

THE UNIVERSITY OF CHICAGO

OMB Circular A-133 Audit Report

Year ended June 30, 2011

(With Independent Auditors' Reports Thereon)

THE UNIVERSITY OF CHICAGO

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KPMG LLP
303 East Wacker Drive
Chicago, IL 60601-5212

Independent Auditors' Report

The Board of Trustees
The University of Chicago:

We have audited the accompanying consolidated balance sheets of The University of Chicago (the University) as of June 30, 2011 and 2010, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of The University of Chicago Medical Center (the Medical Center), which statements reflect total assets constituting 20% and 18% and total revenues constituting 32% and 35% of the related consolidated totals in 2011 and 2010, respectively. Our opinion, insofar as it relates to the amounts included for the Medical Center, is based solely on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The University of Chicago as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 5, 2011, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.



Our audits were performed for the purpose of forming an opinion on the basic consolidated financial statements of the University taken as a whole. The accompanying schedule of expenditures of federal awards for the year ended June 30, 2011 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the 2011 basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 2011 basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the 2011 basic consolidated financial statements taken as a whole.

KPMG LLP

October 5, 2011

THE UNIVERSITY OF CHICAGO

Consolidated Balance Sheets

June 30, 2011 and 2010

(In thousands of dollars)

Assets	2011	2010
Cash and cash equivalents	\$ 202,487	123,758
Notes and accounts receivable	292,484	302,738
Prepaid expenses and other assets	115,001	118,645
Pledges receivable	368,642	387,163
Investments	7,480,714	6,482,759
Land, buildings, equipment, and books	3,247,952	2,954,669
Total assets	\$ 11,707,280	10,369,732
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 552,947	564,737
Deferred revenue	88,711	85,365
Assets held in custody for others	61,279	55,269
Self-insurance liability	262,726	254,208
Pension and other postretirement benefit obligations	485,729	514,277
Asset retirement obligation	64,522	65,220
Notes and bonds payable	3,022,873	2,714,911
Refundable U.S. government student loan funds	37,804	37,511
Total liabilities	4,576,591	4,291,498
Net assets:		
Unrestricted	2,553,311	2,042,652
Temporarily restricted	3,172,866	2,741,835
Permanently restricted	1,404,512	1,293,747
Total net assets	7,130,689	6,078,234
Total liabilities and net assets	\$ 11,707,280	10,369,732

See accompanying notes to consolidated financial statements.

THE UNIVERSITY OF CHICAGO

Consolidated Statements of Activities

Years ended June 30, 2011 and 2010

(In thousands of dollars)

	<u>2011</u>	<u>2010</u>
Changes in unrestricted net assets:		
Operating:		
Revenue:		
Tuition and fees – gross	\$ 607,644	573,724
Less student aid	(273,917)	(256,040)
Tuition and fees – net	333,727	317,684
Government grants and contracts	417,882	394,394
Private gifts, grants, and contracts	146,615	137,823
Endowment payout	376,701	346,165
Earnings on other investments	3,243	1,824
Patient care	1,314,096	1,266,499
Auxiliaries	203,480	199,823
Other income	199,897	184,887
Net assets released from restrictions	60,586	69,163
Total operating revenue	<u>3,056,227</u>	<u>2,918,262</u>
Expenses:		
Compensation:		
Academic salaries	443,405	426,017
Staff salaries	849,100	800,062
Benefits	368,679	331,637
Total compensation	<u>1,661,184</u>	<u>1,557,716</u>
Other operating expenses:		
Utilities, alterations, and repairs	72,373	70,928
Depreciation	204,338	193,062
Interest	84,150	44,964
Supplies, services, and other	855,651	832,314
Insurance	51,452	61,532
Total other operating expenses	<u>1,267,964</u>	<u>1,202,800</u>
Total operating expenses	<u>2,929,148</u>	<u>2,760,516</u>
Excess of operating revenue over expenses	<u>127,079</u>	<u>157,746</u>

THE UNIVERSITY OF CHICAGO

Consolidated Statements of Activities

Years ended June 30, 2011 and 2010

(In thousands of dollars)

