the management and operation of Fermilab.

The expenditures under the respective contracts and the related reimbursements of \$756,019 for ANL and \$433,691 for Fermilab in fiscal year 2012, and \$745,189 for ANL and \$431,610 for Fermilab in fiscal year 2011 are not included in the consolidated statements of activities. Net assets relating to ANL and to Fermilab are owned by the U.S. government and, therefore, are not included in the consolidated balance sheets.

(13) Contingencies

Various lawsuits, claims, and other contingent liabilities arise in the ordinary course of the University's education, research, and healthcare activities. In the opinion of management, all such matters have been adequately provided for, are without merit, or are of such kind that if disposed of unfavorably, would not have a material adverse effect on the consolidated financial position of the University.

THE UNIVERSITY OF CHICAGO
Schedule of Expenditures of Federal Awards
Year ended June 30, 2012

Federal agency and pass-through entity	CFDA numbers	Direct awards	Pass-through awards	Total expenditures
Research and Development Cluster:				
Department of Agriculture:				
Grants for Agricultural Research – Competitive Research Grants	10.206	\$ 1,925	—	1,925
Agricultural and Rural Economic Research, Cooperative Agreements and Collaborations	10.250	(9,344)	—	(9,344)
Food Assistance and Nutrition Research Programs (FANRP):	10.253			
Cornell University		—	34,112	34,112
University of Baltimore		—	19,267	19,267
Research Innovation and Development Grants in Economic (RIDGE):	10.255			
University of Wisconsin		—	10,523	10,523
Agriculture and Food Research Initiative (AFRI)	10.310	90,805	—	90,805
Total Department of Agriculture		83,386	63,902	147,288
Department of Defense:				
Basic and Applied Scientific Research:				
Drexel University	12.300	1,493,856	—	1,493,856
Basic Scientific Research – Combating Weapons of Mass Destruction	12.351	250,055	—	250,055
Military Medical Research and Development:	12.420	5,295,249	—	5,295,249
ADME Tech Foundation		—	208	208
University of Alabama at Birmingham		—	59,004	59,004
University of Illinois at Champaign		—	29,564	29,564
Basic Scientific Research:	12.431	358,859	—	358,859
Albany Medical College		—	58,429	58,429
Colorado School of Mines		—	378,049	378,049
Rush-Presbyterian-St. Luke's Medical Center		—	27,523	27,523
University of Maryland		—	238,768	238,768
University of Utah		—	119,468	119,468
Air Force Defense Research Sciences Program:	12.800	853,455	—	853,455
University of Maryland, College Park		—	105,321	105,321
Mathematical Sciences Grants Program	12.901	8,564	—	8,564
Research and Technology Development:	12.910	1,407,256	—	1,407,256
Michigan State University		—	324,419	324,419
Northwestern University		—	223,842	223,842
University of Illinois at Champaign		—	108,594	108,594
Department of Defense:	12.RD,N66001-10-C-4056			
Johns Hopkins University		—	879,109	879,109
Total Department of Defense		9,667,294	2,651,173	12,318,467
Department of Education:				
International Research and Studies	84.017	88,890	—	88,890
National Institute on Disability and Rehabilitation Research:	84.133			
University of Pittsburgh		—	26,497	26,497
Safe and Drug-Free Schools and Communities				
National Programs:	84.184			
Chicago Board of Education		—	99,526	99,526
Chicago Public Schools		—	49,989	49,989
Graduate Assistance in Areas of National Need	84.200	1,535,699	—	1,535,699
Language Resource Centers	84.229	198,422	—	198,422
Education Research, Development and Dissemination:	84.305	631,270	—	631,270
American Institutes For Research		—	255,523	255,523
National Opinion Research Center		—	5,000	5,000
Research in Special Education	84.324	446,181	—	446,181
Department of Education:				
Chicago Public Schools	84.RD,09-0826-PR33-1	—	(16,219)	(16,219)
Northeastern Illinois University	84.RD,ED:04-CO-0036/0001	—	10,000	10,000
Learning Point Associates	84.RD,ED-06-CO-0019/11WLP10029	—	3,120	3,120
Illinois Board of Education	84.RD,NONE	—	1,093,857	1,093,857
Total Department of Education		2,900,462	1,527,293	4,427,755
Department of Energy:				
ARRA – State Energy Program:				
Illinois Dept of Commerce and Economic Opportunity	81.041	—	50,000	50,000
Office of Science Financial Assistance Program:	81.049	5,214,973	—	5,214,973
Argonne National Laboratory		—	113,423	113,423
Arradance, Inc.		—	18,989	18,989
Battelle Memorial Institute		—	119,995	119,995
Fermi National Accelerator Laboratory		—	40,851	40,851
Hyper V, Technologies		—	3,002	3,002
Krell Institute		—	2,625	2,625
Lawrence-Livermore		—	(91,818)	(91,818)
Northwestern University		—	584,746	584,746
University of Michigan		—	(979)	(979)
ARRA – Office of Science Financial Assistance Program:				
Princeton University	81.049	—	147,857	147,857
Renewable Energy Research and Development	81.087	112,066	—	112,066

THE UNIVERSITY OF CHICAGO
Schedule of Expenditures of Federal Awards
Year ended June 30, 2012

Federal agency and pass-through entity	CFDA numbers	Direct awards	Pass-through awards	Total expenditures
ARRA – Renewable Energy Research and Development:	81.087			
Illinois Institute of Technology		\$ —	53,642	53,642
Fossil Energy Research and Development	81.089	182,264	—	182,264
State Energy Program Special Projects:	81.119			
Argonne National Laboratory		—	235,928	235,928
Fermi National Accelerator Laboratory		—	314,639	314,639
University of Wisconsin		—	549,688	549,688
ARRA – Department of Energy:				
Argonne National Laboratory	81.RD,OJ-30381-0006B	—	45,255	45,255
Argonne National Laboratory	81.RD,OJ-30381-0008C	—	9,078	9,078
Department of Energy:	81.RD	(1,505)	—	(1,505)
Fermi National Accelerator Laboratory	81.149	—	40,851	40,851
Argonne National Laboratory	81.RD,OJ-30381-0002A	—	13,211	13,211
Argonne National Laboratory	81.RD,OJ-30381-0005A	—	1,955,696	1,955,696
Argonne National Laboratory	81.RD,OJ-30381-0006A	—	8,807	8,807
Argonne National Laboratory	81.RD,OJ-30381-0008A	—	13,210	13,210
Argonne National Laboratory	81.RD,OJ-30381-0009A	—	132,843	132,843
Argonne National Laboratory	81.RD,OJ-30381-0010A	—	254,069	254,069
Argonne National Laboratory	81.RD,OJ-30381-0011C	—	35,560	35,560
Argonne National Laboratory	81.RD,OJ-30381-0012A	—	10,371	10,371
Argonne National Laboratory	81.RD,OJ-30381-0013A	—	48,835	48,835
Argonne National Laboratory	81.RD,OJ-30381-0017A	—	26,794	26,794
Argonne National Laboratory	81.RD,5J-00023-0037D	—	67,990	67,990
Columbia University	81.RD,5J-00023-0042A	—	76,402	76,402
Lawrence-Livermore	81.RD,B523820	—	(3,064)	(3,064)
University of California Berkeley	81.RD,DE-AC02-05CH11231	—	221,929	221,929
Berkeley National Laboratory	81.RD,DE-AC02-05-CH11231	—	(3,603)	(3,603)
Argonne National Laboratory	81.RD,DE-AC02-06CH11357	—	21,885	21,885
Fermi National Accelerator Laboratory	81.RD,DE-AC02-76CH03000	—	31,524	31,524
Oak Ridge National Laboratory	81.RD,DE-AC05-00OR22725	—	169,853	169,853
Idaho National Laboratory	81.RD,DE-AC07-051D14517	—	35,533	35,533
Savannah River Nuclear Solutions	81.RD,DE-AC09-08SR22470	—	68,698	68,698
Fermi National Accelerator Laboratory	81.RD,FNAL PO #576333	—	19,883	19,883
Fermi National Accelerator Laboratory	81.RD,FNAL PO #585224	—	68,611	68,611
Fermi National Accelerator Laboratory	81.RD,FNAL PO #606882	—	24,827	24,827
Argonne National Laboratory	81.RD,RAD TECHNIQUES	—	180,451	180,451
Argonne National Laboratory	81.RD,OJ-30381-0016C	—	30,611	30,611
Fermi National Accelerator Laboratory	81.RD,PO #597353	—	13,211	13,211
Fermi National Accelerator Laboratory	81.RD,PO #602545	—	1,828	1,828
Fermi National Accelerator Laboratory	81.RD,PO 602173	—	2,621	2,621
Argonne National Laboratory	81.RD,WO OJ-30381-0019A	—	3,972	3,972
Total Department of Energy		5,507,798	5,770,330	11,278,128
Department of Health and Human Services:				
ARRA – National Center for Research Resources,				
Recovery Act Construction Support		327,471	—	327,471
Maternal and Child Health Federal Consolidated Programs:	93.110			
University of Illinois at Chicago		—	51,214	51,214
Environmental Health:	93.113	1,226,009	—	1,226,009
Boston University		—	64,306	64,306
Columbia University		—	14,332	14,332
Harvard University		—	7,568	7,568
New York University		—	304,543	304,543
Oral Diseases and Disorders Research:	93.121	121,830	—	121,830
University of Miami		—	49,807	49,807
Injury Prevention and Control Research and State and				
Community Based Programs	93.136	2,609,176	—	2,609,176
NIEHS Superfund Hazardous Substances_Basic Research				
and Education	93.143	—	396,934	396,934
Human Genome Research:	93.172	3,968,836	—	3,968,836
Michigan State University		—	90,647	90,647
University of Illinois at Chicago		—	46,332	46,332
Research Related to Deafness and Communication Disorders:	93.173	934,354	—	934,354
Northwestern University		—	(61,749)	(61,749)
University of California Irvine		—	64,125	64,125
Research and Training in Complementary and Alternative				
Medicine	93.213	1,291,480	—	1,291,480
National Research Service Awards_Health Services				
Research Training	93.225	404,366	—	404,366
Research on Healthcare Costs, Quality and Outcomes:	93.226	1,508,719	—	1,508,719
University of Illinois at Chicago		—	108,446	108,446
National Center on Sleep Disorders Research	93.233	1,680,715	—	1,680,715
Mental Health Research Grants:	93.242	7,012,115	—	7,012,115
Columbia University		—	23,331	23,331
Duke University		—	(88,710)	(88,710)
Northwestern University		—	117,233	117,233

