



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.

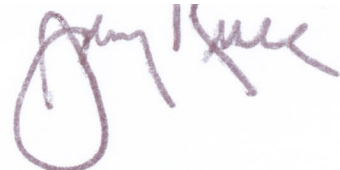
The consolidated financial statements have been audited by the independent accounting firm KPMG LLP, (KPMG), which was given unrestricted access to all financial records and related data, including minutes of all meetings of trustees. KPMG did not audit the financial statements of The University of Chicago 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
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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	<u>\$ 12,525,477</u>	<u>11,954,730</u>
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	<u>5,220,256</u>	<u>5,020,803</u>
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	<u>7,305,221</u>	<u>6,933,927</u>
Total liabilities and net assets	<u>\$ 12,525,477</u>	<u>11,954,730</u>

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)

	<u>2013</u>	<u>2012</u>
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
	<u>194,170</u>	<u>(307,636)</u>
Change in unrestricted net assets from nonoperating activities		
Increase (decrease) in unrestricted net assets	<u>188,085</u>	<u>(228,427)</u>
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)
	<u>89,898</u>	<u>(22,342)</u>
Increase (decrease) in temporarily restricted net assets		
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)
	<u>93,311</u>	<u>54,007</u>
Increase in permanently restricted net assets		
Increase (decrease) in net assets	371,294	(196,762)
Net assets at beginning of year	<u>6,933,927</u>	<u>7,130,689</u>
Net assets at end of year	<u>\$ 7,305,221</u>	<u>6,933,927</u>

See accompanying notes to consolidated financial statements.

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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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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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(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	\$ <u>2,755,480</u>	<u>567,314</u>	<u>4,364,090</u>	<u>7,686,884</u>

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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
	<hr/>	<hr/>	<hr/>	<hr/>
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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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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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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(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 Consolidated
	University	Medical Center	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	\$ 328,734	40,647	369,381	374,149

(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
	University	Medical Center	Consolidated	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	<u>\$ 264,164</u>	<u>9,528</u>	<u>273,692</u>	<u>264,248</u>

(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:

	Defined benefit pension plans		Other postretirement benefit plans	
	2013	2012	2013	2012
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:

	<u>2013</u>	<u>2012</u>
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	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Domestic public equities	29%	27%	—%	—%
International public equities	15	14	—	—
Fixed income	56	59	100	100
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

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.

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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
Basic Scientific Research – Combating Weapons of Mass Destruction	12.351	336,490	—	336,490
Military Medical Research and Development:	12.420	3,598,517	—	3,598,517
University of Alabama at Birmingham		—	124,992	124,992
Basic Scientific Research:	12.431	846,047	—	846,047
Albany Medical College		—	87,471	87,471
Colorado School of Mines		—	281,830	281,830
Rush-Presbyterian-St. Luke's Medical Center		—	21,897	21,897
University of Maryland		—	323,893	323,893
University of Utah		—	13,873	13,873
Air Force Defense Research Sciences Program:	12.800	1,176,436	—	1,176,436
University of Maryland, College Park		—	187,252	187,252
Carnegie Mellon		—	105,416	105,416
Research and Technology Development:	12.910	1,421,212	—	1,421,212
Michigan State University		—	200,816	200,816
Northwestern University		—	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
Graduate Assistance in Areas of National Need	84.200	1,174,064	—	1,174,064
Comprehensive Centers:				
American Institutes for Research	84.184,11-0622-PR38	—	(3,887)	(3,887)
Education Research, Development and Dissemination:	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
Arradance, Inc.		—	32,230	32,230
Brookhaven National Institute		—	19,384	19,384
Fermi National Accelerator Laboratory		—	40,000	40,000
Northwestern University		—	55,087	55,087
ARRA – Office of Science Financial Assistance Program:		—	547,622	547,622
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-30381-0011D	—	(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

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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	—	641,454	641,454
Columbia University				
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	—	7,971	7,971
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	—	4,851	4,851
University of Pittsburgh				
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

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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

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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

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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

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Federal agency and pass-through entity	CFDA numbers	Direct awards	Pass-through awards	Total expenditures
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		—	—	—
Total Department of Education		2,617,556	2,785,572	5,403,128
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		—	3,042	3,042
Fermi National Accelerator Laboratory	81.RD,PO #602545	—	—	—
Department of Energy	81.OTH,PO #1315756	56,770	—	56,770
Total Department of Energy		56,770	534,126	590,896
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	—	—	—
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_Projecs				
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 (HCLA)	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:				
Northwestern University	93.718	—	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
Beckman Research Institute of The City of Hope		—	576	576
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:				
Illinois Department of Human Services	93.944	—	17,195	17,195
Illinois Department of Human Services	93.944,FCSRE03247	—	—	—
Maternal and Child Health Services Block Grant to States:				
Illinois Department of Human Services	93.994	—	166,147	166,147
Illinois Department of Human Services	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	—	—	—
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	—	91,978	91,978
Chicago Department of Children and Youth	93.OTH,05SCH0101	—	177,447	177,447
Chicago Department of Children and Youth	93.OTH,26045	—	11,438	11,438
Illinois Department of Public Health	93.OTH,11AQ00235	—	599,606	599,606
Illinois Department of Public Health	93.OTH,FCSRE01567	—	26,983	26,983
State of New York Office of Children and Family Services	93.OTH,T011707	—	7,500	7,500
University of Illinois at Chicago	93.OTH,H4AHA00062	—	—	—
Total Department of Health and Human Services		4,360,314	2,164,371	6,524,685
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				
Science To Achieve Results (STAR) Fellowship Program	66.514	19,601	—	19,601
Total Environmental Protection Agency		19,601	—	19,601

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	47.076	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
	\$	11,341,792

(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	\$	82,438,212

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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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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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