



THE UNIVERSITY OF CHICAGO

OMB Circular A-133 Audit Report

Year ended June 30, 2013

(With Independent Auditors' Reports Thereon)

THE UNIVERSITY OF CHICAGO

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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 39, have been prepared in conformity with U.S. generally accepted accounting principles and, as such, include amounts based on judgments and estimates by management.

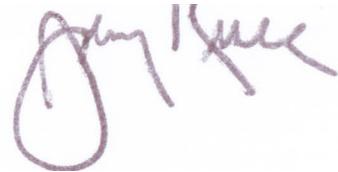
The consolidated financial statements have been audited by the independent accounting firm KPMG LLP, (KPMG), which was given unrestricted access to all financial records and related data, including minutes of all meetings of trustees. KPMG did not audit the financial statements of The University of Chicago 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
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Independent Auditors' Report

The Board of Trustees
The University of Chicago:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The University of Chicago (the University), which comprise the consolidated balance sheets as of June 30, 2013 and 2012, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements. We did not audit the financial statements of The University of Chicago Medical Center (the Medical Center), which statements reflect total assets constituting 19% and 20% and total revenues constituting 43% and 44% of the related consolidated totals in 2013 and 2012, 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.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The University of Chicago as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2013 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

KPMG LLP

Chicago, Illinois
October 10, 2013

THE UNIVERSITY OF CHICAGO

Consolidated Balance Sheets

June 30, 2013 and 2012

(In thousands of dollars)

| Assets | 2013 | 2012 |
|--|---------------|-------------|
| Cash and cash equivalents | \$ 190,082 | 146,278 |
| Notes and accounts receivable, net | 387,513 | 376,812 |
| Prepaid expenses and other assets | 105,285 | 100,566 |
| Pledges receivable, net | 422,325 | 371,561 |
| Investments | 7,686,884 | 7,440,884 |
| Land, buildings, equipment, and books, net | 3,733,388 | 3,518,629 |
| Total assets | \$ 12,525,477 | 11,954,730 |
| Liabilities and Net Assets | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | \$ 644,346 | 650,491 |
| Deferred revenue | 89,480 | 89,521 |
| Assets held in custody for others | 58,923 | 61,535 |
| Self-insurance liability | 273,692 | 264,248 |
| Pension and other postretirement benefit obligations | 490,642 | 568,634 |
| Asset retirement obligation | 61,631 | 64,201 |
| Notes and bonds payable | 3,563,152 | 3,284,066 |
| Refundable U.S. government student loan funds | 38,390 | 38,107 |
| Total liabilities | 5,220,256 | 5,020,803 |
| Net assets: | | |
| Unrestricted | 2,512,969 | 2,324,884 |
| Temporarily restricted | 3,240,422 | 3,150,524 |
| Permanently restricted | 1,551,830 | 1,458,519 |
| Total net assets | 7,305,221 | 6,933,927 |
| Total liabilities and net assets | \$ 12,525,477 | 11,954,730 |

See accompanying notes to consolidated financial statements.

THE UNIVERSITY OF CHICAGO

Consolidated Statements of Activities

Years ended June 30, 2013 and 2012

(In thousands of dollars)

| | <u>2013</u> | <u>2012</u> |
|--|------------------|------------------|
| Changes in unrestricted net assets: | | |
| Operating: | | |
| Revenue: | | |
| Tuition and fees – gross | \$ 671,779 | 629,288 |
| Less student aid | (310,056) | (294,394) |
| Tuition and fees – net | <u>361,723</u> | <u>334,894</u> |
| Government grants and contracts | 356,938 | 386,797 |
| Private gifts, grants, and contracts | 160,132 | 146,475 |
| Endowment payout | 367,225 | 371,632 |
| Earnings on other investments | 1,772 | 2,477 |
| Patient care | 1,480,295 | 1,429,667 |
| Auxiliaries | 210,945 | 206,240 |
| Other income | 246,938 | 209,087 |
| Net assets released from restrictions | <u>52,071</u> | <u>47,399</u> |
| Total operating revenue | <u>3,238,039</u> | <u>3,134,668</u> |
| Expenses: | | |
| Compensation: | | |
| Academic salaries | 484,507 | 466,394 |
| Staff salaries | 962,837 | 889,895 |
| Benefits | <u>412,371</u> | <u>388,774</u> |
| Total compensation | <u>1,859,715</u> | <u>1,745,063</u> |
| Other operating expenses: | | |
| Utilities, alterations, and repairs | 68,886 | 68,960 |
| Depreciation | 223,140 | 210,742 |
| Interest | 108,320 | 90,698 |
| Supplies, services, and other | 939,330 | 888,842 |
| Insurance | <u>44,733</u> | <u>51,154</u> |
| Total other operating expenses | <u>1,384,409</u> | <u>1,310,396</u> |
| Total operating expenses | <u>3,244,124</u> | <u>3,055,459</u> |
| Excess (deficiency) of operating revenue over expenses | <u>(6,085)</u> | <u>79,209</u> |

THE UNIVERSITY OF CHICAGO

Consolidated Statements of Activities

Years ended June 30, 2013 and 2012

(In thousands of dollars)

| | 2013 | 2012 |
|---|--------------|-------------|
| Changes in unrestricted net assets: | | |
| Nonoperating: | | |
| Investment gains (losses) | \$ 26,296 | (54,066) |
| Postretirement benefit changes other than net periodic benefit cost | 89,046 | (123,322) |
| Change in value of derivative instruments | 70,310 | (112,658) |
| Loss on debt refinancing | (1,143) | (18,776) |
| Others, net | 9,661 | 1,186 |
| Change in unrestricted net assets from nonoperating activities | 194,170 | (307,636) |
| Increase (decrease) in unrestricted net assets | 188,085 | (228,427) |
| Changes in temporarily restricted net assets: | | |
| Private gifts | 119,085 | 79,212 |
| Investment gains (losses) | 87,456 | (39,494) |
| Others, net | (64,572) | (14,661) |
| Net assets released from restrictions | (52,071) | (47,399) |
| Increase (decrease) in temporarily restricted net assets | 89,898 | (22,342) |
| Changes in permanently restricted net assets: | | |
| Private gifts | 82,981 | 55,584 |
| Endowment payout | 2,156 | 2,517 |
| Investment gains (losses) | (33,658) | 400 |
| Others, net | 41,832 | (4,494) |
| Increase in permanently restricted net assets | 93,311 | 54,007 |
| Increase (decrease) in net assets | 371,294 | (196,762) |
| Net assets at beginning of year | 6,933,927 | 7,130,689 |
| Net assets at end of year | \$ 7,305,221 | 6,933,927 |

See accompanying notes to consolidated financial statements.

THE UNIVERSITY OF CHICAGO
Consolidated Statements of Cash Flows
Years ended June 30, 2013 and 2012
(In thousands of dollars)

| | 2013 | 2012 |
|--|-------------|-------------|
| Cash flows from operating activities: | | |
| Increase (decrease) in net assets | \$ 371,294 | (196,762) |
| Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation | 223,140 | 210,742 |
| Change in value of derivative instruments | (70,310) | 112,658 |
| Loss on debt refinancing | 1,143 | 18,776 |
| Loss on disposal of land, buildings, equipment, and books | 29,407 | 5,701 |
| Net gain on investments | (353,181) | (200,080) |
| Private gifts and grants restricted for long-term investment | (199,850) | (134,795) |
| Other nonoperating changes | 120,865 | 97,566 |
| Postretirement benefit changes other than net periodic benefit cost | (89,046) | 123,322 |
| Changes in assets and liabilities: | | |
| Notes and accounts receivable | (9,924) | (83,877) |
| Prepaid expenses and other assets | 21,632 | (13,446) |
| Accounts payable and other liabilities | 73,553 | (51,456) |
| Self-insurance liability | 9,444 | 1,522 |
| Total adjustments | (243,127) | 86,633 |
| Net cash provided by (used in) operating activities | 128,167 | (110,129) |
| Cash flows from investing activities: | | |
| Purchase of investments | (2,054,854) | (738,989) |
| Proceeds from sale of investments | 2,135,012 | 1,003,174 |
| Acquisition of land, buildings, equipment, and books | (469,877) | (489,155) |
| Loans disbursed | (6,895) | (5,563) |
| Principal collected on loans | 6,118 | 5,876 |
| Net cash used in investing activities | (390,496) | (224,657) |
| Cash flows from financing activities: | | |
| Proceeds from issuance of debt instruments | 1,384,452 | 1,804,200 |
| Principal payments on debt instruments | (1,106,347) | (1,562,730) |
| Proceeds from private gifts and grants restricted for long-term investment | 94,372 | 82,566 |
| Other nonoperating changes | (66,344) | (45,459) |
| Net cash provided by financing activities | 306,133 | 278,577 |
| Increase (decrease) in cash and cash equivalents | 43,804 | (56,209) |
| Cash and cash equivalents at: | | |
| Beginning of year | 146,278 | 202,487 |
| End of year | \$ 190,082 | 146,278 |
| Supplemental disclosure of cash flow information: | | |
| Cash paid for interest | \$ 119,081 | 91,211 |

See accompanying notes to consolidated financial statements.

THE UNIVERSITY OF CHICAGO

Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(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 of Trustees (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.

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Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(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:

| <u>Detail of net assets</u> | <u>2013</u> | | <u>2012</u> | |
|--|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | <u>Temporarily restricted</u> | <u>Permanently restricted</u> | <u>Temporarily restricted</u> | <u>Permanently restricted</u> |
| University: | | | | |
| Operating | \$ 10,968 | — | 9,934 | — |
| Pledges | 336,966 | 80,651 | 312,549 | 48,579 |
| Student loans | — | 20,192 | — | 18,954 |
| Endowment | 2,628,304 | 1,407,485 | 2,552,126 | 1,350,616 |
| Annuity and life income | 22,718 | 37,410 | 18,313 | 34,278 |
| Net investment in physical properties | 159,495 | — | 162,257 | — |
| Subtotal | <u>3,158,451</u> | <u>1,545,738</u> | <u>3,055,179</u> | <u>1,452,427</u> |
| Medical Center: | | | | |
| Operating | 8,639 | — | 17,653 | — |
| Pledges | 4,698 | 10 | 10,413 | 20 |
| Endowment | 68,634 | 6,082 | 67,279 | 6,072 |
| Subtotal | <u>81,971</u> | <u>6,092</u> | <u>95,345</u> | <u>6,092</u> |
| Total | <u>\$ 3,240,422</u> | <u>1,551,830</u> | <u>3,150,524</u> | <u>1,458,519</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

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Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(In thousands of dollars)

adjustments to self-insurance liabilities, changes in postretirement benefit obligations, changes in the fair value of the derivative instruments, 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, 2013 and 2012 are \$45,756 and \$47,138, respectively, of private grant and contract receipts, which have not been expended.

Private gifts, grants, and contracts operating revenue for fiscal years 2013 and 2012 consist of the following:

| | 2013 | | | 2012 Consolidated |
|--|------------|-------------------|--------------|----------------------|
| | University | Medical Center | Consolidated | |
| Private gifts: | | | | |
| Unrestricted as to use | \$ 21,330 | 41 | 21,371 | 18,332 |
| Temporarily restricted gifts whose restrictions were met during the fiscal year and reported as unrestricted revenue | 72,628 | — | 72,628 | 67,165 |
| Private grants and contracts | 66,133 | — | 66,133 | 60,978 |
| Total | \$ 160,091 | 41 | 160,132 | 146,475 |

(f) Patient Care

Patient service revenue is reported net of a provision for doubtful accounts of \$8,053 and \$9,580 for the University and \$47,812 and \$45,133 for the Medical Center for the years ended June 30, 2013 and 2012, respectively. This provision reflects the estimated net realizable amounts due from

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Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(In thousands of dollars)

third-party payors for services rendered. A majority of patient care revenue is derived from 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 2013 and 2012, the amount of interest capitalized amounted to \$8,674 and \$11,930 for the University and \$14,629 and \$10,015 for the Medical Center, respectively.

(h) Fair Value

Fair value is defined as the price that the University would receive upon selling an asset or pay to settle a liability 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 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

• **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. Cash equivalents are considered Level 1 in the fair value hierarchy.

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Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(In thousands of dollars)

- ***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 debt, 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, 2013 and 2012, 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 has authorized the use of derivative investments to adjust market exposure within asset class ranges.

A summary of the inputs used in valuing the University's investments as of June 30, 2013 and 2012 is included in Note 3.

- ***Pledges Receivable***

Unconditional promises to give are recognized initially at fair value as private gift revenue in the period the promise is made by a donor. Fair value of the pledge is estimated based on anticipated future cash receipts (net of an allowance for uncollectible amounts), discounted using a risk-adjusted rate commensurate with the duration of the payment plan. These inputs to the fair value estimate are considered Level 3 in the fair value hierarchy. In subsequent periods, the discount rate is unchanged and the allowance for uncollectible amounts is reassessed and adjusted if necessary.

- ***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.