THE UNIVERSITY OF CHICAGO
Schedule of Expenditures of Federal Awards
Year ended June 30, 2012

Federal agency and pass-through entity	CFDA numbers	Direct awards	Pass-through awards	Total expenditures
Oregon Health and Science University		\$ —	(82,387)	(82,387)
University of California Los Angeles		—	124,147	124,147
University of California San Diego		—	131,575	131,575
University of Illinois at Chicago		—	38,201	38,201
University of Pittsburgh		—	63,500	63,500
University of Southern California		—	(38,120)	(38,120)
University of Washington		—	17,161	17,161
Yale University		—	202,862	202,862
Substance Abuse and Mental Health Services_ Projects of				
Regional and National Significance Access Community Health	93.243	—	29,659	29,659
Geriatric Academic Career Awards	93.250	77,007	—	77,007
Occupational Safety and Health Program	93.262	858,148	—	858,148
Rapid Expansion of Antiretroviral Therapy Programs for				
HIV-Infected Persons in Selected Countries in Africa and the				
Caribbean Under the President's Emergency Plan for				
AIDS Relief:	93.266			
Access Community Health		—	1,418	1,418
Alcohol Research Programs	93.273	1,220,644	—	1,220,644
Drug Abuse and Addiction Research Programs:	93.279	4,008,363	—	4,008,363
Columbia University		—	168,747	168,747
National Opinion Research Center		—	13,314	13,314
Northwestern University		—	50,421	50,421
State University of New York		—	16,372	16,372
University of Illinois at Chicago		—	37,936	37,936
University of Virginia		—	(6,928)	(6,928)
Mental Health Research Career/Scientist Development Awards	93.281	233,742	—	233,742
Mental Health National Research Service Awards for				
Research Training:	93.282	128,055	—	128,055
University of Minnesota		—	72,994	72,994
Centers for Disease Control and Prevention_ Investigations and				
Technical Assistance:	93.283			
Medical University of Ohio		—	138	138
Discovery and Applied Research for Technological Innovations				
to Improve Human Health:	93.286	2,513,039	—	2,513,039
California Institute of Technology		—	24,462	24,462
Illinois Institute of Technology		—	133,975	133,975
University of California-Davis		—	145,811	145,811
University of Denver		—	33,519	33,519
University of Illinois at Champaign		—	73,179	73,179
University of Illinois at Chicago		—	62,543	62,543
University of Tennessee		—	26,070	26,070
President's Council on Fitness, Sports, and Nutrition	93.289	66,310	—	66,310
Minority Health and Health Disparities Research:	93.307			
University of Illinois at Chicago		—	15,391	15,391
Trans-NIH Research Support:	93.310	4,847,409	—	4,847,409
California Institute of Technology		—	93,207	93,207
Cincinnati Children's Hospital		—	45,650	45,650
Duke University		—	30,721	30,721
University of Michigan		—	550,185	550,185
University of Virginia		—	67,628	67,628
Nursing Research:	93.361			
Johns Hopkins University		—	185,821	185,821
National Center for Research Resources:	93.389	7,626,215	—	7,626,215
Johns Hopkins University		—	169,536	169,536
Northwestern University		—	15,599	15,599
Pennsylvania State University		—	18,769	18,769
University of Illinois at Chicago		—	15,985	15,985
University of Michigan		—	71,429	71,429
University of Pittsburgh		—	43,170	43,170
University of Southern California		—	1,171,874	1,171,874
Academic Research Enhancement Award	93.390	35,337	—	35,337
Cancer Cause and Prevention Research:	93.393	10,633,337	—	10,633,337
Beckman Research Institute of The City of Hope		—	11,190	11,190
H. Lee Moffitt Cancer Center & Research Inst		—	3,034	3,034
Harvard University		—	64,045	64,045
Univ of Texas Health Science Cntr at San Antonio		—	28,080	28,080
University of California San Francisco		—	18,694	18,694
University of Hawaii		—	34,062	34,062
University of Illinois at Chicago		—	2,346	2,346
University of Pennsylvania		—	590	590
University of Southern California		—	40,877	40,877
University of Texas MD Anderson Cancer Center		—	79,118	79,118
University of Vermont		—	3,972	3,972
Washington University		—	23,151	23,151

THE UNIVERSITY OF CHICAGO
Schedule of Expenditures of Federal Awards
Year ended June 30, 2012