	<u>2011</u>	<u>2010</u>
Changes in unrestricted net assets:		
Nonoperating:		
Investment gains	\$ 270,940	105,316
Postretirement benefit changes other than net periodic benefit cost	9,052	(140,065)
Others, net	<u>103,588</u>	<u>55,444</u>
Change in unrestricted net assets from nonoperating activities	<u>383,580</u>	<u>20,695</u>
Increase in unrestricted net assets	<u>510,659</u>	<u>178,441</u>
Changes in temporarily restricted net assets:		
Private gifts	65,304	67,418
Investment gains	471,287	282,318
Others, net	(44,974)	(93,522)
Net assets released from restrictions	<u>(60,586)</u>	<u>(69,163)</u>
Increase in temporarily restricted net assets	<u>431,031</u>	<u>187,051</u>
Changes in permanently restricted net assets:		
Private gifts	75,880	39,246
Endowment payout	5,201	3,861
Investment gains	9,456	6,193
Others, net	<u>20,228</u>	<u>44,308</u>
Increase in permanently restricted net assets	<u>110,765</u>	<u>93,608</u>
Increase in net assets	1,052,455	459,100
Net assets at beginning of year	<u>6,078,234</u>	<u>5,619,134</u>
Net assets at end of year	<u>\$ 7,130,689</u>	<u>6,078,234</u>

See accompanying notes to consolidated financial statements.

THE UNIVERSITY OF CHICAGO
Consolidated Statements of Cash Flows
Years ended June 30, 2011 and 2010
(In thousands of dollars)

	2011	2010
Cash flows from operating activities:		
Increase in net assets	\$ 1,052,455	459,100
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	204,338	193,062
Loss on disposal of land, buildings, equipment, and books	15,845	4,733
Net gain on investments	(1,060,317)	(713,615)
Private gifts and grants restricted for long-term investment	(141,184)	(106,597)
Other nonoperating changes	36,812	100,818
Postretirement benefit changes other than net periodic benefit cost	(9,053)	140,065
Changes in assets and liabilities:		
Notes and accounts receivable	(5,545)	(7,760)
Prepaid expenses and other assets	3,796	5,778
Accounts payable and other liabilities	(16,615)	1,052
Self-insurance liability	8,518	25,739
Total adjustments	(963,405)	(356,725)
Net cash provided by operating activities	89,050	102,375
Cash flows from investing activities:		
Purchase of investments	(2,232,550)	(2,521,911)
Proceeds from sale of investments	2,317,929	2,480,447
Acquisition of land, buildings, equipment, and books	(513,611)	(425,489)
Loans disbursed	(5,908)	(4,229)
Principal collected on loans	21,707	29,396
Net cash used in investing activities	(412,433)	(441,786)
Cash flows from financing activities:		
Proceeds from issuance of notes and bonds payable	1,057,539	688,053
Principal payments on notes and bonds payable	(750,421)	(386,687)
Proceeds from private gifts and grants restricted for long-term investment	110,573	84,739
Other nonoperating changes	(15,579)	(25,136)
Net cash provided by financing activities	402,112	360,969
Increase in cash and cash equivalents	78,729	21,558
Cash and cash equivalents at:		
Beginning of year	123,758	102,200
End of year	\$ 202,487	123,758
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 96,014	77,798

See accompanying notes to consolidated financial statements.

THE UNIVERSITY OF CHICAGO

Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(In thousands of dollars)

(1) Summary of Significant Accounting Policies

(a) Description of Business

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

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

(b) Basis of Presentation

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

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

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

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

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June 30, 2011 and 2010

(In thousands of dollars)

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

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

Detail of net assets	2011		2010	
	Temporarily restricted	Permanently restricted	Temporarily restricted	Permanently restricted
University:				
Operating	\$ 8,604	—	11,025	—
Pledges	308,178	46,439	320,461	56,788
Student loans	—	18,601	—	18,078
Endowment	2,574,275	1,299,857	2,144,096	1,190,234
Annuity and life income	17,337	33,503	13,092	22,544
Net investment in physical properties	170,533	—	175,785	—
Subtotal	<u>3,078,927</u>	<u>1,398,400</u>	<u>2,664,459</u>	<u>1,287,644</u>
Medical center:				
Operating	12,087	—	8,660	—
Pledges	13,995	40	9,872	42
Endowment	67,857	6,072	58,844	6,061
Subtotal	<u>93,939</u>	<u>6,112</u>	<u>77,376</u>	<u>6,103</u>
Total	<u>\$ 3,172,866</u>	<u>1,404,512</u>	<u>2,741,835</u>	<u>1,293,747</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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(In thousands of dollars)