- ***Split-Interest Agreements***

Split-interest agreements with donors consist primarily of charitable remainder trusts for which the University serves as trustee, gift annuity contracts, and pooled life income agreements. Assets associated with split-interest agreements are included in investments. A liability for split-interest obligations is recorded when the agreement is established at the estimated net present value of future cash flows using a risk-adjusted discount rate commensurate with the duration of the estimated payments. These inputs to the fair value estimate are considered Level 3 in the fair value hierarchy. At June 30, 2013 and 2012, the University had liabilities of \$53,622 and

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Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(In thousands of dollars)

\$50,285 associated with its charitable remainder trust and gift annuity contracts and deferred revenue of \$5,116 and \$5,151 associated with its pooled income agreements, respectively. In subsequent periods, the discount rate is unchanged.

- ***Interest Rate Swap Agreements***

In order to reduce exposure to adjustable interest rates on variable rate debt, the University has 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 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. These inputs to the fair value estimate are considered Level 2 in the fair value hierarchy.

- ***Assets Held in Custody For Others***

Assets held in custody for others consists of resources, primarily investments, held by the University as a custodian for affiliated organizations. Investments held for others are included in the University's investment portfolio. The leveling of these investments is presented in Note 3.

- ***Self-insurance Liability***

The 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 investment returns on available assets prior to payment. The discount rate used to value the self-insurance liability is a risk-adjusted rate commensurate with the duration of anticipated payments. These inputs to the fair value estimate of the liability are considered Level 2 in the fair value hierarchy.

- ***Pension and Other Postretirement Benefit Obligations***

The pension and other postretirement benefit obligation considers anticipated payout patterns as well as investment returns on available assets prior to payment. The discount rate used to value the pension and other postretirement benefit obligation is a risk-adjusted rate commensurate with the duration of anticipated payments. These inputs to the fair value estimate are considered Level 2 in the fair value hierarchy.

- ***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 is estimated using site-specific surveys where available and a per square foot estimate where surveys were unavailable. These inputs to the fair value estimate are considered Level 3 in the fair value hierarchy.

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Notes to Consolidated Financial Statements

June 30, 2013 and 2012

(In thousands of dollars)

• ***All Other Assets and Liabilities***

The carrying value of all other assets and liabilities, including notes and bonds payable, does not differ materially from its estimated fair value and are considered Level 1 in the fair value hierarchy.

(i) ***Internally Managed Investment Derivatives***

The following tables set forth the gross and net notional values and the University's gain (loss) related to internally managed investment derivative activities as of June 30, 2013 and 2012 and for the fiscal years then ended:

| | 2013 | | |
|---------------------------|---------------------------|-------------------------|--------------------|
| | Gross notional | Net notional | Gain (Loss) |
| Interest rate derivatives | \$ 93,056 | 93,056 | (3,102) |
| Currency derivatives | 33,708 | — | 1,001 |
| Equity derivatives | 248,824 | (248,824) | (46,537) |
| Other derivatives | — | — | 4 |
| Total | <u>\$ 375,588</u> | <u>(155,768)</u> | <u>(48,634)</u> |

| | 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 | <u>\$ 220,215</u> | <u>(108,296)</u> | <u>7,299</u> |

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) ***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

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(In thousands of dollars)

income taxes. There was no provision for income taxes due on unrelated business income in fiscal years 2013 and 2012. The University has no uncertain tax positions which the University considers to be material.

(k) 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 consolidated balance sheet date, and the reporting of revenue, expenses, gains, and losses during the reporting period. Actual results may differ from those estimates.

(l) Subsequent Events

The University has performed an evaluation of subsequent events through October 10, 2013, which is the date the consolidated financial statements were issued.

On July 1, 2013, the University entered into an affiliation agreement with the Marine Biological Laboratory (MBL) in Woods Hole, Massachusetts. Under this affiliation, the University became the sole member of MBL. MBL's net assets of approximately \$160,000 at July 1, 2013 will be recognized as a contribution in the consolidated statements of activities in fiscal year 2014.

(2) The University of Chicago Medical Center

(a) Organization

The Medical Center, an Illinois not-for-profit corporation, operates the Center for Care and Discovery, the Bernard Mitchell 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 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

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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 \$284,000 and \$252,000 for the years ended June 30, 2013 and 2012, 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 \$37,398 in fiscal year 2013 and \$37,722 in 2012 have been recorded as unrestricted operating revenue and (2) transfers to the University of \$52,896 in fiscal year 2013 and \$31,892 in fiscal year 2012 have been recorded as a reduction of other income.

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(In thousands of dollars)

(3) Investments

Investments at June 30, 2013 and 2012 comprise the following:

| | 2013 | | | 2012 Consolidated |
|---|---------------------|---------------------------|---------------------|------------------------------|
| | University | Medical Center | Consolidated | |
| Cash equivalents | \$ 139,500 | 32,779 | 172,279 | 108,992 |
| Global public equities (primarily international) | 1,076,403 | 175,047 | 1,251,450 | 1,267,953 |
| Private debt | 215,780 | 21,328 | 237,108 | 260,031 |
| Private equity: | | | | |
| U.S. venture capital | 290,760 | 32,854 | 323,614 | 326,962 |
| U.S. corporate finance | 324,450 | 32,022 | 356,472 | 378,391 |
| International | 383,417 | 38,120 | 421,537 | 453,441 |
| Real estate | 758,290 | 56,978 | 815,268 | 781,850 |
| Natural resources | 596,780 | 58,786 | 655,566 | 682,714 |
| Absolute return: | | | | |
| Equity-oriented | 366,741 | 36,155 | 402,896 | 330,201 |
| Global macro/relative value | 356,490 | 35,143 | 391,633 | 458,396 |
| Multistrategy | 511,371 | 50,457 | 561,828 | 573,355 |
| Credit-oriented | 166,120 | 16,376 | 182,496 | 127,762 |
| Protection-oriented | 113,889 | 11,227 | 125,116 | 113,647 |
| Fixed income: | | | | |
| U.S. treasuries, including TIPS | 459,174 | 104,869 | 564,043 | 824,902 |
| Other fixed income (primarily credit funds) | 841,181 | 80,371 | 921,552 | 512,708 |
| Funds in trust | 289,222 | 14,804 | 304,026 | 239,579 |
| Total | <u>\$ 6,889,568</u> | <u>797,316</u> | <u>7,686,884</u> | <u>7,440,884</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'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

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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 no 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, 2013 and 2012. 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.

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(c) ***Fair Value of Financial Instruments***

Following is a summary of the inputs used as of June 30, 2013 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) | 2013 Consolidated total |
|--|--|--|--|--|
| Cash equivalents | \$ 172,279 | — | — | 172,279 |
| Global public equities (primarily international) | 688,141 | 233,043 | 330,266 | 1,251,450 |
| Private debt | — | — | 237,108 | 237,108 |
| Private equity: | | | | |
| U.S. venture capital | — | — | 323,614 | 323,614 |
| U.S. corporate finance | — | — | 356,472 | 356,472 |
| International | — | — | 421,537 | 421,537 |
| Real estate | 14,943 | — | 800,325 | 815,268 |
| Natural resources | — | — | 655,566 | 655,566 |
| Absolute return: | | | | |
| Equity-oriented | 70,974 | 68,741 | 263,181 | 402,896 |
| Global macro/relative value | 68,262 | 63,970 | 259,401 | 391,633 |
| Multistrategy | — | 29,704 | 532,124 | 561,828 |
| Credit-oriented | — | — | 182,496 | 182,496 |
| Protection-oriented | — | 125,116 | — | 125,116 |
| Fixed income: | | | | |
| U.S. treasuries, including TIPS | 517,303 | 46,740 | — | 564,043 |
| Other fixed income (primarily credit funds) | 921,552 | — | — | 921,552 |
| Funds in trust | 302,026 | — | 2,000 | 304,026 |
| Total investments at fair value as of June 30, 2013 | \$ 2,755,480 | 567,314 | 4,364,090 | 7,686,884 |

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(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 (primarily international) | 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 (primary 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> |

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Changes to the reported amounts of investments measured at fair value using unobservable inputs (Level 3) for the years ended June 30, 2013 and 2012 are as follows:

| | Equities and fixed income | Alternative investments | | | Absolute return | 2013 Consolidated total |
|---|---------------------------------|-------------------------|-----------------|------------------|--------------------|-------------------------------|
| | | Private equity | Private debt | Real assets | | |
| Balance at June 30, 2012 | \$ 460,589 | 1,158,794 | 260,031 | 1,452,392 | 1,233,627 | 4,565,433 |
| Total net realized gains or losses | 3,243 | 131,574 | 57,585 | 131,827 | 56,628 | 380,857 |
| Total net unrealized gains or losses | 19,850 | (161,432) | (57,969) | (97,395) | 34,363 | (262,583) |
| Purchases | 15,943 | 64,711 | 25,629 | 127,126 | 102,662 | 336,071 |
| Proceeds from sales, redemptions, and distributions | (90,365) | (92,024) | (48,168) | (156,059) | (188,057) | (574,673) |
| Transfer in (out) of Level 3 | (78,994) | — | — | — | (2,021) | (81,015) |
| Balance at June 30, 2013 | \$ <u>330,266</u> | <u>1,101,623</u> | <u>237,108</u> | <u>1,457,891</u> | <u>1,237,202</u> | <u>4,364,090</u> |
| | | | | | | |
| | 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> |

During fiscal year 2013, there were no transfers between investment Levels 1 and 2. During fiscal year 2013 and 2012, transfers occurred between investment Levels 2 and 3 as a result of changes in observable market data. The University's policy is to recognize such changes at the end of the fiscal year.

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(In thousands of dollars)

A summary of the University's investment returns for the years ended June 30, 2013 and 2012 is presented as follows:

| | 2013 | | | 2012 |
|--------------------------------------|-------------------|-----------------------|---------------------|---------------------|
| | University | Medical Center | Consolidated | Consolidated |
| Investment return: | | | | |
| Interest and dividends | \$ 94,817 | 41,955 | 136,772 | 120,139 |
| Net realized and unrealized gains | 288,789 | 25,686 | 314,475 | 163,327 |
| Investment return | \$ 383,606 | 67,641 | 451,247 | 283,466 |

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, 2013, the University had unfunded commitments of \$786,652, which are likely to be called through 2021. Details of these commitments are as follows:

| | Unfunded commitments |
|-------------------|---------------------------------|
| Private equity | \$ 314,855 |
| Real estate | 190,659 |
| Natural resources | 171,129 |
| Absolute return | 3,750 |
| Private debt | 106,259 |
| Total | \$ 786,652 |

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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, 2013 |
|--------------------------------|-----------------------|--|---|---|
| Cash | N/A | Daily | None | None |
| Global public equities: | | | | |
| Separate accounts | N/A | Daily to monthly with notice periods of 1 to 14 days | Lock-up provisions ranging from 0 to 1 year | None |
| Partnerships | N/A | Quarterly to annually with notice periods of 30 to 90 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 | | | | |
| Partnerships | 1 to 3 years | Semi-annually with notice periods of 180 days | Lock-up provisions ranging from 0 to 3 years | N/A |
| Drawdown Partnerships | 1 to 8 years | Redemptions not permitted | N/A | N/A |
| Private equity | 1 to 18 years | Redemptions not permitted | N/A | N/A |
| Real estate | 1 to 14 years | Redemptions not permitted | N/A | N/A |
| Natural resources | 1 to 11 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 \$46.5 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 to monthly with notice periods of 1 to 30 days | None | None |
| Commingled funds | N/A | Daily | None | None |
| Partnerships | N/A | Quarterly with notice periods of 10 days | Only one-third capital available in any 12-month period | None |
| | | | | |
| Funds in Trust | N/A | Daily | None | None |

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(4) Endowments

The University's 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 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, 2013:

| | 2013 | | | Total |
|---|--------------|------------------------|------------------------|-----------|
| | Unrestricted | Temporarily restricted | Permanently restricted | |
| Changes in the fair value of endowment investments | | | | |
| Investment return: | | | | |
| Endowment yield (interest and dividends) | \$ 27,175 | 62,662 | 3,208 | 93,045 |
| Net appreciation (realized and unrealized) on investments | 108,786 | 212,643 | (32,201) | 289,228 |
| Total investment return | 135,961 | 275,305 | (28,993) | 382,273 |
| Endowment payout | (131,603) | (192,465) | (4,666) | (328,734) |
| Net investment return | 4,358 | 82,840 | (33,659) | 53,539 |
| Other changes in endowment investments: | | | | |
| Gifts and pledge payments received in cash | — | 81 | 70,587 | 70,668 |
| Transfers to create funds functioning as endowment | 46,582 | — | — | 46,582 |
| Other changes | 1,562 | (6,743) | 19,941 | 14,760 |
| Total other changes in endowment investments | 48,144 | (6,662) | 90,528 | 132,010 |
| Net change in endowment investments | 52,502 | 76,178 | 56,869 | 185,549 |
| Endowment investments at: | | | | |
| Beginning of year | \$ 1,798,677 | 2,552,126 | 1,350,616 | 5,701,419 |
| End of year | \$ 1,851,179 | 2,628,304 | 1,407,485 | 5,886,968 |
| Net assets by type of fund | | | | |
| Donor-restricted "true" endowment | \$ (3,972) | 2,628,304 | 1,407,485 | 4,031,817 |
| Board-designated "funds functioning as endowment" | 1,855,151 | — | — | 1,855,151 |
| Total – as above | \$ 1,851,179 | 2,628,304 | 1,407,485 | 5,886,968 |