Federal agency and pass-through entity	CFDA numbers	Direct awards	Pass-through awards	Total expenditures
Cancer Detection and Diagnosis Research:	93.394	\$ 891,483	—	891,483
American College of Radiology		—	20,554	20,554
American College of Radiology Imaging Network		—	(2,058)	(2,058)
Johns Hopkins University		—	106,970	106,970
Marquette University		—	8,433	8,433
Northwestern University		—	128,304	128,304
University of California Berkeley		—	39,313	39,313
University of Illinois at Chicago		—	2,874	2,874
University of Texas		—	(1,578)	(1,578)
Cancer Treatment Research:	93.395	4,120,212	—	4,120,212
Brigham and Women's Hospital		—	3,222,458	3,222,458
Children's Hospital Los Angeles		—	13,676	13,676
Duke University		—	22,343	22,343
Gynecologic Oncology Group		—	160,440	160,440
Lnk Chemsolutions Llc		—	185,345	185,345
National Childhood Cancer Foundation		—	80,443	80,443
Northwestern University		—	65,042	65,042
Sloan-Kettering Institute For Cancer Research		—	3,425	3,425
St Jude Children's Research Hospital		—	3,372	3,372
University of Alabama at Birmingham		—	521,049	521,049
University of Pittsburgh		—	18,171	18,171
University of South Florida		—	(601)	(601)
Cancer Biology Research:	93.396	6,624,732	—	6,624,732
Dana-Farber Cancer Research Institute		—	3,364	3,364
Loyola University – Illinois		—	695	695
Northwestern University		—	300,560	300,560
Cancer Centers Support Grants:	93.397	5,041,563	—	5,041,563
Northwestern University		—	105,309	105,309
University of Texas MD Anderson Cancer Center		—	4,807	4,807
Cancer Research Manpower:	93.398	2,469,018	—	2,469,018
American College of Radiology		—	482	482
Social Services Research and Demonstration	93.647	431,780	—	431,780
Adoption Opportunities:	93.652	—	23,309	23,309
University of Michigan		—	23,309	23,309
Child Abuse and Neglect Discretionary Activities:	93.670	—	290,919	290,919
Illinois Department of Children and Family Service		—	290,919	290,919
Illinois Department of Human Services		—	37,595	37,595
ARRA – Trans-NIH Recovery Act Research Support:	93.701	12,886,317	—	12,886,317
Boston College		—	37,080	37,080
Brigham and Women's Hospital		—	227,742	227,742
Children's Hospital Los Angeles		—	13,846	13,846
Cornell University		—	—	—
Dana-Farber Cancer Research Institute		—	(303)	(303)
Duke University		—	26,373	26,373
Emory University		—	18,242	18,242
Johns Hopkins University		—	2,560	2,560
Massachusetts General Hospital		—	39,808	39,808
National Childhood Cancer Foundation		—	(1,972)	(1,972)
Northwestern University		—	7,783	7,783
Roswell Park Cancer Institute		—	1,120	1,120
Tourette Syndrome Association		—	36,009	36,009
University of California Los Angeles		—	1,560	1,560
University of Florida		—	4,844	4,844
University of Illinois at Chicago		—	10,261	10,261
University of Maryland		—	474	474
University of Massachusetts		—	2,374	2,374
University of Michigan		—	848,393	848,393
University of Nebraska		—	24,350	24,350
University of Southern California		—	75,781	75,781
University of Washington		—	86,056	86,056
Vanderbilt University		—	2,100	2,100
Washington University		—	108,281	108,281
Cardiovascular Diseases Research:	93.837	6,995,481	—	6,995,481
AJ Medical Devices, Inc.		—	(428)	(428)
Brigham and Women's Hospital		—	880	880
Children's Hospital Oakland Research Institute		—	102,626	102,626
Duke University		—	(840)	(840)
Johns Hopkins University		—	354,718	354,718
Northwestern University		—	197,239	197,239
University of North Carolina		—	1,604	1,604
University of Texas		—	45,308	45,308
University of Washington		—	—	—
Vanderbilt University		—	68,135	68,135
Wake Forest University		—	263,503	263,503
Yale University		—	996	996

THE UNIVERSITY OF CHICAGO
Schedule of Expenditures of Federal Awards
Year ended June 30, 2012

Federal agency and pass-through entity	CFDA numbers	Direct awards	Pass-through awards	Total expenditures
Lung Diseases Research:	93.838	\$ 7,703,643	—	7,703,643
Cleveland Clinic		—	35,623	35,623
Duke University		—	14,203	14,203
Johns Hopkins University		—	90,618	90,618
Northwestern University		—	2,554	2,554
Pennsylvania State University		—	112,640	112,640
University of Illinois at Chicago		—	448,977	448,977
University of Michigan		—	1,170	1,170
University of Pennsylvania		—	40,405	40,405
University of Pittsburgh		—	18,524	18,524
University of Southern California		—	151,938	151,938
University of Washington		—	123,726	123,726
University of Wisconsin		—	466,265	466,265
Washington University		—	4,522	4,522
Blood Diseases and Resources Research:	93.839	—	25,516	25,516
Health Research		—	17,373	17,373
Northwestern University		—	—	—
Arthritis, Musculoskeletal and Skin Diseases Research:	93.846	1,323,059	—	1,323,059
Cincinnati Children's Hospital		—	28,903	28,903
Hospital For Special Surgery		—	5,435	5,435
Loyola University – Illinois		—	(1,463)	(1,463)
Pennsylvania State University		—	4,114	4,114
Seattle Children's Hospital & Regional Medical Ctr		—	(4,727)	(4,727)
University of Pennsylvania		—	360,762	360,762
Diabetes, Digestive, and Kidney Diseases Extramural Research:	93.847	15,616,967	—	15,616,967
Case-Western Reserve University		—	84,024	84,024
Columbia University		—	(1,905)	(1,905)
Illinois Institute of Technology		—	7,053	7,053
Johns Hopkins University		—	133,268	133,268
Kaiser Foundation Research Institute		—	147,623	147,623
Massachusetts General Hospital		—	17,653	17,653
Palo Alto Medical Foundation Research Institute		—	23,509	23,509
Seattle Children's Research Institute		—	121,345	121,345
University of Illinois at Chicago		—	19,285	19,285
University of North Carolina		—	2,330	2,330
University of Pittsburgh		—	8,517	8,517
University of Rochester		—	15,071	15,071
University of Texas		—	411,359	411,359
Yale University		—	212,650	212,650
Digestive Diseases and Nutrition Research:	93.848	—	(27,994)	(27,994)
Northwestern University		—	—	—
Kidney Diseases, Urology and Hematology Research:	93.849	753,411	—	753,411
University of Rochester		—	26,482	26,482
Extramural Research Programs in the Neurosciences and Neurological Disorders:	93.853	7,852,893	—	7,852,893
Columbia University		—	60,415	60,415
Cornell University		—	22,408	22,408
Duke University		—	152,672	152,672
Johns Hopkins University		—	238,494	238,494
Northwestern University		—	282,225	282,225
Seattle Children's Research Institute		—	89,939	89,939
Tourette Syndrome Association		—	28,721	28,721
University of Minnesota		—	7,165	7,165
University of Rochester		—	11,850	11,850
Allergy, Immunology and Transplantation Research:	93.855	26,593,620	—	26,593,620
Columbia University		—	295,441	295,441
Duke University		—	418,753	418,753
Emory University		—	362,314	362,314
Inviragen, Inc.		—	22,164	22,164
Michigan State University		—	48,612	48,612
Northwestern University		—	157,499	157,499
Oklahoma Medical Research Foundation		—	326,962	326,962
Snowdon, Inc.		—	115,548	115,548
Solulink, Inc. (Solulink)		—	27,202	27,202
University of California San Francisco		—	24,408	24,408
University of Illinois at Chicago		—	20,086	20,086
University of Massachusetts		—	67,825	67,825
University of Pittsburgh		—	18,378	18,378
University of Wisconsin		—	10,239	10,239
Biomedical Research and Research Training:	93.859	35,304,356	—	35,304,356
Brigham and Women's Hospital		—	103,030	103,030
Johns Hopkins University		—	19,388	19,388
Schrodinger, Inc.		—	130,681	130,681
University of California San Francisco		—	39,066	39,066
University of Kansas		—	81,319	81,319
University of Michigan		—	(406,377)	(406,377)

THE UNIVERSITY OF CHICAGO
Schedule of Expenditures of Federal Awards
Year ended June 30, 2012