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

(d) Tuition and Fees

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

(e) Gifts, Grants, and Contracts

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

Revenue from government and private grant and contract agreements is recognized as it is earned through expenditure in accordance with the agreements. Any funding received in advance of expenditure is recorded as deferred revenue on the consolidated balance sheets. Included in deferred revenue at June 30, 2011 and 2010 are \$46,169 and \$46,782, respectively, of private grant and contract receipts, which have not been expended.

Private gifts, grants, and contracts operating revenue for fiscal years 2011 and 2010 consist of the following:

	2011			2010 Consolidated
	University	Medical Center	Consolidated	
Private gifts:				
Unrestricted as to use	\$ 28,797	1,018	29,815	18,991
Temporarily restricted gifts whose restrictions were met during the fiscal year and reported as unrestricted revenue	51,552	—	51,552	48,653
Private grants and contracts	65,248	—	65,248	70,179
Total	\$ 145,597	1,018	146,615	137,823

(f) Patient Care

Net patient service revenue reflects the estimated net realizable amounts due from 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

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June 30, 2011 and 2010

(In thousands of dollars)

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 2011 and 2010, the University and Medical Center capitalized interest related to construction in progress of \$12,883 and \$37,551, and \$7,729 and \$4,472, respectively.

(h) Cash Equivalents

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

(i) Investments

Investments are recorded in the consolidated financial statements at estimated fair value. If an investment is held directly by the University and an active market with quoted prices exists, the market price of an identical security is used as reported fair value. Reported fair values for shares in mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year. The University's interests in alternative investment funds such as private equity, real estate, natural resources, and absolute return are generally reported at the net asset value (NAV) reported by the fund managers, which is used as a practical expedient to estimate the fair value, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2011 and 2010, the University had no plans to sell investments at amounts different from NAV.

The University does not engage directly in unhedged speculative investments; however, the Board of Trustees has authorized derivative investments to adjust market exposure within asset class ranges, hedge nondollar investments and currencies, and provide for defensive portfolio strategies. During fiscal 2010 and as of June 30, 2010, the University had no directly held derivative investments.

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

	Gross notional	Net notional	Gain (loss)
Interest rate futures contracts	\$ —	—	(12)
Currency futures contracts	(45,227)	—	(256)
Equity futures contracts	(123,903)	(123,903)	273
Total	\$ (169,130)	(123,903)	5

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June 30, 2011 and 2010

(In thousands of dollars)

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 record derivative investments at fair value and valuation gains and losses are included in the consolidated statements of activities.

(j) Land, Buildings, Equipment, and Books

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

(k) Asset Retirement Obligation

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

(l) Split-Interest Agreements

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

At June 30, 2011 and 2010, the University had a liability of \$49,992 and \$35,986 associated with its charitable remainder trust and gift annuities and deferred revenue of \$5,638 and \$4,203 associated with its pooled income agreements, respectively.

(m) Income Taxes

The University is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, except to the extent the University has unrelated business income, is exempt from federal income taxes. There was no provision for income taxes due on unrelated business income in fiscal years 2011 and 2010. The University has no uncertain tax positions, which the University considers to be material.

(n) Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires that management make a number of estimates and assumptions related to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities at the balance sheet date,

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Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(In thousands of dollars)

and the reporting of revenue, expenses, gains, and losses during the period. Actual results may differ from those estimates.

(o) *Recent Accounting Pronouncements*

In January 2010, the FASB issued Accounting Standards Update No. 2010-06, *Improving Disclosures about Fair Value Measurements*. This guidance requires entities to disclose transfers of assets in and out of Levels 1 and 2 of the fair value hierarchy and the reasons for those transfers, valuation techniques, and the inputs used in determining fair value for each class of assets and liabilities. This guidance became effective July 1, 2010. In addition, the guidance requires the separate presentation of purchases and sales in the Level 3 asset reconciliation. This piece of the guidance becomes effective July 1, 2011.