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(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, 2012:

| | 2012 | | | Total |
|---|--------------|------------------------|------------------------|-----------|
| | Unrestricted | Temporarily restricted | Permanently restricted | |
| Changes in the fair value of endowment investments | | | | |
| 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) |
| 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 | 971 | 19,796 | (8,331) | 12,436 |
| Total other changes in endowment investments | 23,975 | 20,182 | 50,359 | 94,516 |
| Net change in endowment investments | (18,204) | (22,149) | 50,759 | 10,406 |
| Endowment investments at: | | | | |
| Beginning of year | \$ 1,816,881 | 2,574,275 | 1,299,857 | 5,691,013 |
| End of year | \$ 1,798,677 | 2,552,126 | 1,350,616 | 5,701,419 |
| 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" | 1,803,106 | — | — | 1,803,106 |
| Total – as above | \$ 1,798,677 | 2,552,126 | 1,350,616 | 5,701,419 |

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(In thousands of dollars)

(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, 2013:

| | 2013 | | | Total |
|---|--------------|------------------------|------------------------|-----------|
| | Unrestricted | Temporarily restricted | Permanently restricted | |
| Changes in the fair value of endowment investments | | | | |
| Investment return: | | | | |
| Endowment yield (interest and dividends) | \$ 38,437 | 3,518 | — | 41,955 |
| Net appreciation (realized and unrealized) on investments | 21,351 | 1,086 | — | 22,437 |
| Total investment return | 59,788 | 4,604 | — | 64,392 |
| Endowment payout | (37,037) | (3,610) | — | (40,647) |
| Net investment return | 22,751 | 994 | — | 23,745 |
| Other changes in endowment investments: | | | | |
| Gifts and pledge payments received in cash | — | — | 10 | 10 |
| Transfers to create funds functioning as endowment | 25,000 | — | — | 25,000 |
| Withdrawal to finance capital expenditures | (134,707) | — | — | (134,707) |
| Other changes | (1,859) | 361 | — | (1,498) |
| Total other changes in endowment investments | (111,566) | 361 | 10 | (111,195) |
| Net change in endowment investments | (88,815) | 1,355 | 10 | (87,450) |
| Endowment investments at: | | | | |
| Beginning of year | \$ 796,105 | 67,279 | 6,072 | 869,456 |
| End of year | \$ 707,290 | 68,634 | 6,082 | 782,006 |
| Net assets by type of fund | | | | |
| Donor-restricted "true" endowment | \$ — | 68,634 | 6,082 | 74,716 |
| Board-designated "funds functioning as endowment" | 707,290 | — | — | 707,290 |
| Total – as above | \$ 707,290 | 68,634 | 6,082 | 782,006 |

Included in board-designated "funds functioning as endowment" are \$173,791 of net assets that are separately invested by the Medical Center.

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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 | |
| Changes in the fair value of endowment investments | | | | |
| Investment return: | | | | |
| Endowment yield (interest and dividends) | \$ 36,192 | 3,140 | — | 39,332 |
| Net appreciation (realized and unrealized) on investments | (11,335) | (305) | — | (11,640) |
| Total investment return | 24,857 | 2,835 | — | 27,692 |
| Endowment payout | (37,343) | (3,792) | — | (41,135) |
| Net investment return | (12,486) | (957) | — | (13,443) |
| 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 | <u>\$ 796,105</u> | <u>67,279</u> | <u>6,072</u> | <u>869,456</u> |
| 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 | <u>\$ 796,105</u> | <u>67,279</u> | <u>6,072</u> | <u>869,456</u> |

Included in board-designated “funds functioning as endowment” are \$296,863 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.

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(d) Endowment Payout

Approximately 95% of the University and Medical Center endowment is merged into one investment pool referred to as the Total Return Investment Pool (TRIP). The University utilizes the total return concept in allocating endowment income from TRIP. 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 with the objective of a 5.0% average payout over time, was 5.5% for the fiscal years ended June 30, 2013 and 2012. Periodically, the University's Board 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 endowment payout is comprised of the TRIP formula payout, payout from separately held investments, as well as special payouts for the funding of Alumni Relations and Development and University-wide strategic initiatives as follows:

| | 2013 | | | 2012 |
|---|-------------------|-----------------------|---------------------|---------------------|
| | University | Medical Center | Consolidated | Consolidated |
| TRIP formula payout | \$ 277,241 | 29,247 | 306,488 | 315,159 |
| Payout from separately invested endowment | 10,372 | 11,400 | 21,772 | 19,604 |
| Special payout: | | | | |
| Alumni Relations and Development | 18,718 | — | 18,718 | 17,998 |
| Strategic initiatives | 22,403 | — | 22,403 | 21,388 |
| Total | <u>\$ 328,734</u> | <u>40,647</u> | <u>369,381</u> | <u>374,149</u> |

(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, 2013 and 2012, amounted to \$3,972 and \$4,429 for the University, respectively.

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(5) Notes and Accounts Receivable

Components of notes and accounts receivable at June 30, 2013 and 2012 are shown as follows:

| | 2013 | | | 2012 Net receivable |
|------------------|------------|---------------------------------------|-------------------|---------------------------|
| | Receivable | Allowance for doubtful accounts | Net receivable | |
| University: | | | | |
| Patients | \$ 91,600 | (70,274) | 21,326 | 19,172 |
| Students: | | | | |
| Loans | 45,948 | (2,500) | 43,448 | 42,547 |
| Tuition and fees | 4,300 | (1,300) | 3,000 | 513 |
| U.S. government | 31,422 | — | 31,422 | 31,948 |
| All other | 89,009 | (4,971) | 84,038 | 73,626 |
| Total University | 262,279 | (79,045) | 183,234 | 167,806 |
| Medical Center | 233,891 | (29,612) | 204,279 | 209,006 |
| Total | \$ 496,170 | (108,657) | 387,513 | 376,812 |

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.

(6) Land, Buildings, Equipment, and Books

Components of land, buildings, equipment, and books at June 30, 2013 and 2012 are shown as follows:

| | 2013 | | | 2012 Consolidated |
|-------------------------------|--------------|-------------------|--------------|----------------------|
| | University | Medical Center | Consolidated | |
| Land | \$ 84,217 | 36,008 | 120,225 | 104,434 |
| Buildings | 2,916,798 | 1,255,542 | 4,172,340 | 3,445,023 |
| Equipment | 450,059 | 576,374 | 1,026,433 | 911,911 |
| Books | 306,212 | — | 306,212 | 287,271 |
| Construction in progress | 269,713 | 74,688 | 344,401 | 828,381 |
| Subtotal | 4,026,999 | 1,942,612 | 5,969,611 | 5,577,020 |
| Less accumulated depreciation | (1,483,234) | (752,989) | (2,236,223) | (2,058,391) |
| Total | \$ 2,543,765 | 1,189,623 | 3,733,388 | 3,518,629 |

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(7) Notes and Bonds Payable

Notes and bonds payable at June 30, 2013 and 2012 are shown as follows:

| | <u>Fiscal year maturity</u> | <u>Interest rate</u> | <u>2013</u> | <u>2012</u> |
|---|---------------------------------|----------------------|---------------------|------------------|
| University: | | | | |
| Fixed rate: | | | | |
| Illinois Educational Facilities Authority (IEFA): | | | | |
| Series 1993 | 2014 | 6.0% | \$ 500 | 975 |
| Series 2001A | 2042 | — | — | 2,860 |
| Series 2003A | 2014 | 4.6 | 3,430 | 6,700 |
| Illinois Finance Authority (IFA): | | | | |
| Series 2004A | 2035 | — | — | 15,810 |
| Series 2004C * | 2040 | 3.8 | 77,869 | 77,998 |
| Series 2007 | 2047 | 5.0 | 239,500 | 241,085 |
| Series 2008 * | 2039 | 3.2 | 111,880 | 114,502 |
| Series 2008B | 2039 | 6.0 | 455,675 | 500,000 |
| Series 2012A | 2052 | 4.7 | 369,455 | 369,570 |
| Series 2013A | 2053 | 4.7 | 149,090 | — |
| Taxable bonds: | | | | |
| Series 2010 | 2031 | 5.2 | 300,000 | 300,000 |
| Series 2012B | 2043 | 4.4 | 188,355 | 190,485 |
| Series 2013B | 2046 | 4.2 | 205,000 | — |
| Unamortized premium | | | 66,034 | 56,251 |
| Total fixed rate | | | <u>2,166,788</u> | <u>1,876,236</u> |
| Variable rate: | | | | |
| IEFA: | | | | |
| Series 1998B | 2026 | 3.4 | 90,090 | 90,090 |
| Series 2001B-1 | 2037 | 1.4 | 60,000 | 60,000 |
| Series 2001B-2 | 2037 | 1.9 | 40,000 | 40,000 |
| Series 2001B-3 | 2037 | 0.3 | 72,265 | 72,265 |
| Series 2003B | 2034 | 0.2 | 41,466 | 42,697 |
| IFA – Series 2004B | 2035 | 0.2 | 86,817 | 89,233 |
| Taxable commercial paper (\$200,000 available) | 2014 | 0.3 | 100,000 | 100,000 |
| Bank lines of credit (\$250,000 available) | 2014 | 0.6 | 75,000 | 69,000 |
| Total variable rate | | | <u>565,638</u> | <u>563,285</u> |
| Total University | | | <u>2,732,426</u> | <u>2,439,521</u> |
| Medical Center: | | | | |
| Fixed rate: | | | | |
| Illinois Health Facilities Authority (IHFA): | | | | |
| Series 2003 | 2015 | 5.0 | 14,530 | 21,235 |
| IFA: | | | | |
| Series 2009A and B | 2027 | 4.9 | 150,840 | 152,350 |
| 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 | 3.9 | 70,000 | 70,000 |
| Series 2010A and B * | 2045 | 3.9 | 92,500 | 92,500 |
| Series 2011A and B * | 2045 | 3.9 | 92,500 | 92,500 |
| Series 2011C | 2042 | 5.5 | 90,000 | 90,000 |
| Series 2012A | 2037 | 4.5 | 72,080 | 75,155 |
| Unamortized premium | | | 11,163 | 12,528 |
| Total fixed rate | | | <u>748,613</u> | <u>761,268</u> |
| Variable rate: | | | | |
| IEFA pooled financing program | 2038 | 0.2 | 81,427 | 83,277 |
| IEFA Series 2013A (\$75,000 available) | 2020 | 1.0 | 686 | — |
| Bank line of credit (\$15,000 available) | 2014 | — | — | — |
| Total variable rate | | | <u>82,113</u> | <u>83,277</u> |
| Total Medical Center | | | <u>830,726</u> | <u>844,545</u> |
| Total notes and bonds payable | | | <u>\$ 3,563,152</u> | <u>3,284,066</u> |

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

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(a) Fiscal 2013 Transactions

During fiscal year 2013, the University issued \$149,090 in fixed rate revenue bonds through the IFA (Series 2013A) and \$205,000 in taxable fixed rate bonds (Series 2013B). Proceeds from the Series 2013A and 2013B bonds were used to 1) advance refund all or a portion of the IEFA Series 2001A, IFA Series 2004A, and IFA Series 2008B fixed rate bonds and 2) finance the construction and renovation of certain educational facilities.

During fiscal year 2013, the Medical Center entered into an issuance of a \$75,000 tax-exempt direct purchase loan through the IFA (Series 2013A), proceeds from which will be used to finance the construction of a parking garage. Bond proceeds will be drawn down over time as construction of the parking garage proceeds. Interest is payable each month based on the outstanding principal balance of the loan.

(b) Defeased Debt

As of June 30, 2013 and 2012, the total principal amount of indebtedness considered to be legally extinguished and, therefore, excluded from the University notes and bonds payable was \$291,040 and \$295,855, respectively.

(c) Interest Rate Swaps

At June 30, 2013 and 2012, the fair value of the interest rate swap agreements was an accrued liability of \$37,507 and \$60,714 for the University and \$88,769 and \$135,872 for the Medical Center, respectively. Changes in the fair value of the interest rate swap agreements for the fiscal years ended June 30, 2013 and 2012, which amounted to \$23,207 and \$(34,850) for the University, and \$47,103 and \$(77,808) 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, 2014 through 2018 are approximately \$14,704, \$14,539, \$25,901, \$39,218, and \$54,831, respectively.

Principal payments required in each of the five years ending June 30, 2014 through 2018 for the Medical Center notes and bonds are approximately \$10,385, \$10,050, \$12,778, \$13,255, and \$13,868, respectively.

(e) 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.

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(f) Remarketing

Included in the University and Medical Center's notes and bonds payable are \$755,387 and \$407,113, 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 \$406,427, respectively, which support variable rate debt in the event of a failed remarketing.

In addition, the University has a standby bond purchase agreement of \$111,880 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, 2013 and 2012 are shown as follows:

| | 2013 | | | 2012 |
|---|-------------------|-----------------------|---------------------|---------------------|
| | University | Medical Center | Consolidated | Consolidated |
| Unconditional promises expected to be collected in: | | | | |
| Less than one year | \$ 79,135 | 2,272 | 81,407 | 76,301 |
| One year to five years | 186,569 | 2,634 | 189,203 | 128,652 |
| More than five years | 235,448 | — | 235,448 | 239,574 |
| | <u>501,152</u> | <u>4,906</u> | <u>506,058</u> | <u>444,527</u> |
| Less unamortized discount and allowance for uncollectible pledges | <u>(83,535)</u> | <u>(198)</u> | <u>(83,733)</u> | <u>(72,966)</u> |
| Total | <u>\$ 417,617</u> | <u>4,708</u> | <u>422,325</u> | <u>371,561</u> |

The University's five largest pledges comprise 95% 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, 2013, the University has received \$289,723 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.