Federal agency and pass-through entity	CFDA numbers	Direct awards	Pass-through awards	Total expenditures
University of Texas at Austin		\$ —	93,375	93,375
University of Utah		—	99,152	99,152
University of Wisconsin		—	(478)	(478)
NIH Population Research:	93.864	1,296,228	—	1,296,228
Pennsylvania State University		—	8,228	8,228
University of Illinois at Chicago		—	4,796	4,796
Child Health and Human Development Extramural Research:	93.865	6,090,284	—	6,090,284
Children's Memorial Hospital, Chicago		—	952	952
Columbia University		—	3,606	3,606
Cornell University		—	57,502	57,502
Harvard University		—	8,696	8,696
Mount Sinai Medical Center of Miami		—	(622)	(622)
National Bureau of Economic Research		—	55,952	55,952
National Opinion Research Center		—	8,500	8,500
University of California San Francisco		—	134,526	134,526
University of Colorado		—	44,475	44,475
University of Illinois at Chicago		—	248,080	248,080
University of Kansas		—	411,306	411,306
University of Maryland		—	249,579	249,579
University of Texas, San Antonio		—	(4,007)	(4,007)
Aging Research:	93.866	5,683,110	—	5,683,110
Duke University		—	130,683	130,683
National Bureau of Economic Research		—	959,117	959,117
National Opinion Research Center		—	170,295	170,295
North Shore University Health System		—	1,243	1,243
University of California San Diego		—	70,852	70,852
University of Michigan		—	56,941	56,941
University of Pennsylvania		—	26,463	26,463
Vision Research	93.867	1,793,810	—	1,793,810
Medical Library Assistance:	93.879	77,207	—	77,207
Marine Biological Laboratory		—	3,636	3,636
Grants for Training in Primary Care Medicine and Dentistry	93.884	364,481	—	364,481
HIV Emergency Relief Project Grants:	93.914	—	26,654	26,654
Aids Foundation of Chicago		—	26,654	26,654
HIV Demonstration, Research, Public and Professional Education Projects	93.941	3,600	—	3,600
Family Planning Service Delivery Improvement Research Grants	93.974	197,186	—	197,186
International Research and Research Training	93.989	32,818	—	32,818
Adolescent Family Life Demonstration Projects:	93.995	—	163,148	163,148
Access Community Health		—	163,148	163,148
Department of Health and Human Services:	93.RD	106,483	—	106,483
Chicago Board of Education	93.RD	—	56,748	56,748
City of Chicago Department of Health	93.RD	—	40,871	40,871
University of Illinois at Chicago	93.RD	—	17,818	17,818
University of Tennessee	93.RD	—	28,977	28,977
City of Chicago Department of Health	93.RD,1 U62 PS003200-01	—	381,089	381,089
Nci 3Rd Millennium Inc.	93.RD,10ST1702	—	(3,413)	(3,413)
Illinois Department of Children and Family Service	93.RD,1923669041	—	25,930	25,930
Illinois Department of Children and Family Service	93.RD,1923669042	—	43,252	43,252
Vanderbilt University	93.RD,2 U01 DK072473-07	—	36,338	36,338
Urban Institute	93.RD,233-02-0059	—	1,779	1,779
Illinois Department of Public Health	93.RD,23789009	—	390,938	390,938
Access Community Health	93.RD,5 U79 TI020284-03	—	20,000	20,000
University of Michigan	93.RD,90C01047-03	—	151,723	151,723
Emory University	93.RD,93.CTR	—	83,553	83,553
Booz Allen Hamilton, Inc.	93.RD,99102XSB23	—	(13,334)	(13,334)
Southwest Oncology Group	93.RD,CA37429	—	11,725	11,725
National Opinion Research Center	93.RD,GS10F0033M	—	83,529	83,529
University of Illinois at Chicago	93.RD,H4AHA00062	—	40,683	40,683
Solulink, Inc. (Solulink)	93.RD,HHSN261201000122C	—	8,085	8,085
Alan Penn and Associates Inc	93.RD,HHSN261201100075C	—	35,967	35,967
Oklahoma Medical Research Foundation	93.RD,HHSN266200500026C	—	923	923
Northwestern University	93.RD,HHSN267200700027C	—	42,369	42,369
Northwestern University	93.RD,HHSN272200700058C	—	2,281,311	2,281,311
University of California San Francisco	93.RD,HHSN27220070031C	—	543,459	543,459
Virginia Tech	93.RD,HHSN272200900040C	—	1,270,349	1,270,349
Northwestern University	93.RD,HHSN275200800016C	—	3,994	3,994
National Opinion Research Center	93.RD,HHSN27520095647WC	—	134,991	134,991
Mathematica Policy Research	93.RD,HSSP2330095642WC	—	43,133	43,133
University of California San Francisco	93.RD,N01 AI15416	—	35,983	35,983
Northwestern University	93.RD,N01 CN35157	—	(126,782)	(126,782)
Saic-Frederick, Inc.	93.RD,NCI28XS102	—	(277)	(277)
Columbia University	93.RD,P42ES010349	—	(43,629)	(43,629)
American College of Radiology	93.RD,R01 CA021661	—	80,927	80,927
City of Chicago Department of Health	93.RD,RELEASE 2	—	305,265	305,265
City of Chicago Department of Health	93.RD,RELEASE 3	—	410,287	410,287
Emory University	93.RD,S766013	—	26,735	26,735
Chicago Department of Children and Youth	93.RD,26045	—	59,472	59,472

THE UNIVERSITY OF CHICAGO
Schedule of Expenditures of Federal Awards
Year ended June 30, 2012

Federal agency and pass-through entity	CFDA numbers	Direct awards	Pass-through awards	Total expenditures
Duke University	93.RD,Z4051	\$ —	630	630
Duke University	93.RD,Z6051	—	26,137	26,137
Department of Health and Human Services:	93.RD,HHSN261200622001C	763,250	—	763,250
Saic-Frederick, Inc.	93.RD,HHSN261200800001E	—	43,127	43,127
Materials Development, Inc.	93.RD,HHSN261201000113C	—	34,474	34,474
Department of Health and Human Services	93.RD,HHSN261201000145C	264,659	—	264,659
Department of Health and Human Services	93.RD,HHSN261201100071C	624,800	—	624,800
Department of Health and Human Services	93.RD,HHSN266200400042C	100	—	100
Department of Health and Human Services	93.RD,HHSN275201100328P	25,855	—	25,855
Department of Health and Human Services	93.RD,R01HS02063	22,605	—	22,605
ARRA – Department of Health and Human Services:				
Blue Cross Blue Shield Association	93.RD,HHSA 290-2007-10058-I	—	709,725	709,725
Saic-Frederick, Inc.	93.RD,HHSN261200800001E	—	75,873	75,873
Cleveland Clinic	93.RD,HHSN261201000060C	—	6,694	6,694
Radiological Society of North America	93.RD,HHSN268200900060C	—	90,614	90,614
ARRA – Department of Health and Human Services	93.RD,N01 CM62201	208,243	—	208,243
Maternal and Child Health Federal Consolidated Programs:	93.110,11GQ00514			
Illinois Department of Human Services		—	43,962	43,962
Substance Abuse and Mental Health Services_Projecs of Regional and National Significance:	93.243,11GM514000			
Illinois Department of Human Services		—	(4,804)	(4,804)
Substance Abuse and Mental Health Services_Projecs of Regional and National Significance:	93.243,11AQ2042			
Illinois Department of Human Services		—	119,529	119,529
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program:	93.505,11GQ01040			
Illinois Department of Human Services		—	183,642	183,642
Child Abuse and Neglect Discretionary Activities:	93.670,11GQ01040			
Illinois Department of Human Services		—	61,500	61,500
Maternal and Child Health Services Block Grant to the States:	93.994			
Illinois Department of Human Services		—	141,786	141,786
Healthy Start Initiative:	93.926			
Illinois Department of Human Services		—	27,000	27,000
Total Department of Health and Human Services		<u>205,495,931</u>	<u>30,331,652</u>	<u>235,827,583</u>
Department of Housing and Urban Development:				
Doctoral Dissertation Research Grants	14.516	31,193	—	31,193
Total Department of Housing and Urban Development		<u>31,193</u>	<u>—</u>	<u>31,193</u>
Department of Justice:				
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	138,298	—	138,298
ARRA – Recovery Act – State and Local Law Enforcement Assistance Program:	16.809			
Rutgers University		—	56,329	56,329
Total Department of Justice		<u>138,298</u>	<u>56,329</u>	<u>194,627</u>
Department of State:				
Program for Study of Eastern Europe and the Independent States of the Former Soviet Union	19.300			
University of Delaware		—	12,043	12,043
Public Diplomacy Programs for Afghanistan and Pakistan	19.501	79,262	—	79,262
General Department of State Assistance	19.700	23,657	—	23,657
Department of State	19.RD,263-G-00-05-00005-00	480,409	—	480,409
Total Department of State		<u>583,328</u>	<u>12,043</u>	<u>595,371</u>
Environmental Protection Agency:				
Science To Achieve Results (STAR) Fellowship Program	66.514	121,923	—	121,923
Total Environmental Protection Agency		<u>121,923</u>	<u>—</u>	<u>121,923</u>
National Aeronautics and Space Administration:				
Science:	43.001	3,013,711	—	3,013,711
California Institute of Technology		—	236,061	236,061
Cornell University		—	76,451	76,451
Jet Propulsion Laboratory		—	48,571	48,571
Johns Hopkins University		—	23,169	23,169
Massachusetts Institute of Technology		—	10,444	10,444
Smithsonian Institution		—	250,318	250,318
Southwest Research Institute		—	172,857	172,857
Space Telescope Science Institute		—	262,576	262,576
University of Cincinnati		—	28,134	28,134
University of Texas at Austin		—	169,509	169,509
University Space Research Association		—	624,094	624,094
National Aeronautics and Space Administration:	43.RD,1455917	36,573	—	36,573
Space Telescope Science Institute	43.RD,HST-GO-12267.04-A	—	910	910
Space Telescope Science Institute	43.RD,HST-GO-12268.09-A	—	681	681

THE UNIVERSITY OF CHICAGO
Schedule of Expenditures of Federal Awards
Year ended June 30, 2012

Federal agency and pass-through entity	CFDA numbers	Direct awards	Pass-through awards	Total expenditures
Space Telescope Science Institute	43.RD,HST-GO-12371.04-A	\$ —	6,158	6,158
Cornell University	43.RD,NNM08AA26C	—	79,267	79,267
University of Illinois at Champaign	43.RD,NNX10AK65H	—	66,327	66,327
Arizona State University	43.RD,NNX10AO52G/11-475	—	64,385	64,385
National Aeronautics and Space Administration:	43.RD,RSA NO. 1436804	4,382	—	4,382
California Institute of Technology	43.RD,RSA#1436852	—	8,542	8,542
California Institute of Technology	43.RD,RSA1382405	—	12,568	12,568
Total National Aeronautics and Space Administration		3,054,666	2,141,022	5,195,688
National Endowment for the Humanities:				
National Endowment for the Humanities	45.075	68,985	—	68,985
Promotion of the Humanities Division of Preservation and Access	45.149	179,319	—	179,319
Promotion of the Humanities Research	45.161	195,150	—	195,150
Promotion of the Humanities Office of Digital Humanities	45.169	22,371	—	22,371
Total National Endowment for the Humanities		465,825	—	465,825
National Science Foundation:				
Engineering Grants:	47.041	52,463	—	52,463
California Institute of Technology		—	44,074	44,074
Northwestern University		—	5,142	5,142
Qd Vision		—	43,760	43,760
Mathematical and Physical Sciences:	47.049	21,040,368	—	21,040,368
Columbia University		—	1,708,438	1,708,438
Emory University		—	25,000	25,000
Fermi National Accelerator Laboratory		—	51,120	51,120
Princeton University		—	22,918	22,918
University of California Irvine		—	143,882	143,882
University of Minnesota		—	13,500	13,500
University of Notre Dame		—	238,638	238,638
University of Wisconsin		—	422,599	422,599
Geosciences:	47.050	3,801,971	—	3,801,971
University of California San Diego		—	725,027	725,027
University of California-Davis		—	94,809	94,809
University of Illinois at Champaign		—	38,902	38,902
Computer and Information Science and Engineering:	47.070	2,510,915	—	2,510,915
DePaul University		—	36,462	36,462
Johns Hopkins University		—	29,414	29,414
Biological Sciences:	47.074	2,166,804	—	2,166,804
University of Arizona		—	225,065	225,065
University of California-Davis		—	373,801	373,801
University of Florida		—	219,585	219,585
University of Illinois at Chicago		—	18,980	18,980
University of Michigan		—	193,514	193,514
University of South Dakota		—	82,545	82,545
Social, Behavioral, and Economic Sciences:	47.075	4,284,734	—	4,284,734
Arizona State University		—	80,000	80,000
Case-Western Reserve University		—	5,924	5,924
Temple University		—	1,234,340	1,234,340
University of Michigan		—	284,104	284,104
University of New Hampshire		—	40,901	40,901
Education and Human Resources:	47.076	1,770,422	—	1,770,422
University of Missouri – Columbia		—	(4,799)	(4,799)
Polar Programs	47.078	3,736,880	—	3,736,880
International Science and Engineering (OISE)	47.079	746,264	—	746,264
Office of Cyberinfrastructure	47.080	13,347,939	—	13,347,939
Indiana University		—	328,035	328,035
University of Florida		—	202,489	202,489
University of Illinois at Champaign		—	1,231,938	1,231,938
University of Wisconsin		—	116,656	116,656
Virginia Tech		—	1,657	1,657
ARRA – Trans-NSF Recovery Act Research Support:	47.082	2,986,701	—	2,986,701
California State University, Fresno		—	28,453	28,453
University of California Berkeley		—	11,377	11,377
University of California San Diego		—	(106,082)	(106,082)
National Science Foundation	47.RD,EAR-0847217	3,159	—	3,159
National Science Foundation	47.RD,OCI-1239751	81,839	—	81,839
Total National Science Foundation		56,530,459	8,212,168	64,742,627
Social Security Administration:				
Social Security – Research and Demonstration:	96.007			
Rand Corporation		—	42,463	42,463
Total Social Security Administration		—	42,463	42,463
Total Research and Development Cluster		284,580,563	50,808,375	335,388,938

THE UNIVERSITY OF CHICAGO
Schedule of Expenditures of Federal Awards
Year ended June 30, 2012

Federal agency and pass-through entity	CFDA numbers	Direct awards	Pass-through awards	Total expenditures
Student Financial Aid Cluster:				
Department of Education:				
Federal Supplemental Educational Opportunity Grants	84.007	\$ 683,989	—	683,989
Federal Work-Study Program	84.033	2,621,199	—	2,621,199
Federal Perkins Loan Program_Federal Capital Contributions	84.038	5,812,681	—	5,812,681
Federal Pell Grant Program	84.063	3,512,255	—	3,512,255
Federal Direct Student Loans	84.268	120,821,301	—	120,821,301
Academic Competitiveness Grants	84.375	(250)	—	(250)
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379	87,058	—	87,058
Total Department of Education		133,538,233	—	133,538,233
Total Student Financial Assistance Cluster		133,538,233	—	133,538,233
Other Federal Programs:				
Department of Defense:				
Military Medical Research and Development	12.420	38,732	—	38,732
Mathematical Sciences Grants Program	12.901	119,347	—	119,347
Total Department of Defense		158,079	—	158,079
Department of Education:				
National Resource Centers Program for Foreign Language and Area Studies or Foreign Language and International Studies Program and Foreign Language and Area Studies Fellowship Program:	84.015	1,644,752	—	1,644,752
Northeastern Illinois University		—	186,179	186,179
University of Illinois at Champaign		—	367,139	367,139
Overseas Programs – Doctoral Dissertation Research Abroad	84.022	17,143	—	17,143
Javits Fellowships	84.170	645,751	—	645,751
Education Research, Development and Dissemination	84.305	1,195,087	—	1,195,087
International Education – Technological Innovation and Cooperation for Foreign Information Access	84.337	(58,306)	—	(58,306)
Arts in Education:	84.351	—	12,975	12,975
Danceart		—	12,975	12,975
Improving Teacher Quality State Grants:	84.367	—	353,371	353,371
Illinois Board of Higher Education		—	353,371	353,371
Department of Education:	84.RD,10-0526-ED2-158,10-0922-A	—	4,690	4,690
Chicago Board of Education		—	4,690	4,690
Total Department of Education		3,444,427	924,354	4,368,781
Department of Energy:				
Office of Science Financial Assistance Program	81.049	20,000	—	20,000
State Energy Program Special Projects:	81.119	—	2,011	2,011
Krell Institute		—	2,011	2,011
Department of Energy:	81.UNK, FNAL PO #570086	—	317,175	317,175
Fermi National Accelerator Laboratory		—	317,175	317,175
Department of Energy:	81.UNK	—	22,024	22,024
Fermi National Accelerator Laboratory		—	22,024	22,024
Total Department of Energy		20,000	341,210	361,210
Department of Health and Human Services:				
Patient Navigator and Chronic Disease Prevention Program	93.191	(2,080)	—	(2,080)
Research on Healthcare Costs, Quality and Outcomes	93.226	4,872	—	4,872
Drug Abuse and Addiction Research Programs:	93.279	100,792	—	100,792
University of California San Francisco		—	864	864
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286	3,600	—	3,600
National Center for Research Resources	93.389	52,335	—	52,335
Cancer Cause and Prevention Research	93.393	20,960	—	20,960
Cancer Research Manpower:	93.398	—	107,009	107,009
Northwestern University		—	107,009	107,009
Department of Health and Human Services:	93.505,11AQ00235	—	258,417	258,417
Illinois Department of Public Health		—	258,417	258,417
ARRA – Health Information Technology Regional Extension Centers Program:	93.718	—	5,566	5,566
Northwestern University		—	5,566	5,566
Cardiovascular Diseases Research	93.837	119,119	—	119,119
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	21,697	—	21,697
Biomedical Research and Research Training	93.859	282,912	—	282,912
HIV Emergency Relief Project Grants:	93.914	—	60,233	60,233
Aids Foundation of Chicago		—	60,233	60,233
City of Chicago Department of Health		—	406,812	406,812
Maternal and Child Health Services Block Grant to the States:	93.994	—	1,389	1,389
Illinois Department of Public Health	93.994,13789001	—	1,389	1,389
Department of Health and Human Services:	93.UNK:U79SP015211-03	—	27,638	27,638
Access Community Health		—	27,638	27,638
ARRA – Department of Health and Human Services	93.UNK, IPIA110551072	13,180	—	13,180