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(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 year ended June 30, 2013, was \$5,000 per claim and unlimited in the aggregate. Claims in excess of \$5,000 are subject to an additional self-insurance retention limited to \$12,500 per claim and \$12,500 in annual aggregate. For the year ended June 30, 2012, the self-insurance retention was \$7,500 per claim and unlimited in annual 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 \$47,200 higher than the amount recorded in the consolidated financial statements at June 30, 2013. The interest rate assumed in determining the present value was 4.50%. The University recorded unrestricted nonoperating actuarial income adjustments of \$13,269 and \$14,973 during the years ended June 30, 2013 and 2012, respectively, which are included in the accompanying consolidated statements of activities.

The estimated liability for incurred malpractice, workers' compensation, and other claims (filed and unfiled) as of June 30, 2013 and 2012 is presented as follows:

| | 2013 | | | 2012 Consolidated |
|-----------------------|------------|-------------------|--------------|----------------------|
| | University | Medical Center | Consolidated | |
| Medical malpractice | \$ 254,328 | — | 254,328 | 246,700 |
| Workers' compensation | 5,615 | 9,528 | 15,143 | 13,550 |
| Others | 4,221 | — | 4,221 | 3,998 |
| Total | \$ 264,164 | 9,528 | 273,692 | 264,248 |

(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

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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 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:

| | <u>Defined benefit pension plans</u> | | <u>Other postretirement benefit plans</u> | |
|--|--------------------------------------|------------------|---|------------------|
| | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> |
| Change in benefit obligation: | | | | |
| Benefit obligation at beginning of year | \$ 780,797 | 651,244 | 274,092 | 211,793 |
| Service cost | 33,211 | 29,701 | 12,654 | 9,044 |
| Interest cost | 34,411 | 34,803 | 11,142 | 11,708 |
| Benefits paid | (36,216) | (32,241) | (7,816) | (9,210) |
| Actuarial (gain) loss, net | <u>(17,070)</u> | <u>97,290</u> | <u>(37,325)</u> | <u>50,757</u> |
| Benefit obligation at end of year | <u>795,133</u> | <u>780,797</u> | <u>252,747</u> | <u>274,092</u> |
| Change in fair value of plan assets: | | | | |
| Fair value of plan assets at beginning of year | 496,657 | 385,578 | 1 | 5,232 |
| Actual return on plan assets | 32,525 | 37,844 | 1 | 102 |
| Employer contributions | 65,000 | 105,476 | 12,816 | 3,877 |
| Benefits paid | <u>(36,216)</u> | <u>(32,241)</u> | <u>(7,816)</u> | <u>(9,210)</u> |
| Fair value of plan assets at end of year | <u>557,966</u> | <u>496,657</u> | <u>5,002</u> | <u>1</u> |
| Funded status – liability | <u>\$ (237,167)</u> | <u>(284,140)</u> | <u>(247,745)</u> | <u>(274,091)</u> |

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The accumulated benefit obligation for the defined benefit pension plans was \$682,611 and \$679,458 at June 30, 2013 and 2012, respectively.

(a) Components of Net Periodic Benefit Cost

| | Defined benefit pension plans | | Other postretirement benefit plans | |
|--|--|---------------|---|---------------|
| | 2013 | 2012 | 2013 | 2012 |
| Service cost | \$ 33,211 | 29,701 | 12,654 | 9,044 |
| Interest cost | 34,411 | 34,803 | 11,142 | 11,708 |
| Expected return on plan assets | (36,714) | (34,500) | (368) | (152) |
| Amortization of prior service cost (benefit) | 1,134 | 1,134 | (2,105) | (2,105) |
| Amortization of transition obligation | — | — | 800 | 1,300 |
| Amortization of actuarial loss | 27,371 | 18,462 | 8,130 | 5,298 |
| Net periodic benefit cost | <u>\$ 59,413</u> | <u>49,600</u> | <u>30,253</u> | <u>25,093</u> |
| Amounts included in the consolidated statements of activities: | | | | |
| University | \$ 26,913 | (3,138) | 30,253 | 25,093 |
| Medical Center | 32,500 | 52,738 | — | — |
| Total | <u>\$ 59,413</u> | <u>49,600</u> | <u>30,253</u> | <u>25,093</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 | |
|--------------------------------|--|-------------|---|-------------|
| | 2013 | 2012 | 2013 | 2012 |
| Discount rate | 4.9% | 4.5% | 5.1% | 4.1% |
| Expected return on plan assets | 7.0 | 7.1 | 7.0 | 7.0 |
| Rate of compensation increase | 3.5 | 3.5 | 3.5 | 3.5 |
| Healthcare cost trend rates: | | | | |
| Next two fiscal years | | | | 7.2% – 7.5% |
| Next seven fiscal years | | | | 5.7% – 7.0% |
| Thereafter | | | | 4.5% – 5.5% |

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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.

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:

| | 2013 | 2012 |
|---|-------------|-------------|
| Effect on total service cost and interest cost: | | |
| One-percentage-point increase | \$ 5,201 | 3,904 |
| One-percentage-point decrease | (3,931) | (3,017) |
| Effect on year-end postretirement benefit obligation: | | |
| One-percentage-point increase | \$ 39,232 | 46,751 |
| One-percentage-point decrease | (31,294) | (36,832) |

(c) Plan Assets

Weighted average asset allocations as of fiscal year end by asset category are as follows:

| | Defined benefit pension plans | | Other postretirement benefit plans | |
|-------------------------------|--|-------------|---|-------------|
| | 2013 | 2012 | 2013 | 2012 |
| Domestic public equities | 29% | 27% | —% | —% |
| International public equities | 15 | 14 | — | — |
| Fixed income | 56 | 59 | 100 | 100 |
| | 100% | 100% | 100% | 100% |

As of June 30, 2013, 91% 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 9% of the plan assets are categorized as Level 2 or Level 3.

The defined benefit plans combined target asset allocation of 45% public equities and 55% 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, 2013.

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(d) Contributions

The University expects to make a \$14,000 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.

(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:

| Fiscal year | Defined benefit pension plans | Other postretirement benefit plans |
|-------------|--|--|
| 2014 | \$ 42,109 | 9,159 |
| 2015 | 37,761 | 9,222 |
| 2016 | 40,072 | 11,254 |
| 2017 | 42,672 | 11,183 |
| 2018 | 45,160 | 11,538 |
| 2019 – 2023 | 265,818 | 70,926 |

(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 \$51,698 and \$60,640 at June 30, 2013 and 2012, 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, 2013 and 2012, the benefit obligation for the plan exceeded the plan's assets thus creating an unfunded liability of \$5,730 and \$10,403 at June 30, 2013 and 2012, respectively.

(h) Defined Contribution Pension Plan

Defined contribution pension plan expenses included in the consolidated statements of activities amounted to \$46,690 in fiscal year 2013 and \$44,477 in fiscal year 2012 for the University and \$11,300 in fiscal year 2013 and \$11,100 in fiscal year 2012 for the Medical Center.

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(11) Functional Classification of Expenses

Expenses by functional classification for the years ended June 30, 2013 and 2012 are shown as follows:

| | 2013 | 2012 |
|---|--------------|-------------|
| University: | | |
| Academic and research: | | |
| Instruction | \$ 863,162 | 822,043 |
| Research | 262,292 | 270,846 |
| Auxiliary enterprises | 134,842 | 134,138 |
| Library | 17,216 | 15,639 |
| Student services | 62,812 | 55,264 |
| Operation and maintenance of physical plant | 120,368 | 112,576 |
| Depreciation | 123,280 | 113,533 |
| Interest on notes and bonds | 65,156 | 57,877 |
| Total academic and research | 1,649,128 | 1,581,916 |
| Administration: | | |
| Institutional support | 145,938 | 125,030 |
| Informational services | 63,557 | 59,340 |
| Development and alumni relations | 64,528 | 59,469 |
| Operation and maintenance of physical plant | 9,688 | 9,261 |
| Depreciation | 29,394 | 29,688 |
| Interest on notes and bonds | 23,281 | 20,032 |
| Total administration | 336,386 | 302,820 |
| Total University | 1,985,514 | 1,884,736 |
| Medical Center: | | |
| Healthcare service | 1,177,672 | 1,103,904 |
| General and administrative | 80,938 | 66,819 |
| | 1,258,610 | 1,170,723 |
| Total | \$ 3,244,124 | 3,055,459 |

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.

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(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, 2012 and 2011 was \$136,962 and \$146,492, respectively. Net assets at December 31, 2012 and 2011 were \$25,586 and \$25,157, 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 with a subcontractor that assists FRA with the management and operation of Fermilab.

The expenditures under the respective contracts and the related reimbursements of \$769,737 for ANL and \$420,030 for Fermilab in fiscal year 2013, and \$756,019 for ANL and \$433,691 for Fermilab in fiscal year 2012 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, 2013

| Federal agency and pass-through entity | CFDA numbers | Direct awards | Pass-through awards | Total expenditures |
|---|--------------------------------|---------------|---------------------|--------------------|
| Research and Development Cluster: | | | | |
| Department of Agriculture: | | | | |
| Food Assistance and Nutrition Research Programs (FANRP): | | | | |
| University of Baltimore | 10.253 | \$ — | 16,061 | 16,061 |
| Agriculture and Food Research Initiative (AFRI) | 10.310 | 230,585 | — | 230,585 |
| University of Minnesota | | — | 7,389 | 7,389 |
| Total Department of Agriculture | | 230,585 | 23,450 | 254,035 |
| Department of Defense: | | | | |
| Basic and Applied Scientific Research: | | | | |
| Drexel University | 12.300 | 1,531,995 | — | 1,531,995 |
| University of California San Diego | | — | 116,125 | 116,125 |
| University of Minnesota | | — | 292,426 | 292,426 |
| University of Minnesota | | — | 327,066 | 327,066 |
| Basic Scientific Research – Combating Weapons of Mass Destruction | | | | |
| Mass Destruction | 12.351 | 336,490 | — | 336,490 |
| Military Medical Research and Development: | | | | |
| University of Alabama at Birmingham | 12.420 | 3,598,517 | — | 3,598,517 |
| Basic Scientific Research: | | | | |
| Albany Medical College | 12.431 | 846,047 | — | 846,047 |
| Colorado School of Mines | | — | 87,471 | 87,471 |
| Rush-Presbyterian-St. Luke's Medical Center | | — | 281,830 | 281,830 |
| University of Maryland | | — | 21,897 | 21,897 |
| University of Maryland | | — | 323,893 | 323,893 |
| University of Utah | | — | 13,873 | 13,873 |
| Air Force Defense Research Sciences Program: | | | | |
| University of Maryland, College Park | 12.800 | 1,176,436 | — | 1,176,436 |
| Carnegie Mellon | | — | 187,252 | 187,252 |
| | | — | 105,416 | 105,416 |
| Research and Technology Development: | | | | |
| Michigan State University | 12.910 | 1,421,212 | — | 1,421,212 |
| Northwestern University | | — | 200,816 | 200,816 |
| University of Illinois at Champaign | | — | 553,775 | 553,775 |
| University of Illinois at Champaign | | — | (1,195) | (1,195) |
| University of Utah | | — | 47,425 | 47,425 |
| Department of Defense: | | | | |
| 12.RD | | | | |
| FDN for Applied Molecular Evolution, Inc. | 12.RD,HDTRA1-13-1-0004 | — | 26,935 | 26,935 |
| Johns Hopkins University | 12.RD,N66001-10-C-4056 | — | 457,045 | 457,045 |
| UES, Inc. | 12.RD,S-875-060-026 | — | 34,379 | 34,379 |
| University of Mexico | 12.RD,W81XWH-032-0073 | — | 77,532 | 77,532 |
| Total Department of Defense | | 8,910,697 | 3,278,953 | 12,189,650 |
| Department of Education: | | | | |
| National Institute on Disability and Rehabilitation Research: | | | | |
| University of Pittsburgh | 84.133 | — | 7,749 | 7,749 |
| Safe and Drug-Free Schools and Communities | | | | |
| National Programs: | | | | |
| Chicago Board of Education | 84.184 | — | 47,466 | 47,466 |
| Chicago Board of Education | 84.184,11-0622-PR38 | — | 47,466 | 47,466 |
| Graduate Assistance in Areas of National Need | 84.200 | 1,174,064 | — | 1,174,064 |
| Comprehensive Centers: | | | | |
| American Institutes for Research | 84.283 | — | (3,887) | (3,887) |
| American Institutes for Research | 84.305 | 2,224,810 | — | 2,224,810 |
| American Institutes For Research | | — | 227,011 | 227,011 |
| Harvard University | | — | 13,473 | 13,473 |
| National Opinion Research Center | | — | 38,756 | 38,756 |
| University of Michigan | | — | 159,796 | 159,796 |
| Research in Special Education | 84.324 | 520,728 | — | 520,728 |
| Department of Education: | | | | |
| 84.RD | | | | |
| Learning Point Associates | 84.RD,ED-06-CO-0019/11WLP10029 | — | 4,279 | 4,279 |
| Total Department of Education | | 3,919,602 | 494,643 | 4,414,245 |
| Department of Energy: | | | | |
| Office of Science Financial Assistance Program: | | | | |
| Argonne National Laboratory | 81.049 | 5,172,234 | — | 5,172,234 |
| Argonne National Laboratory | | — | 32,230 | 32,230 |
| Arradance, Inc. | | — | 19,384 | 19,384 |
| Brookhaven National Institute | | — | 40,000 | 40,000 |
| Fermi National Accelerator Laboratory | | — | 55,087 | 55,087 |
| Northwestern University | | — | 547,622 | 547,622 |
| ARRA – Office of Science Financial Assistance Program: | | | | |
| Princeton University | 81.049 | — | 175,627 | 175,627 |
| Renewable Energy Research and Development | 81.087 | 270,609 | — | 270,609 |
| State Energy Program Special Projects: | | | | |
| Argonne National Laboratory | 81.119 | — | 80,942 | 80,942 |
| Columbia University | | — | 377,676 | 377,676 |
| Fermi National Accelerator Laboratory | | — | 198,926 | 198,926 |
| University of Wisconsin | | — | (35,414) | (35,414) |
| ARRA – Department of Energy: | | | | |
| Argonne National Laboratory | 81.RD,OJ-30381-0006B | — | 55,087 | 55,087 |
| Department of Energy: | | | | |
| 81.RD | | | | |
| Argonne National Laboratory | 81.RD,OJ-30381-0005A | (139,580) | — | (139,580) |
| Argonne National Laboratory | 81.RD,OJ-30381-0009A | — | 1,868,114 | 1,868,114 |
| Argonne National Laboratory | 81.RD,OJ-30381-0010A | — | 46,439 | 46,439 |
| Argonne National Laboratory | 81.RD,OJ-30381-0011A | — | (183,765) | (183,765) |
| Argonne National Laboratory | 81.RD,OJ-30381-0011D | — | 23,787 | 23,787 |
| Argonne National Laboratory | 81.RD,OJ-30381-0017A | — | 378,172 | 378,172 |
| Argonne National Laboratory | 81.RD,5J-00023-0018A | — | 35,000 | 35,000 |

THE UNIVERSITY OF CHICAGO
Schedule of Expenditures of Federal Awards
Year ended June 30, 2013

| Federal agency and pass-through entity | CFDA numbers | Direct awards | Pass-through awards | Total expenditures |
|--|--------------------------|---------------|---------------------|--------------------|
| Argonne National Laboratory | 81.RD.5J-00023-0020A | \$ — | 46,792 | 46,792 |
| Sandia Lab | 81.RD.1309936 | — | 69,371 | 69,371 |
| Argonne National Laboratory | 81.RD.DE-AC02-06CHI1357 | — | 2,626 | 2,626 |
| Fermi National Accelerator Laboratory | 81.RD.DE-AC02-76CH03000 | — | 49,171 | 49,171 |
| Oak Ridge National Lab | 81.RD. DE-AC05-00OR22725 | — | 162,038 | 162,038 |
| Idaho National Lab | 81.RD.DE-AC07-051D14517 | — | 62,784 | 62,784 |
| University of Texas at Austin | 81.RD.DE-AC07-051D14517 | — | 36,289 | 36,289 |
| Savannah River Nuclear Solutions | 81.RD.DE-AC09-08SR22470 | — | 18,024 | 18,024 |
| Fermi National Accelerator Laboratory | 81.RD.FNAL PO #602848 | — | 55,087 | 55,087 |
| Fermi National Accelerator Laboratory | 81.RD.FNAL PO #606882 | — | 80,137 | 80,137 |
| Argonne National Laboratory | 81.RD.OJ-30381-0021A | — | 13,875 | 13,875 |
| Argonne National Laboratory | 81.RD.WO 0J-30381-001 | — | 24,075 | 24,075 |
| Total Department of Energy | | 5,303,263 | 4,335,183 | 9,638,446 |
| Department of Health and Human Services: | | | | |
| Maternal and Child Health Federal Consolidated Programs: | 93.110 | — | 55,034 | 55,034 |
| University of Illinois at Chicago | | | | |
| Environmental Health: | 93.113 | 1,363,050 | — | 1,363,050 |
| Boston University | | — | 55,628 | 55,628 |
| Columbia University | | — | 17,711 | 17,711 |
| Harvard University | | — | 7,094 | 7,094 |
| New York University | | — | 232,055 | 232,055 |
| University of California San Diego | | — | 83,887 | 83,887 |
| Oral Diseases and Disorders Research | 93.121 | 349,393 | — | 349,393 |
| Injury Prevention and Control Research and State and Community Based Programs | 93.136 | 986,068 | — | 986,068 |
| NIEHS Superfund Hazardous Substances – Basic Research and Education: | 93.143 | | | |
| Columbia University | | — | 641,454 | 641,454 |
| Human Genome Research: | 93.172 | 2,872,832 | — | 2,872,832 |
| Michigan State University | | — | 3,589 | 3,589 |
| Stanford University | | — | 352,928 | 352,928 |
| University of Illinois at Chicago | | — | 40,130 | 40,130 |
| University of Washington | | — | 606,827 | 606,827 |
| Research Related to Deafness and Communication Disorders: | 93.173 | 985,096 | — | 985,096 |
| University of California Irvine | | — | 58,683 | 58,683 |
| Research and Training in Complementary and Alternative Medicine | 93.213 | 957,996 | — | 957,996 |
| National Research Service Awards – Health Services | | | | |
| Research Training | 93.225 | 336,937 | — | 336,937 |
| Research on Healthcare Costs, Quality and Outcomes: | 93.226 | 957,561 | — | 957,561 |
| Northwestern University | | — | 57,250 | 57,250 |
| University of Illinois at Chicago | | — | 112,506 | 112,506 |
| National Center on Sleep Disorders Research | 93.233 | 1,020,666 | — | 1,020,666 |
| Mental Health Research Grants: | 93.242 | 8,014,781 | — | 8,014,781 |
| Duke University | | — | (30,817) | (30,817) |
| LNK ChemSolutions | | — | 21,487 | 21,487 |
| Northwestern University | | — | (55,877) | (55,877) |
| Stanford University | | — | 16,690 | 16,690 |
| University of California at Los Angeles | | — | 74,441 | 74,441 |
| University of California San Diego | | — | 142,009 | 142,009 |
| University of Illinois at Chicago | | — | 30,268 | 30,268 |
| University of Pittsburgh | | — | 63,008 | 63,008 |
| University of Texas | | — | 10,471 | 10,471 |
| University of Washington | | — | 15,134 | 15,134 |
| Yale University | | — | 128,208 | 128,208 |
| Substance Abuse and Mental Health Services – Projects of Regional and National Significance: | 93.243 | | | |
| Illinois Department of Human Services | 93.243,11AQ2042 | — | 7,971 | 7,971 |
| Geriatric Academic Career Awards | 93.250 | 75,689 | — | 75,689 |
| Occupational Safety and Health Program | 93.262 | 616,794 | — | 616,794 |
| Alcohol Research Programs | 93.273 | 1,064,979 | — | 1,064,979 |
| Drug Abuse and Addiction Research Programs: | 93.279 | 3,288,732 | — | 3,288,732 |
| Columbia University | | — | 120,941 | 120,941 |
| National Opinion Research Center | | — | 61,395 | 61,395 |
| Northwestern University | | — | 40,443 | 40,443 |
| State University of New York | | — | 11,574 | 11,574 |
| University of California San Francisco | | — | 6,805 | 6,805 |
| University of Illinois at Chicago | | — | 36,941 | 36,941 |
| Mental Health Research Career/Scientist Development Awards | 93.281 | 128,699 | — | 128,699 |
| Mental Health National Research Service Awards for Research Training: | 93.282 | 45,902 | — | 45,902 |
| University of Minnesota | | — | 107,923 | 107,923 |
| Centers for Disease Control and Prevention – Investigations and Technical Assistance: | 93.283 | | | |
| University of Pittsburgh | | — | 4,851 | 4,851 |
| Discovery and Applied Research for Technological Innovations to Improve Human Health: | 93.286 | 2,584,107 | — | 2,584,107 |
| California Institute of Technology | | — | 34,849 | 34,849 |
| Illinois Institute of Technology | | — | 98,234 | 98,234 |
| University of California Davis | | — | 105,115 | 105,115 |

THE UNIVERSITY OF CHICAGO
Schedule of Expenditures of Federal Awards
Year ended June 30, 2013

| Federal agency and pass-through entity | CFDA numbers | Direct awards | Pass-through awards | Total expenditures |
|--|-------------------|---------------|---------------------|--------------------|
| University of Illinois at Chicago | | \$ — | 227,506 | 227,506 |
| University of Illinois Champaign | | — | 70,574 | 70,574 |
| University of Tennessee | | — | 4,602 | 4,602 |
| President's Council on Fitness, Sports, and Nutrition | 93.289 | 910,510 | — | 910,510 |
| Minority Health and Health Disparities Research: | | | | |
| University of Illinois at Chicago | 93.307 | — | 12,770 | 12,770 |
| Trans-NIH Research Support: | | | | |
| California Institute of Technology | 93.310 | 6,039,753 | — | 6,039,753 |
| Cincinnati Children's Hospital | | — | 62,954 | 62,954 |
| Duke University | | — | 85,393 | 85,393 |
| University of Michigan | | — | 41,659 | 41,659 |
| University of Virginia | | — | 508,942 | 508,942 |
| National Center for Advancing Translational Sciences | 93.350 | 4,342,561 | — | 4,342,561 |
| Nursing Research: | | | | |
| Johns Hopkins University | 93.361 | — | 190,188 | 190,188 |
| University of Rhode Island | | — | 3,566 | 3,566 |
| National Center for Research Resources: | | | | |
| Johns Hopkins University | 93.389 | 1,371,372 | — | 1,371,372 |
| Pennsylvania State University | | — | 160,567 | 160,567 |
| University of Pittsburgh | | — | 14,307 | 14,307 |
| University of Southern California | | — | (4,392) | (4,392) |
| Cancer Cause and Prevention Research: | | | | |
| Beckman Research Institute of The City of Hope | 93.393 | 7,656,648 | — | 7,656,648 |
| Fox Chase Cancer Center | | — | 5,298 | 5,298 |
| Harvard University | | — | 15,220 | 15,220 |
| Health Research | | — | 37,093 | 37,093 |
| University of California San Francisco | | — | 27,246 | 27,246 |
| University of Hawaii | | — | 22,760 | 22,760 |
| University of Miami | | — | 2,414 | 2,414 |
| University of Pennsylvania | | — | 14,926 | 14,926 |
| University of Rochester | | — | 61,900 | 61,900 |
| University of Southern California | | — | 63,933 | 63,933 |
| University of Texas MD Anderson Cancer Center | | — | 50,246 | 50,246 |
| Cancer Detection and Diagnosis Research: | | | | |
| American College of Radiology | 93.394 | 1,358,377 | — | 1,358,377 |
| Johns Hopkins University | | — | 59,284 | 59,284 |
| Marquette University | | — | 56,209 | 56,209 |
| Northwestern University | | — | 11,088 | 11,088 |
| North Shore University | | — | 92,197 | 92,197 |
| University of California Berkeley | | — | 30,293 | 30,293 |
| University of California San Francisco | | — | 71,628 | 71,628 |
| University of Illinois at Chicago | | — | 31,612 | 31,612 |
| Cancer Treatment Research: | | | | |
| American College of Radiology | 93.395 | 3,343,112 | — | 3,343,112 |
| Brigham and Women's Hospital | | — | 55,460 | 55,460 |
| Children's Hospital of Los Angeles | | — | 3,417,568 | 3,417,568 |
| Children's Hospital of Philadelphia | | — | 15,427 | 15,427 |
| Duke University | | — | 44,569 | 44,569 |
| Gynecologic Oncology Group | | — | 71,460 | 71,460 |
| LNK ChemSolutions | | — | 12,625 | 12,625 |
| National Childhood Cancer Center Foundation | | — | 211,906 | 211,906 |
| Oregon Health and Science University | | — | 18,448 | 18,448 |
| Sloan-Kettering Institute For Cancer Research | | — | 17,379 | 17,379 |
| St. Jude Children's Research Hospital | | — | 14,866 | 14,866 |
| University of Alabama at Birmingham | | — | 6,885 | 6,885 |
| University of Massachusetts | | — | 458,413 | 458,413 |
| Cancer Biology Research: | | | | |
| Northwestern University | 93.396 | 7,640,746 | — | 7,640,746 |
| Cancer Centers Support Grants: | | | | |
| Northwestern University | 93.397 | 4,814,673 | — | 4,814,673 |
| Cancer Research Manpower: | | | | |
| American College of Radiology | 93.398 | 2,494,312 | — | 2,494,312 |
| Northwestern University | | — | 5,503 | 5,503 |
| Cancer Control: | | | | |
| Mayo Hospital and Clinic | 93.399 | — | 118,268 | 118,268 |
| Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program: | | | | |
| Illinois Department of Human Services | 93.505 | — | — | — |
| Illinois Department of Human Services | 93.505,11GQ01040 | — | 255,965 | 255,965 |
| Health Care Innovation Awards (HCIA) | 93.610 | 1,226,676 | 1,014 | 1,014 |
| Social Services Research and Demonstration | 93.647 | 365,865 | — | 365,865 |
| Child Abuse and Neglect Discretionary Activities: | | | | |
| Illinois Department of Children and Family Services | 93.670 | — | — | — |
| ARRA – Trans-NIH Recovery Act Research Support: | 93.670,1923669039 | — | 12,171 | 12,171 |
| Brigham and Women's Hospital | 93.701 | 3,939,058 | — | 3,939,058 |
| Dana-Farber Cancer Center | | — | 6,616 | 6,616 |
| Duke University | | — | 20,000 | 20,000 |
| Medical College of Wisconsin | | — | 24,402 | 24,402 |
| Roswell Park Cancer Institute | | — | 50,962 | 50,962 |
| University of Michigan | | — | 2,968 | 2,968 |
| University of Washington | | — | 102,805 | 102,805 |
| | | | 169,148 | 169,148 |