THE UNIVERSITY OF CHICAGO
Schedule of Expenditures of Federal Awards
Year ended June 30, 2012

Federal agency and pass-through entity	CFDA numbers	Direct awards	Pass-through awards	Total expenditures
Department of Health and Human Services: State of New York Office of Children and Family Services	93.UNK,T011707	\$ —	3,158	3,158
Total Department of Health and Human Services		617,387	871,086	1,488,473
Institute of Museum Services: Museums for America	45.301	84,472	—	84,472
Conservation Project Support	45.303	24,457	—	24,457
Total Institute of Museum Services		108,929	—	108,929
National Aeronautics and Space Administration: Science:	43.001	273,286	—	273,286
Chicago Public Schools		—	61,054	61,054
Space Telescope Science Institute		—	836	836
Total National Aeronautics and Space Administration		273,286	61,890	335,176
National Endowment for the Arts: Promotion of the Arts – Grants to Organizations and Individuals	45.024	49,510	—	49,510
Total National Endowment for the Arts		49,510	—	49,510
National Endowment for the Humanities: Promotion of the Humanities Division of Preservation and Access	45.149	169,019	—	169,019
Promotion of the Humanities Research	45.161	68,923	—	68,923
Total National Endowment for the Humanities		237,942	—	237,942
National Science Foundation: Mathematical and Physical Sciences	47.049	177,132	—	177,132
Computer and Information Science and Engineering	47.070	222,300	—	222,300
Education and Human Resources: Chicago Pre-College Science & Engineering Programs	47.076	1,760,209	—	1,760,209
ARRA – Trans-NSF Recovery Act Research Support	47.082	—	12,822	12,822
Total National Science Foundation		2,826,309	12,822	2,839,131
United States Census Bureau: United States Census Bureau	11.RD,YA132311SE0303	39,822	—	39,822
Total United States Census Bureau		39,822	—	39,822
Total other federal programs		7,775,691	2,211,362	9,987,053
TRIO Cluster: Department of Education: TRIO Upward Bound	84.047	452,714	—	452,714
Total Department of Education		452,714	—	452,714
Total TRIO Cluster		452,714	—	452,714
Immunization Cluster: Department of Health and Human Services: Immunization Grants	93.268	—	43,406	43,406
City of Chicago Department of Health ARRA – Immunization	93.712	—	290,444	290,444
City of Chicago Department of Health		—	290,444	290,444
Total Department of Health and Human Services		—	333,850	333,850
Total Immunization Cluster		—	333,850	333,850
State Fiscal Stabilization Fund Cluster: Department of Education: ARRA – Title I Grants to Local Educational Agencies, Recovery Act	84.389	—	400,003	400,003
Chicago Board of Education		—	400,003	400,003
Total Department of Education		—	400,003	400,003
Total State Fiscal Stabilization Fund Cluster		—	400,003	400,003
Teacher Quality Partnerships Cluster: Department of Education: ARRA – Teacher Quality Partnerships, Recovery Act	84.405	1,887,743	—	1,887,743
Total Department of Education		1,887,743	—	1,887,743
Total Teacher Quality Partnerships Cluster		1,887,743	—	1,887,743
CCDF Cluster (Child Care and Development Fund): Department of Health and Human Services: Child Care and Development Block Grant	93.575	79,111	—	79,111
Total Department of Health and Human Services		79,111	—	79,111
Total CCDF Cluster (Child Care and Development Fund)		79,111	—	79,111

THE UNIVERSITY OF CHICAGO
Schedule of Expenditures of Federal Awards
Year ended June 30, 2012

<u>Federal agency and pass-through entity</u>	<u>CFDA numbers</u>	<u>Direct awards</u>	<u>Pass-through awards</u>	<u>Total expenditures</u>
Head Start Cluster:				
Department of Health and Human Services:				
Head Start	93.600	\$ —	199,972	199,972
Chicago Department of Children and Youth		—	199,972	199,972
Total Department of Health and Human Services		—	199,972	199,972
Total Head Start Cluster		—	199,972	199,972
Grand Total		\$ 428,314,055	53,953,562	482,267,617

See accompanying notes to schedule of expenditures of federal awards.

THE UNIVERSITY OF CHICAGO

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

(1) **Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) displays the expenditures charged to federal programs by The University of Chicago (the University) on the accrual basis of accounting for the year ended June 30, 2012. The Schedule excludes expenditures incurred for operating Argonne National Laboratory (ANL) and the Fermi National Accelerator Laboratory (Fermilab). The University, through its affiliate UChicago Argonne, LLC, operates ANL under a contract with the U.S. Department of Energy (DOE). Beginning in fiscal year 2008, the University, as a member of Fermi Research Alliance, LLC (FRA), also operates Fermilab on behalf of the DOE. The Schedule also excludes expenditures incurred by the University of Chicago Medical Center and the University of Chicago Charter School Corporation. The Schedule summarizes expenditures by:

- Research and Development, Student Financial Assistance, other clusters, and other programs;
- Primary federal funding agency;
- Direct award agreements between the University and federal granting agencies; and
- Subaward (pass-through award) agreements between the University and nonfederal granting agencies.

(a) ***Research and Development Cluster***

The research and development cluster includes those awards that are for basic and applied research and development activities and for research training. OMB Circular A 133, *Audits of States, Local Governments, and Non-Profit Organizations*, defines research and development as follows: research is a systematic study directed toward fuller scientific knowledge or understanding of the subject studied; development is the systematic use of knowledge and understanding gained from research directed toward the production of useful materials, devices, systems, or methods, including design and development of prototypes and processes.

(b) ***Student Financial Assistance Program Cluster***

The student financial assistance program cluster includes those awards that provide general student financial aid. They include Federal Pell grants, Federal Supplemental Educational Opportunity Grants (FSEOG), and Federal Work Study (FWS) awards. The University also receives awards to make loans to eligible students under the Perkins, Health Professions – Primary Care, and Loans to Disadvantaged Students loan programs. The University and various financial institutions also issue federally guaranteed loans to students under the Federal Direct Loan Program. The student financial assistance cluster does not include programs that provide fellowships or similar awards to students on a competitive basis; the Schedule classifies those programs as research and development or as training.