THE UNIVERSITY OF CHICAGO
Schedule of Expenditures of Federal Awards
Year ended June 30, 2013

| Federal agency and pass-through entity | CFDA numbers | Direct awards | Pass-through awards | Total expenditures |
|---|--------------|---------------|---------------------|--------------------|
| University of Southern California | | \$ — | 66,865 | 66,865 |
| Washington University | | — | 6,364 | 6,364 |
| Cardiovascular Diseases Research: | 93.837 | 6,146,627 | — | 6,146,627 |
| Brigham and Women's Hospital | | — | 5,000 | 5,000 |
| Children's Hospital Oakland Research Institute | | — | 68,497 | 68,497 |
| Johns Hopkins University | | — | 447,043 | 447,043 |
| Northwestern University | | — | 117,607 | 117,607 |
| University of Illinois at Chicago | | — | 9,060 | 9,060 |
| University of North Carolina | | — | 8,075 | 8,075 |
| University of Texas | | — | 107,910 | 107,910 |
| University of Washington | | — | 108,173 | 108,173 |
| Vanderbilt University | | — | 74,322 | 74,322 |
| Yale University | | — | 6,029 | 6,029 |
| Lung Diseases Research: | 93.838 | 7,992,697 | — | 7,992,697 |
| Brigham and Women's Hospital | | — | 179,528 | 179,528 |
| Cleveland Clinic | | — | 41,882 | 41,882 |
| Duke University | | — | 155,259 | 155,259 |
| Harvard University | | — | 55,276 | 55,276 |
| Johns Hopkins University | | — | 96,500 | 96,500 |
| University of Illinois at Chicago | | — | 249,472 | 249,472 |
| University of Michigan | | — | 12,912 | 12,912 |
| University of Pennsylvania | | — | (9,205) | (9,205) |
| University of Pittsburgh | | — | 1,834 | 1,834 |
| University of Southern California | | — | 153,710 | 153,710 |
| University of Washington | | — | 43,480 | 43,480 |
| University of Wisconsin | | — | 306,405 | 306,405 |
| Washington University | | — | 104,102 | 104,102 |
| Blood Diseases and Resources Research: | 93.839 | 156,678 | — | 156,678 |
| Health Research | | — | 27,417 | 27,417 |
| Northwestern University | | — | 18,253 | 18,253 |
| Arthritis, Musculoskeletal and Skin Diseases Research: | 93.846 | 668,558 | — | 668,558 |
| Cincinnati Children's Hospital | | — | 15,524 | 15,524 |
| Hospital for Special Surgery | | — | 1,019 | 1,019 |
| Pennsylvania State University | | — | 12,520 | 12,520 |
| Seattle Children's Research Institute | | — | (3,714) | (3,714) |
| University of Pennsylvania | | — | 239,571 | 239,571 |
| Diabetes, Digestive, and Kidney Diseases Extramural Research: | 93.847 | 16,160,450 | — | 16,160,450 |
| Case Western Reserve University | | — | 67,417 | 67,417 |
| Children's Hospital of Los Angeles | | — | 540 | 540 |
| Emory University | | — | 30,555 | 30,555 |
| Illinois Institute of Technology | | — | 6,891 | 6,891 |
| Johns Hopkins University | | — | 53,368 | 53,368 |
| Kaiser Foundation Research Institute | | — | 106,580 | 106,580 |
| Massachusetts General Hospital | | — | 37,549 | 37,549 |
| Northwestern University | | — | 99,117 | 99,117 |
| NorthShore University Health System | | — | 14,243 | 14,243 |
| Palo Alto Medical Foundation Research Institute | | — | 17,579 | 17,579 |
| Seattle Children's Research Institute | | — | 17,062 | 17,062 |
| State University of New York | | — | 136,136 | 136,136 |
| University of Illinois at Chicago | | — | 82,302 | 82,302 |
| University of Iowa | | — | 122,852 | 122,852 |
| University of North Carolina | | — | (1,739) | (1,739) |
| University of Pittsburgh | | — | (650) | (650) |
| University of Rochester | | — | 48,342 | 48,342 |
| University of Texas | | — | 380,759 | 380,759 |
| University of Wisconsin | | — | 138,121 | 138,121 |
| Vanderbilt University | | — | 39,908 | 39,908 |
| VidaSystem | | — | 75,110 | 75,110 |
| Yale University | | — | 166,340 | 166,340 |
| Extramural Research Programs in the Neurosciences and Neurological Disorders: | 93.853 | 9,057,348 | — | 9,057,348 |
| Boston University | | — | 86,724 | 86,724 |
| Columbia University | | — | 57,561 | 57,561 |
| Duke University | | — | 108,099 | 108,099 |
| Emory University | | — | 96,225 | 96,225 |
| Hines VA Hospital | | — | 66,518 | 66,518 |
| Immersive Touch | | — | 44,275 | 44,275 |
| Johns Hopkins University | | — | 250,961 | 250,961 |
| Northwestern University | | — | 265,172 | 265,172 |
| Seattle Children's Research Institute | | — | 91,107 | 91,107 |
| Tourette Syndrome Association | | — | 3,229 | 3,229 |
| University of Ibadan | | — | 11,044 | 11,044 |
| University of Minnesota | | — | 31,307 | 31,307 |
| Allergy, Immunology and Transplantation Research: | 93.855 | 25,879,666 | — | 25,879,666 |
| Columbia University | | — | 161,193 | 161,193 |
| Duke University | | — | 573,349 | 573,349 |
| Emory University | | — | 288,223 | 288,223 |
| Inviragen, Inc. | | — | 12,334 | 12,334 |
| Michigan State University | | — | 39,249 | 39,249 |
| Mount Sinai Medical Center of Miami | | — | 390,905 | 390,905 |

THE UNIVERSITY OF CHICAGO
Schedule of Expenditures of Federal Awards
Year ended June 30, 2013

| Federal agency and pass-through entity | CFDA numbers | Direct awards | Pass-through awards | Total expenditures |
|--|----------------------------|---------------|---------------------|--------------------|
| Northwestern University | | \$ — | 336,929 | 336,929 |
| Oklahoma Medical Research Foundation | | — | 185,469 | 185,469 |
| University of California San Francisco | | — | 21,912 | 21,912 |
| University of Illinois at Chicago | | — | (1,980) | (1,980) |
| University of Michigan | | — | 19,611 | 19,611 |
| University of Pittsburgh | | — | 19,539 | 19,539 |
| Biomedical Research and Research Training: | 93.859 | 33,161,325 | — | 33,161,325 |
| Johns Hopkins University | | — | 19,574 | 19,574 |
| Pennsylvania State University | | — | 32,047 | 32,047 |
| Schrodinger Inc. | | — | 117,708 | 117,708 |
| University of California San Francisco | | — | 39,250 | 39,250 |
| University of Kansas | | — | 133,373 | 133,373 |
| University of Pittsburgh | | — | 18,157 | 18,157 |
| University of Southern California | | — | 553,381 | 553,381 |
| University of Texas at Austin | | — | 118,130 | 118,130 |
| University of Utah | | — | 91,185 | 91,185 |
| Child Health and Human Development Extramural Research: | 93.865 | 5,955,490 | — | 5,955,490 |
| Children's Memorial Hospital | | — | 1,272 | 1,272 |
| Cornell University | | — | 2,819 | 2,819 |
| DePaul University | | — | 22,579 | 22,579 |
| Emory University | | — | 56,743 | 56,743 |
| Harvard University | | — | (1,199) | (1,199) |
| National Bureau of Economic Research | | — | 77,076 | 77,076 |
| National Opinion Research Center | | — | 151,407 | 151,407 |
| Northwestern University | | — | 63,894 | 63,894 |
| University of California San Francisco | | — | 100,748 | 100,748 |
| University of Colorado | | — | 4,780 | 4,780 |
| University of Illinois at Chicago | | — | 62,193 | 62,193 |
| University of Kansas | | — | 46,223 | 46,223 |
| University of Maryland | | — | 297,680 | 297,680 |
| Washington University | | — | 64,475 | 64,475 |
| Aging Research: | 93.866 | 5,985,723 | — | 5,985,723 |
| Duke University | | — | 120,652 | 120,652 |
| National Bureau of Economic Research | | — | 708,115 | 708,115 |
| National Opinion Research Center | | — | 181,101 | 181,101 |
| University of California San Diego | | — | 37,103 | 37,103 |
| University of Pennsylvania | | — | 14,837 | 14,837 |
| University of Rochester | | — | 6,550 | 6,550 |
| University of Tennessee | | — | 30,595 | 30,595 |
| Vision Research | 93.867 | 1,827,538 | — | 1,827,538 |
| Medical Library Assistance | 93.879 | 22,226 | — | 22,226 |
| Family Planning Service Delivery Improvement Research Grants | 93.974 | 215,140 | — | 215,140 |
| International Research and Research Training | 93.989 | 57,178 | — | 57,178 |
| Adolescent Family Life Demonstration Projects: | 93.995 | — | 61,329 | 61,329 |
| Access Community Health | | — | 61,329 | 61,329 |
| ARRA – Department of Health and Human Services: | | | | |
| Saic-Frederick, Inc. | 93.RD,HHSN261200800001E | — | 14,116 | 14,116 |
| Blue Cross Blue Shield Association | 93.RD,HHSA290-2007-10058-I | — | 148,016 | 148,016 |
| Cleveland Clinic | 93.RD,HHSN261201000060C | — | 43,860 | 43,860 |
| Radiological Society of North America | 93.RD,HHSN268200900060C | — | 175,176 | 175,176 |
| Department of Health and Human Services: | 93.RD | 19,792 | — | 19,792 |
| Chicago Board of Education | 93.RD | — | (119,265) | (119,265) |
| Saic-Frederick, Inc. | 93.RD,12XS572T01 | — | 42,797 | 42,797 |
| Saic-Frederick, Inc. | 93.RD,13XS021 | — | 94,174 | 94,174 |
| City of Chicago Department of Health | 93.RD,1U62P5003200-01 | — | (7,148) | (7,148) |
| University of Michigan | 93.RD,3002521816 | — | 142,748 | 142,748 |
| Johns Hopkins University | 93.RD,SU24CA160036-02 | — | 62,438 | 62,438 |
| University of Michigan | 93.RD,90C01047-03 | — | 70,342 | 70,342 |
| National Opinion Research Center | 93.RD,GS10F0033M | — | 140,763 | 140,763 |
| Saic-Frederick, Inc. | 93.RD,HHSN261200800001E | — | 112,588 | 112,588 |
| Materials Development, Inc. | 93.RD,HHSN261201000113C | — | 12,557 | 12,557 |
| Alan Penn and Associates Inc. | 93.RD,HHSN261201100075C | — | 10,034 | 10,034 |
| Northwestern University | 93.RD,HHSN267200700027C | — | 6,915 | 6,915 |
| University of Michigan | 93.RD,HHSN271200900786P | — | 13,622 | 13,622 |
| Northwestern University | 93.RD,HHSN272200700058C | — | 398,185 | 398,185 |
| University of California San Francisco | 93.RD,HHSN27220070031C | — | 303,668 | 303,668 |
| Virginia Tech | 93.RD,HHSN272200900040C | — | 1,379,793 | 1,379,793 |
| Northwestern University | 93.RD,HHSN272201200026C | — | 915,153 | 915,153 |
| National Opinion Research Center | 93.RD,HHSP23320095647WC | — | 205,586 | 205,586 |
| Mathematica Policy Research | 93.RD,HSSP2330095642WC | — | 29,915 | 29,915 |
| University of California San Francisco | 93.RD,N01A115416 | — | 34,455 | 34,455 |
| University of Alabama at Birmingham | 93.RD,N01A130025 | — | 5,769 | 5,769 |
| Northwestern University | 93.RD,N01CN35157 | — | (15,220) | (15,220) |
| Northwestern University | 93.RD,N01-CN-35157-01AMEND | — | 6,559 | 6,559 |
| Westat | 93.RD,N02-CM-62212 | — | 12,927 | 12,927 |
| American College of Radiology | 93.RD,R01CA021661 | — | 38,296 | 38,296 |
| City of Chicago Department of Health | 93.RD,Release2,24346 | — | (19,778) | (19,778) |
| City of Chicago Department of Health | 93.RD,Release3,24346 | — | 834,771 | 834,771 |
| City of Chicago Department of Health | 93.RD,Release4,24346 | — | 189,464 | 189,464 |
| Emory University | 93.RD,S766013 | — | 50,469 | 50,469 |
| ARRA – Department of Health and Human Services | 93.RD,N01CM62201 | 6,683 | — | 6,683 |
| Department of Health and Humans Services | 93.RD,HHSN261201100071C | 713,931 | — | 713,931 |
| Department of Health and Humans Services | 93.RD,HHSN275201100328P | 34,145 | — | 34,145 |