The University recognizes expenditures for federal student financial aid programs as they are incurred. Student financial aid programs with fiscal year 2012 expenditures include the Federal Pell program grants to students, the federal share of students' FSEOG program grants, and the federal share of the FWS program expenditures.

THE UNIVERSITY OF CHICAGO

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

(c) ***American Recovery and Reinvestment Act (ARRA)***

During fiscal year 2012, the University expended \$22,410,733 of ARRA funds that it received from the following agencies:

Department of Education	\$	2,287,746
Department of Energy		305,832
Department of Health and Human Services		16,173,709
Department of Justice		56,329
National Science Foundation		<u>3,587,117</u>
	\$	<u><u>22,410,733</u></u>

(d) ***Direct and Indirect Federal Award Expenditures***

Federal award expenditures consist of direct and indirect costs. Direct costs are those that can be easily identified with an individual federally sponsored project. The salary of a principal investigator of a sponsored research project and the materials consumed by the project are examples of direct costs.

Unlike direct costs, indirect costs cannot easily be identified with an individual federally sponsored project. Indirect costs are the costs of services and resources that benefit both sponsored and nonsponsored projects and activities. Indirect costs consist of expenses incurred for administration, library, plant maintenance, debt, and building and equipment depreciation.

The University and federal agencies use an indirect cost rate to charge indirect costs to individual federally sponsored projects. The rate is the result of a number of complex cost allocation procedures that the University uses to allocate its indirect costs to both sponsored and nonsponsored activities. The costs allocated to sponsored projects are divided by the direct costs of sponsored projects to arrive at a rate. Before the rate is applied, the U.S. Department of Health and Human Services must approve it.

(2) **Summary of Indirect Costs**

Indirect cost charges to federal awards for the year ended June 30, 2012 were as follows:

Research and development	\$	87,076,713
Other		<u>707,737</u>
Total	\$	<u><u>87,784,450</u></u>

THE UNIVERSITY OF CHICAGO

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

(3) Summary of Subrecipient Payments

Subrecipient payments charged to federal awards for the year ended June 30, 2012 were as follows:

Research and development:	
Department of Defense	\$ 1,680,044
Department of Education	200,947
Department of Energy	395,099
Department of Health and Human Services	27,002,845
Department of Justice	37,691
Environmental Protection Agency	71,424
National Aeronautics and Space Administration	50,914
National Science Foundation	15,107,559
	<u>44,546,523</u>
Other:	
Department of Education	39,502
Department of Health and Human Services	196,645
National Aeronautics and Space Administration	836
National Endowment for the Humanities	1,192
	<u>238,175</u>
Total	\$ <u><u>44,784,698</u></u>

(4) Federal Loan Programs

Loans made to University students under the various federal loan programs for the year ended June 30, 2012 are summarized below:

University federal loans:	
Perkins	\$ <u>5,812,681</u>
Total University federal loans	<u>5,812,681</u>
Non-University federal loans:	
Stafford	65,360,365
Parent Loans for Undergraduate Students (PLUS) and Graduate PLUS	<u>55,460,936</u>
Total non-University federal loans	<u>120,821,301</u>
Total	\$ <u><u>126,633,982</u></u>

THE UNIVERSITY OF CHICAGO

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

University federal loans outstanding at June 30, 2012 are shown below:

Perkins	\$	35,505,821
Health professions		171,690
Loans to disadvantaged students		<u>1,516</u>
Total	\$	<u><u>35,679,027</u></u>

For non-University federal loans, the University is responsible only for the performance of certain administrative duties; therefore, the outstanding loans for those programs are not included in the University's consolidated financial statements.



KPMG LLP
Aon Center
Suite 5500
200 East Randolph Drive
Chicago, IL 60601-6436

**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***

The Board of Trustees
The University of Chicago:

We have audited the consolidated financial statements of The University of Chicago (the University) as of and for the year ended June 30, 2012, and have issued our report thereon dated October 10, 2012. Our report is based on the report of other auditors insofar as it relates to the amounts included in the consolidated financial statements for The University of Chicago Medical Center. 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

Management of the University is responsible for establishing and maintaining effective 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 over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, 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 consolidated 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 the University in a separate letter dated October 10, 2012.

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

KPMG LLP

October 10, 2012



KPMG LLP
Aon Center
Suite 5500
200 East Randolph Drive
Chicago, IL 60601-6436

**Independent Auditors' Report on Compliance with Requirements That Could
Have a Direct and Material Effect on Each Major Program and on
Internal Control over Compliance in Accordance with
OMB Circular A-133**

The Board of Trustees
The University of Chicago:

Compliance

We have audited The University of Chicago's (the University) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A – 133, *Compliance Supplement* (the 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, 2012. The University's major federal programs are identified in the summary of auditors' 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.

The University's consolidated financial statements include the operations of The University of Chicago Medical Center (the Medical Center) and University Charter Schools, which received federal awards that are not included in the schedule of expenditures of federal awards for the year ended June 30, 2012, and were audited by other auditors.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial statement 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 consider 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 compliance 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, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 12-01 through 12-03.



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 requirements that could have a direct and material effect on a major federal program to determine the 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 such 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 certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 12-01 through 12-03. 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 findings 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 it.

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

KPMG LLP

March 25, 2013

THE UNIVERSITY OF CHICAGO
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

(1) Summary of Auditors' Results

- (a) The type of report issued on the consolidated financial statements: **Unqualified opinion**
- (b) Significant deficiencies in internal control disclosed by the audit of the consolidated financial statements: **None reported**

Material weaknesses: **No**

- (c) Noncompliance, which is material to the consolidated financial statements: **No**

- (d) Significant deficiencies in internal control over major programs: **Yes**

Material weaknesses: **No**

- (e) The type of report issued on compliance for major programs: **Unqualified opinion**

- (f) Any audit findings that are required to be reported under Section 0.510(a) of OMB Circular A-133: **Yes**

- (g) Major programs:

Student Financial Assistance Program Cluster:	
Federal Supplemental Educational Opportunity Grants	84.007
Federal Work-Study Program	84.033
Federal Perkins Loan Program	84.038
Federal Pell Grant Program	84.063
Federal Direct Student Loans	84.268
Federal Direct Teacher Education Assistance for College and Higher Education Grants	84.379
Research and Development Cluster – Various CFDA Numbers (See Schedule of Expenditures of Federal Awards)	

- (h) Dollar threshold used to distinguish between Type A and Type B programs: **\$3,000,000**

- (i) Auditee qualified as a low-risk auditee under Section 0.530 of OMB Circular A 133: **Yes**

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

None

THE UNIVERSITY OF CHICAGO
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

(3) Findings and Questioned Costs Relating to Federal Awards

Finding 12-01: *Untimely Report of Subaward Information Required by FFATA*

Federal Agency: U.S. Department of Education (USDE)

Program Name: Research & Development Cluster

Program Expenditures: \$335,388,938

Award Numbers: P200A090326-11

Award CFDA # and Expenditures: 84.200 (\$1,535,699)

Questioned Costs: None

Requirement

In accordance with the Federal Funding Accountability and Transparency Act (FFATA), the University is required as a recipient of first-tier subawards to report certain identifying information related to awards made to subrecipients in amounts greater than or equal to \$25,000 under federal grants awarded on or after October 1, 2010 in the FFATA Subaward Reporting System (FSRS) no later than the last day of the month following the month in which the subaward was made. Information required to be reported includes: (1) the agreement date, (2) the subrecipient's nine-digit Data Universal Numbering System (DUNS) number, (3) the amount of the subaward, (4) the date the sub-award agreement was signed, and (5) the subaward or other identifying number assigned by the University.

According to 2 CFR 170, a pass-through entity is required report certain identifying information for each subaward of federal funds greater than or equal to \$25,000. Additionally, OMB Circular A-110, *Uniform Administrative Requirements for Grant and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*, requires nonfederal entities receiving federal awards establish and maintain internal controls designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Effective internal controls should include establishing procedures (1) to identify awards subject to FFATA and (2) to ensure subawards are properly reported in accordance with FFATA.