THE UNIVERSITY OF CHICAGO
Schedule of Expenditures of Federal Awards
Year ended June 30, 2013

| <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> |
|--|-------------------------|----------------------|----------------------------|---------------------------|
| Department of Health and Humans Services | 93.RD,HHSN261200622001C | \$ 281,358 | — | 281,358 |
| Department of Health and Humans Services | 93.RD,HHSN261201000145C | 269,788 | — | 269,788 |
| Department of Health and Humans Services | 93.RD,R43 HG006634-01 | 37,536 | — | 37,536 |
| Department of Health and Humans Services | 93.RD,HHSN272201200933P | 14,927 | — | 14,927 |
| Total Department of Health and Human Services | | <u>185,817,749</u> | <u>27,797,869</u> | <u>213,615,618</u> |
| Department of Housing and Urban Development: | | | | |
| Doctoral Dissertation Research Grants | 14.516 | 2,502 | — | 2,502 |
| Total Department of Housing and Urban Development | | <u>2,502</u> | <u>—</u> | <u>2,502</u> |
| Department of Justice: | | | | |
| National Institute of Justice Research, Evaluation, and Development Project Grants | 16.560 | 145,393 | — | 145,393 |
| Juvenile Mentoring Program | 16.726 | 231,533 | — | 231,533 |
| ARRA – Recovery Act – State and Local Law Enforcement Assistance Program: | | | | |
| Rutgers University | 16.809 | — | 18,655 | 18,655 |
| Total Department of Justice | | <u>376,926</u> | <u>18,655</u> | <u>395,581</u> |
| Department of Labor: | | | | |
| Public Diplomacy Programs for Afghanistan and Pakistan | 17.RD,DOLB139634411 | 22,534 | — | 22,534 |
| Total Department of Labor | | <u>22,534</u> | <u>—</u> | <u>22,534</u> |
| Department of State: | | | | |
| Public Diplomacy Programs for Afghanistan and Pakistan | 19.501 | 744,491 | — | 744,491 |
| General Department of State Assistance | 19.700 | 78,175 | — | 78,175 |
| Total Department of State | | <u>822,666</u> | <u>—</u> | <u>822,666</u> |
| Environmental Protection Agency: | | | | |
| Science To Achieve Results (STAR) Fellowship Program | 66.514 | 15,035 | — | 15,035 |
| Total Environmental Protection Agency | | <u>15,035</u> | <u>—</u> | <u>15,035</u> |
| National Aeronautics and Space Administration: | | | | |
| Science: | 43.001 | 2,910,418 | — | 2,910,418 |
| California Institute of Technology | | — | 216,009 | 216,009 |
| Carnegie Mellon University | | — | 5,142 | 5,142 |
| Cornell University | | — | 68,226 | 68,226 |
| Iowa State University | | — | 8,357 | 8,357 |
| Jet Propulsion Laboratory | | — | 100,054 | 100,054 |
| Smithsonian Institution | | — | 288,733 | 288,733 |
| Space Telescope Science Institute | | — | 335,240 | 335,240 |
| Southwest Research Institute | | — | 213,771 | 213,771 |
| University of Cincinnati | | — | 13,164 | 13,164 |
| University of Texas at Austin | | — | 155,661 | 155,661 |
| University Space Research Association | | — | 504,729 | 504,729 |
| National Aeronautics and Space Administration: | | | | |
| Space Telescope Science Institute | 43.RD,1455917 | 53,544 | — | 53,544 |
| Cornell University | 43.RD,HST-GO-12267.04-A | — | 5,412 | 5,412 |
| University of Illinois at Champaign | 43.RD,NNM08AA26C | — | (19,882) | (19,882) |
| Arizona State University | 43.RD,NNX10AK65H | — | 55,863 | 55,863 |
| National Aeronautics and Space Administration | 43.RD,NNX10AOS2G/11-475 | — | 62,428 | 62,428 |
| National Aeronautics and Space Administration | 43.RD,RSA#1436804 | 32,301 | — | 32,301 |
| Total National Aeronautics and Space Administration | | <u>2,996,263</u> | <u>2,012,907</u> | <u>5,009,170</u> |
| National Endowment for Humanities: | | | | |
| Promotion of the Humanities – Division of Preservation and Access | 45.149 | 171,636 | — | 171,636 |
| Promotion of the Humanities – Research | 45.161 | 92,420 | — | 92,420 |
| Promotion of the Humanities – Office of Digital Humanities | 45.169 | 76,983 | — | 76,983 |
| Total National Endowment for the Humanities | | <u>341,039</u> | <u>—</u> | <u>341,039</u> |
| National Science Foundation: | | | | |
| Engineering Grants: | 47.041 | 90,595 | — | 90,595 |
| California Institute of Technology | | — | 134,370 | 134,370 |
| Mathematical and Physical Sciences: | 47.049 | 21,833,167 | — | 21,833,167 |
| Columbia University | | — | 1,307,095 | 1,307,095 |
| Emory University | | — | 39,373 | 39,373 |
| Fermi National Accelerator Laboratory | | — | 601 | 601 |
| Princeton University | | — | 81,419 | 81,419 |
| University of California Irvine | | — | 176,141 | 176,141 |
| University of California San Diego | | — | 11,033 | 11,033 |
| University of California Los Angeles | | — | 102,416 | 102,416 |
| University of Notre Dame | | — | 200,723 | 200,723 |
| University of Wisconsin | | — | 1,595,784 | 1,595,784 |
| Geosciences: | 47.050 | 4,409,080 | — | 4,409,080 |
| University Corporation for Atmospheric Research | | — | 38,713 | 38,713 |
| University of California-Davis | | — | 114,302 | 114,302 |
| University of California San Diego | | — | 524,596 | 524,596 |
| University of Illinois Champaign | | — | 56,339 | 56,339 |
| Computer and Information Science and Engineering: | 47.070 | 646,117 | — | 646,117 |
| DePaul University | | — | 34,558 | 34,558 |
| Johns Hopkins University | | — | 8,930 | 8,930 |
| Biological Sciences: | 47.074 | 2,917,861 | — | 2,917,861 |
| Duke University | | — | 15,500 | 15,500 |

THE UNIVERSITY OF CHICAGO
Schedule of Expenditures of Federal Awards
Year ended June 30, 2013

| Federal agency and pass-through entity | CFDA numbers | Direct awards | Pass-through awards | Total expenditures |
|---|----------------------------------|--------------------|---------------------|--------------------|
| University of Arizona | | \$ — | 220,153 | 220,153 |
| University of California-Davis | | — | 182,609 | 182,609 |
| University of Florida | | — | 97,957 | 97,957 |
| University of Illinois at Chicago | | — | 1,694 | 1,694 |
| University of Michigan | | — | 47,324 | 47,324 |
| University of South Dakota | | — | 152,807 | 152,807 |
| Social, Behavioral, and Economic Sciences: | | | | |
| Case-Western Reserve University | 47.075 | 3,545,513 | — | 3,545,513 |
| Temple University | | — | 12,915 | 12,915 |
| University of Arkansas | | — | 1,019,652 | 1,019,652 |
| University of California Irvine | | — | 38,193 | 38,193 |
| University of New Hampshire | | — | 28,016 | 28,016 |
| Education and Human Resources | 47.076 | 1,927,537 | — | 1,927,537 |
| Polar Programs | 47.078 | 3,138,935 | — | 3,138,935 |
| International Science and Engineering (OISE) | 47.079 | 861,157 | — | 861,157 |
| Office of Cyberinfrastructure | 47.080 | 3,225,601 | — | 3,225,601 |
| Indiana University | | — | 256,730 | 256,730 |
| University of Florida | | — | 63,076 | 63,076 |
| University of Illinois at Champaign | | — | 1,957,070 | 1,957,070 |
| University of Wisconsin | | — | (16,233) | (16,233) |
| Virginia Tech | | — | 113,009 | 113,009 |
| ARRA – Trans-NSF Recovery Act Research Support: | 47.082 | 1,115,808 | — | 1,115,808 |
| National Science Foundation | | | | |
| University of California San Diego | 47.RD.DLR-0910206 | — | 5,987 | 5,987 |
| Argonne National Laboratory | 47.RD.OI-30381-0023A | — | 24,451 | 24,451 |
| National Science Foundation | 47.RD.DMR-0820054 | 8,500 | — | 8,500 |
| National Science Foundation | 47.RD.OCI-1239751 | 217,743 | — | 217,743 |
| Total National Science Foundation | | <u>43,937,614</u> | <u>8,866,797</u> | <u>52,804,411</u> |
| Social Security Administration: | | | | |
| Social Security – Research and Demonstration: | 96.007 | | | |
| Rand Corporation | | — | 3,627 | 3,627 |
| Total Social Security Administration | | <u>—</u> | <u>3,627</u> | <u>3,627</u> |
| Agency for International Development | | | | |
| USAID Foreign Assistance for Programs Overseas | 98.001 | 376,699 | — | 376,699 |
| Total Agency for International Development | | <u>376,699</u> | <u>—</u> | <u>376,699</u> |
| Total Research and Development Cluster | | <u>253,073,174</u> | <u>46,832,084</u> | <u>299,905,258</u> |
| Other Federal Programs: | | | | |
| Student Financial Aid Cluster: | | | | |
| Department of Education: | | | | |
| Federal Supplemental Educational Opportunity Grants | 84.007 | 650,551 | — | 650,551 |
| Federal Work-Study Program | 84.033 | 2,461,832 | — | 2,461,832 |
| Federal Perkins Loan Program – Federal Capital Contributions | 84.038 | 7,184,265 | — | 7,184,265 |
| Federal Pell Grant Program | 84.063 | 3,218,802 | — | 3,218,802 |
| Federal Direct Student Loans | 84.268 | 103,942,102 | — | 103,942,102 |
| Teacher Education Assistance for College and Higher Education Grants (TEACH Grants) | 84.379 | 83,559 | — | 83,559 |
| Total Department of Education | | <u>117,541,111</u> | <u>—</u> | <u>117,541,111</u> |
| Total Student Financial Assistance Cluster | | <u>117,541,111</u> | <u>—</u> | <u>117,541,111</u> |
| Department of Commerce | 11.417 | | | |
| University of Illinois Champaign | | — | 17,576 | 17,576 |
| Total Department of Commerce | | <u>—</u> | <u>17,576</u> | <u>17,576</u> |
| Department of Defense: | | | | |
| Military Medical Research and Development | 12.420 | 18,731 | — | 18,731 |
| Mathematical Sciences Grants Program | 12.901 | 24,653 | — | 24,653 |
| Total Department of Defense | | <u>43,384</u> | <u>—</u> | <u>43,384</u> |
| 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 | 1,592,586 | — | 1,592,586 |
| Northeastern Illinois University | | — | 28,491 | 28,491 |
| University of Illinois at Champaign | | — | 346,664 | 346,664 |
| Overseas Programs – Doctoral Dissertation Research Abroad | 84.022 | 341,210 | — | 341,210 |
| Javits Fellowships | 84.170 | 683,760 | — | 683,760 |
| Gaining Early Awareness and Readiness for Undergraduate Programs: | 84.334 | | | |
| Northeastern Illinois University | | — | 144,213 | 144,213 |
| Improving Teacher Quality State Grants: | 84.367 | | | |
| Illinois Board of Higher Education | 84.367,300012NCLB9 | — | 178,418 | 178,418 |
| Illinois Board of Higher Education | 84.367,S367B110013 | — | 176,295 | 176,295 |
| Race to the Top | 84.143,B413A120006 | — | 586,812 | 586,812 |
| Illinois Board of Higher Education | | — | 586,812 | 586,812 |
| Department of Education: | 84.OTH | | | |
| Chicago Board of Education | 84.OTH,10-0526-ED2-158,10-0922-A | — | 3,365 | 3,365 |