Condition Found

During our testwork over FFATA Reporting, we noted the University did not report the required information for one subrecipient within the required timeframe. The two reports for the subrecipient were submitted 31 days and 478 days, respectively in excess of the last day of the month following the month in which the subawards were made.

Effect

Failure to identify awards subject to FFATA and to report subaward in accordance with FFATA results in noncompliance with federal regulations. (Finding Code 12-01)

THE UNIVERSITY OF CHICAGO
Schedule of Findings and Questioned Costs
Year ended June 30, 2012

Recommendation

We recommend the University review its procedures for identifying awards subject to FFATA reporting requirements to ensure all required information is reported in timely manner.

University Response

We agree with the condition found and have implemented the recommendation.

THE UNIVERSITY OF CHICAGO

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Finding 12-02: *Inadequate Monitoring of Subrecipient OMB Circular A-133 Reports*

Federal Agency: U.S. Department of Health and Human Services (USDHHS)

Program Name: Research & Development Cluster

Program Expenditures: \$335,388,938

Award Numbers: R01 GM087558

Award CFDA # and Expenditures: 93.859 (\$35,463,512)

Questioned Costs: None

Requirement

According to OMB Circular A-133 §____. 400(d), a pass-through entity is required to monitor the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. According to OMB Circular A-133 §____. 400(d)(5), a pass-through entity is required to issue a management decision on audit findings within six months after receipt of the subrecipient’s audit report and ensure that the subrecipient takes timely and appropriate corrective action on all audit findings.

Additionally, OMB Circular A 110, *Uniform Administrative Requirements for Grant and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*, requires nonfederal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures in place to ensure (1) federal awards passed through to subrecipients have been properly included in the subrecipients’ OMB Circular A-133 audits, (2) subrecipients expending \$500,000 or more in federal awards during the subrecipients fiscal year have met the audit requirements of OMB Circular A-133, including that the audits are completed within nine months after the end of the subrecipients fiscal year-end, (3) the subrecipient audit reports are reviewed in a timely manner, and (4) management decisions on reported findings are issued within six months after receipt of the subrecipients’ audit reports.

Condition Found

During our testwork of 40 subrecipients of funds within the Research & Development Cluster with total expenditures of approximately \$11,115,570, we noted that a management decision was not issued for findings reported in the OMB Circular A-133 report of one subrecipient that received approximately \$602,599 from the University during the year ended June 30, 2012. The University passed through approximately \$44,546,523 to subrecipients of the Research & Development Cluster during the year ended June 30, 2012.

Additionally, the University does not have documentation of the review of A-133 reports received from subrecipients of the Research & Development Cluster, which should include procedures to determine

THE UNIVERSITY OF CHICAGO

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

whether: (1) the audit reports met the audit requirements of OMB Circular A-133; (2) federal funds reported in the schedule of expenditures of federal awards reconciled to the University records to ensure subrecipients properly included amounts in the SEFA; and (3) Type A programs were audited at least every three years. Finally, the University does not maintain adequate documentation of its process to track and followup with subrecipients when the OMB Circular A-133 reports or certification letters have not been received in a timely manner.

Effect

Failure to obtain and adequately review subrecipient OMB Circular A-133 audit reports, and issue management decisions on subrecipient findings within the required timeframe results in noncompliance with OMB Circular A-133 and may result in subrecipients not properly administering federal programs in accordance with laws, regulations, and the grant agreement. (Finding Code 12-02)

Recommendation

We recommend the University establish procedures to ensure that: (1) expenditures passed through to subrecipients per the University's records are reconciled to the schedule of expenditures of federal awards submitted in the subrecipients' OMB Circular A-133 audit reports, (2) follow-up procedures are performed for all delinquent OMB Circular A-133 reports, (3) desk reviews are performed on a timely basis, and (4) management decisions are issued within six months after receipt of the subrecipients' OMB Circular A-133 audit reports and corrective action plans are obtained.

University Response

We agree with the condition noted and will update our internal operating procedure by March 31, 2013.

THE UNIVERSITY OF CHICAGO

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

Finding 12-03: *Failure to Follow Property Management Regulations*

Federal Agency: U.S. Department of Health and Human Services (USDHHS) National Aeronautics and Space Administration (NASA) National Science Foundation (NSF)

Program Name: Research & Development Cluster

Program Expenditures: \$335,388,938

Award Numbers: NNX08AC40G/5 R01 DK0619310-12/5 U01 GM094588-02(R)/CHE-0321232/EEC-046750

Award CFDA # and Expenditures: 43.001 (\$4,915,895), 93.847 (\$16,818,749), 93.859 (\$35,463,512), 47.041 (\$145,439), 47.049 (\$23,666,463)

Questioned Costs: \$23,075 (CFDA # 47.049/47.041)
(Award Numbers: CHE-0321232/EEC-046750)

Requirement

Equipment purchased with federal funds are utilized and maintained at multiple locations across the University and its affiliated sites. The University identifies all equipment in its property management records with an individually assigned asset number, the physical location of the asset, the federal award general ledger account number that funded the purchase of the asset, and other descriptive asset details. An asset tag indicating the assigned asset number is affixed to each asset. The University requires that a form is completed and approved by the appropriate personnel prior to the sale, transfer, or disposal of any equipment.

OMB Circular A-110, *Uniform Administrative Requirements for Grant and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*, requires that equipment be used in the program, which acquired it or, when appropriate, other federal programs. Additionally, OMB Circular A-110 requires the University to implement an appropriate control system to safeguard equipment and to ensure equipment is adequately maintained. Finally, OMB Circular A-110 requires nonfederal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure equipment inventory records are accurate, equipment items are properly tagged, and equipment is properly disposed.

Condition Found

During our physical observation of 40 pieces of equipment purchased with Research & Development Cluster funds, we noted the following:

- Five items included on the Research & Development Cluster inventory list (with a cost value of \$39,504 and net book value of \$35,666) did not have the property control tags affixed to the assets.

THE UNIVERSITY OF CHICAGO

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

- Two items included on the Research & Development Cluster inventory list (with a cost value of \$20,119 and net book value of \$0) were not located. Upon further investigation, the University noted that the items were disposed prior to our physical observation; however, the disposal was not reflected in the accounting records.

Additionally, during our equipment disposal testwork over 40 pieces of equipment funded under the Research & Development Cluster that were disposed of during the fiscal year ended June 30, 2012, we noted one item (with a cost value of \$70,272 and net book value of \$35,136) was sold by the University for \$32,500 (\$23,075 in questioned costs represents the federally funded portion of the equipment). Although the equipment was subsequently determined to have a readily available fair value greater than \$5,000, the proceeds from the sale were not credited to the correct grant account. As such, the necessary refund to the federal sponsor was not initiated at the time of our procedures.

As of June 30, 2012, the cumulative cost value of equipment purchased with Research & Development Cluster funds was \$50,255,241.

Effect

Failure to properly maintain accurate property management records and tag equipment purchased with federal funds prohibits the University from properly safeguarding and maintaining equipment and may result in federal programs not receiving the appropriate share of proceeds from the disposals of equipment purchased with federal funds. Failure to reimburse a federal awarding agency for their share of the sales proceeds results in noncompliance with federal regulations. (Finding Code 12-03)

Recommendation

We recommend the University implement procedures to ensure property records accurately reflect equipment, to ensure items are properly tagged in accordance with property management regulations, and to ensure that items are properly disposed and the related share of sale proceeds are adequately reimbursed to the federal awarding agency.

University Response

We agree with the conditions noted and will implement the auditor's recommendations by March 31, 2013. The University returned the \$23,075 in proceeds to the federal government based on the sale of the equipment cited. The University completed a review of all FY 12 disposals of equipment originally purchased with federal funds and no other equipment sales were discovered. A more thorough review of these disposals with a net book value of \$1,859,022 (original cost value of \$9,385,724) will be completed by March 31, 2013 confirming the results of the University's initial review.