THE UNIVERSITY OF CHICAGO
Schedule of Expenditures of Federal Awards
Year ended June 30, 2013

| Federal agency and pass-through entity | CFDA numbers | Direct awards | Pass-through awards | Total expenditures |
|--|--------------------------|------------------|---------------------|--------------------|
| Illinois Board of Education | 84.OTH,110727PR252 | \$ — | 1,310,130 | 1,310,130 |
| Title I Grants to Local Educational Agencies | 84.010,2230266G-0 | — | 11,184 | 11,184 |
| Chicago Public Schools | | — | 11,184 | 11,184 |
| Total Department of Education | | <u>2,617,556</u> | <u>2,785,572</u> | <u>5,403,128</u> |
| Department of Energy: | | | | |
| Office of Science Financial Assistance Program: | | | | |
| Battelle Memorial Institute | 81.049 | — | 48,022 | 48,022 |
| Krell Institute | | — | 3,523 | 3,523 |
| State Energy Program Special Projects: | | | | |
| Fermi National Accelerator Laboratory | 81.119 | — | 187,807 | 187,807 |
| Krell Institute | | — | 3,518 | 3,518 |
| Department of Energy: | | | | |
| University of California Berkeley | 81.OTH | — | (116,622) | (116,622) |
| Fermi National Accelerator Laboratory | 81.OTH,DE-AC02-05CH11231 | — | 327,424 | 327,424 |
| Fermi National Accelerator Laboratory | 81.OTH,FNAL PO #570086 | — | 77,412 | 77,412 |
| Fermi National Accelerator Laboratory | 81.RD,PO #602545 | — | 3,042 | 3,042 |
| Department of Energy | 81.OTH,PO #1315756 | 56,770 | — | 56,770 |
| Total Department of Energy | | <u>56,770</u> | <u>534,126</u> | <u>590,896</u> |
| Department of Health and Human Services: | | | | |
| Maternal and Child Health Federal Consolidated Programs: | | | | |
| Illinois Department of Human Services | 93.110 | — | 72,973 | 72,973 |
| AIDS Education and Training Centers: | 93.110,FCSRE01737 | — | 72,973 | 72,973 |
| University of Illinois at Chicago | 93.145 | — | 35,695 | 35,695 |
| Policy Research and Evaluation Grants: | | | | |
| Access Community Health | 93.239 | — | 19,861 | 19,861 |
| Substance Abuse and Mental Health Services_Proj | | | | |
| ects of Regional and National Significance: | | | | |
| Access Community Health | 93.243 | — | 32,250 | 32,250 |
| Immunization Grants: | | | | |
| City of Chicago Department of Health | 93.268 | — | (1,726) | (1,726) |
| Health Care Innovation Awards (HCIA) | 93.610 | 1,301,125 | — | 1,301,125 |
| Child Welfare Research Training or Demonstration: | | | | |
| Illinois Department of Children Family Services | 93.648,1923669052 | — | 34,105 | 34,105 |
| ARRA – National Center for Research Resources, | | | | |
| Recovery Act Construction Support | 93.702 | 2,891,058 | — | 2,891,058 |
| ARRA – Immunization: | | | | |
| City of Chicago Department of Health | 93.712 | — | (11,090) | (11,090) |
| ARRA – Health Information Technology Regional Extension | | | | |
| Centers Program: | 93.718 | — | 8,095 | 8,095 |
| Northwestern University | | — | 8,095 | 8,095 |
| Extramural Research Programs in the Neurosciences and | | | | |
| Neurological Disorders | 93.853 | 32,500 | — | 32,500 |
| Grants for Training in Primary Care Medicine and Dentistry: | | | | |
| Beckman Research Institute of The City of Hope | 93.884 | 135,631 | — | 135,631 |
| HIV Emergency Relief Project Grants: | | | | |
| Aids Foundation of Chicago | 93.914 | — | 55,417 | 55,417 |
| City of Chicago Department of Health | | — | 377,154 | 377,154 |
| Healthy Start Initiative: | | | | |
| Illinois Department of Human Services | 93.926,11GQ00514 | — | 378 | 378 |
| Illinois Department of Human Services | 93.926,11GQ01371 | — | 550 | 550 |
| HIV Prevention Activities_Health Department Based: | | | | |
| City of Chicago Department of Health | 93.940 | — | 80,089 | 80,089 |
| Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency | | | | |
| Virus Syndrome (AIDS) Surveillance: | 93.944 | — | 17,195 | 17,195 |
| Illinois Department of Human Services | 93.944,FCSRE03247 | — | 17,195 | 17,195 |
| Maternal and Child Health Services Block Grant to States: | | | | |
| Illinois Department of Human Services | 93.994 | — | 166,147 | 166,147 |
| Illinois Department of Public Health | 93.994,FCSRE00768 | — | 3,531 | 3,531 |
| Illinois Department of Public Health | 93.994,23789009 | — | 399,090 | 399,090 |
| Illinois Department of Public Health | 93.994,33789009A | — | 399,090 | 399,090 |
| Department of Health and Humans Services: | | | | |
| City of Chicago Department of Health | 93.OTH | — | (40,871) | (40,871) |
| City of Chicago Department of Children and Youth | 93.OTH,05SCH0101 | — | 91,978 | 91,978 |
| Chicago Department of Children and Youth | 93.OTH,26045 | — | 177,447 | 177,447 |
| Illinois Department of Public Health | 93.OTH,11AQ00235 | — | 11,438 | 11,438 |
| Illinois Department of Public Health | 93.OTH,FCSRE01567 | — | 599,606 | 599,606 |
| State of New York Office of Children and Family Services | 93.OTH,T011707 | — | 26,983 | 26,983 |
| University of Illinois at Chicago | 93.OTH,H4AHA00062 | — | 7,500 | 7,500 |
| Total Department of Health and Human Services | | <u>4,360,314</u> | <u>2,164,371</u> | <u>6,524,685</u> |
| Department of Justice: | | | | |
| Edward Byrne Memorial Justice Assistance Grant Program: | | | | |
| Illinois Criminal Justice Information Authority | 16.738,408412 | — | 49,462 | 49,462 |
| Total Department of Justice | | — | 49,462 | 49,462 |
| Environmental Protection Agency: | | | | |
| Science To Achieve Results (STAR) Fellowship Program | 66.514 | 19,601 | — | 19,601 |
| Total Environmental Protection Agency | | <u>19,601</u> | — | <u>19,601</u> |

THE UNIVERSITY OF CHICAGO
Schedule of Expenditures of Federal Awards
Year ended June 30, 2013

| <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> |
|--|-----------------------|-----------------------|----------------------------|---------------------------|
| Institute of Museum Services: Museums for America | 45.301 | \$ 70,058 | — | 70,058 |
| Total Institute of Museum Services | | <u>70,058</u> | <u>—</u> | <u>70,058</u> |
| National Aeronautics and Space Administration: Science: | 43.001 | 282,916 | — | 282,916 |
| Chicago Public Schools | | — | 24,204 | 24,204 |
| Space Telescope Science Institute | | — | 3,980 | 3,980 |
| Total National Aeronautics and Space Administration | | <u>282,916</u> | <u>28,184</u> | <u>311,100</u> |
| National Endowment for the Arts: Promotion of the Arts – Grants to Organizations and Individuals | 45.024 | 20,000 | — | 20,000 |
| Total National Endowment for the Arts | | <u>20,000</u> | <u>—</u> | <u>20,000</u> |
| National Endowment for the Humanities: Promotion of the Humanities Division of Preservation and Access | 45.149 | 96,372 | — | 96,372 |
| Promotion of the Humanities Research | 45.161 | 16,417 | — | 16,417 |
| Promotion of the Humanities – Public Programs | 45.164 | 243,256 | — | 243,256 |
| Total National Endowment for the Humanities | | <u>356,045</u> | <u>—</u> | <u>356,045</u> |
| National Science Foundation: Mathematical and Physical Sciences: University of Notre Dame | 47.049 | 122,657 | — | 122,657 |
| Computer and Information Science and Engineering | 47.070 | — | 27,611 | 27,611 |
| Biological Sciences | 47.074 | 279,670 | — | 279,670 |
| Social, Behavioral, and Economic Sciences | 47.075 | 10,873 | — | 10,873 |
| Education and Human Resources | 47.076 | 71,381 | — | 71,381 |
| Chicago Pre-College Science & Engineering Programs | | 3,163,752 | — | 3,163,752 |
| Office of Cyberinfrastructure | 47.080 | — | 13,122 | 13,122 |
| Total National Science Foundation | | <u>503,461</u> | <u>—</u> | <u>503,461</u> |
| Total National Science Foundation | | <u>4,151,794</u> | <u>40,733</u> | <u>4,192,527</u> |
| United States Census Bureau: United States Census Bureau | 11.OTH,YA132311SE0303 | 10,178 | — | 10,178 |
| Total United States Census Bureau | | <u>10,178</u> | <u>—</u> | <u>10,178</u> |
| TRIO Cluster: Department of Education: TRIO Upward Bound | 84.047 | 373,133 | — | 373,133 |
| Total Department of Education | | <u>373,133</u> | <u>—</u> | <u>373,133</u> |
| Total TRIO Cluster | | <u>373,133</u> | <u>—</u> | <u>373,133</u> |
| Teacher Quality Partnerships Cluster: Department of Education: ARRA – Teacher Quality Partnerships, Recovery Act | 84.405 | 2,311,513 | — | 2,311,513 |
| Total Department of Education | | <u>2,311,513</u> | <u>—</u> | <u>2,311,513</u> |
| Total Teacher Quality Partnerships Cluster | | <u>2,311,513</u> | <u>—</u> | <u>2,311,513</u> |
| Total other federal programs | | <u>132,214,373</u> | <u>5,620,024</u> | <u>137,834,397</u> |
| Grand total | | <u>\$ 385,287,547</u> | <u>52,452,108</u> | <u>437,739,655</u> |

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, 2013

(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, 2013. 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 2013 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, 2013

(c) American Recovery and Reinvestment Act (ARRA)

During fiscal year 2013, the University expended \$11,341,792 of ARRA funds that it received from the following agencies:

| | | |
|---|----|-------------------|
| Department of Education | \$ | 2,311,513 |
| Department of Energy | | 230,714 |
| Department of Health and Human Services | | 7,665,102 |
| Department of Justice | | 18,655 |
| National Science Foundation | | 1,115,808 |
| | \$ | <u>11,341,792</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, 2013 were as follows:

| | | |
|--------------------------|----|-------------------|
| Research and development | \$ | 81,459,619 |
| Other | | 978,593 |
| Total | \$ | <u>82,438,212</u> |

THE UNIVERSITY OF CHICAGO

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

(3) Summary of Subrecipient Payments

Subrecipient payments charged to federal awards for the year ended June 30, 2013 were as follows:

| | |
|--|-----------------------------|
| Research and development: | |
| Department of Defense | \$ 1,652,111 |
| Department of Education | 185,479 |
| Department of Energy | 350,184 |
| Department of Health and Human Services | 26,294,209 |
| Department of Justice | 15,795 |
| National Aeronautics and Space Administration | 59,521 |
| National Endowment for the Humanities | 44,000 |
| National Science Foundation | 3,393,660 |
| | <u>31,994,959</u> |
| Other: | |
| Department of Education | 552,859 |
| Department of Health and Human Services | 280,593 |
| National Endowment for the Humanities | 235,006 |
| National Science Foundation | 9,576 |
| | <u>1,078,034</u> |
| Total | \$ <u><u>33,072,993</u></u> |

(4) Federal Loan Programs

Loans made to University students under the various federal loan programs for the year ended June 30, 2013 are summarized below:

| | |
|--|------------------------------|
| University federal loans: | |
| Perkins | \$ <u>7,184,265</u> |
| Total University federal loans | <u>7,184,265</u> |
| Non-University federal loans: | |
| Stafford | 58,150,367 |
| Parent Loans for Undergraduate Students (PLUS) and Graduate PLUS | <u>45,791,735</u> |
| Total non-University federal loans | <u>103,942,102</u> |
| Total | \$ <u><u>111,126,367</u></u> |

THE UNIVERSITY OF CHICAGO

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2013

University federal loans outstanding at June 30, 2013 are shown below:

| | | |
|---------------------------------|----|--------------------------|
| Perkins | \$ | 36,306,372 |
| Health professions | | 130,248 |
| Loans to disadvantaged students | | <u>1,034</u> |
| Total | \$ | <u><u>36,437,654</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.



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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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of The University of Chicago (the University), which comprise the consolidated balance sheet as of June 30, 2013, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 10, 2013.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

Purpose of this Report

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

KPMG LLP

Chicago, Illinois
October 10, 2013



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Suite 5500
200 East Randolph Drive
Chicago, IL 60601-6436

Independent Auditors' Report on Compliance for Each Major Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations

The Board of Trustees
The University of Chicago:

Report on Compliance for Each Major Federal Program

We have audited The University of Chicago's (the University) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2013. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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, 2013, and were audited by other auditors.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the University's compliance.



Opinion on Each Major Federal Program

In our opinion, the University complied, in all material respects, with the types of 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, 2013.

Report on Internal Control over Compliance

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

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

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the consolidated financial statements of the University as of and for the year ended June 30, 2013, and have issued our report thereon dated October 10, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Chicago, Illinois
March 26, 2014

THE UNIVERSITY OF CHICAGO
 Schedule of Findings and Questioned Costs
 Year ended June 30, 2013

(1) Summary of Auditors' Results

- (a) The type of report issued on the consolidated financial statements: **Unmodified 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: **None reported**

Material weaknesses: **No**

- (e) The type of report issued on compliance for major programs: **Unmodified opinion**
- (f) Any audit findings that are required to be reported under Section 0.510(a) of OMB Circular A-133: **No**

- (g) Major programs:

Research and Development Cluster – Various CFDA numbers (see
 schedule of expenditures of federal awards)

Teacher Quality Partnerships Cluster:

| | |
|--|--------|
| Teacher Quality Partnerships, Recovery Act | 84.405 |
| Education and Human Resources | 47.076 |

- (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

(3) Findings and Questioned Costs Relating to Federal Awards

None