Adoption of the above FASB pronouncement is not expected to have a material impact on the University's financial statements.

(p) *Subsequent Events*

The University has performed an evaluation of subsequent events through October 5, 2011, which is the date the financial statements were issued.

(2) The University of Chicago Medical Center

(a) *Organization*

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

(b) *Agreements with the University*

The relationship between the University and the Medical Center is defined in an Affiliation Agreement and an Operating Agreement along with an associated Lease Agreement. The Affiliation 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) *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) the provision for uncollectible Medical Center's patient accounts receivable of

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(In thousands of dollars)

\$45,300 in fiscal year 2011 and \$35,461 in fiscal year 2010 has been recorded as a reduction of patient care revenue, (2) investment gains used for operations of \$36,454 in fiscal year 2011 and \$30,977 in fiscal year 2010 have been recorded as unrestricted operating revenue, (3) cash contributions in excess of pension expense of \$19,192 in fiscal year 2011 and \$18,256 in fiscal year 2010 have been reclassified from benefits expense, and (4) transfers to the University of \$23,000 in fiscal year 2011 and 2010 have been recorded as a reduction of other income.

(3) Investments

Investments at June 30, 2011 and 2010 comprise the following:

	2011			2010
	University	Medical Center	Consolidated	Consolidated
Cash equivalents	\$ 95,053	22,926	117,979	89,448
Global public equities (primarily international)	1,136,739	248,862	1,385,601	922,291
Private debt	266,652	23,717	290,369	425,810
Private equity:				
U.S. Venture Capital	319,803	35,108	354,911	310,732
U.S. Corporate Finance	358,502	31,918	390,420	402,248
International	456,912	41,370	498,282	348,025
Real estate	650,360	48,317	698,677	507,730
Natural resources	619,341	55,127	674,468	599,775
Absolute return:				
Equity-Oriented	272,983	24,281	297,264	262,927
Global Macro/Relative Value	155,988	13,874	169,862	160,318
Multi-Strategy	582,487	51,829	634,316	728,905
Credit-Oriented	81,159	7,180	88,339	73,045
Fixed income:				
U.S. Treasuries, including TIPS	427,583	151,341	578,924	477,583
Other fixed income (primarily Credit Funds)	918,702	129,371	1,048,073	871,380
Funds in Trust	103,229	150,000	253,229	302,542
Total	<u>\$ 6,445,493</u>	<u>1,035,221</u>	<u>7,480,714</u>	<u>6,482,759</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

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Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(In thousands of dollars)

decisions are authorized by the Board of Trustee's Investment Committee, which oversees the University's investment program in accordance with established guidelines.

(b) *Investment Strategies*

Cash equivalent investments include cash equivalents and fixed income investments, with maturities of less than one year which are valued based on quoted market prices in active markets. The majority of these investments are held in U.S. Treasury money market accounts.

Global public equity investments (primarily international) consist of separate accounts, commingled funds with liquidity ranging from daily to monthly, and limited partnerships. Securities held in separate accounts and daily traded commingled funds are generally valued based on quoted market prices in active markets. Commingled funds with monthly liquidity are valued based on independently determined NAV. Limited partnership interests in equity-oriented funds are valued based upon NAV provided by external fund managers.

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

The absolute return portfolio is comprised of investments of limited partnership interests in hedge funds and drawdown private equity style partnerships whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. The majority of the underlying holdings are marketable securities. The remainder of the underlying holdings is held in marketable securities which 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 which hold illiquid investments designate them in special side pockets, which are subject to special restrictions on redemption.

Fixed income investments consist of actively traded Treasuries and bond mutual funds which 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 carrying amount of its investments is a reasonable estimate of fair value as of June 30, 2011 and 2010. Because of the inherent uncertainties of valuation, these

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(In thousands of dollars)

estimated fair values may differ significantly from values that would have been used had a ready market existed.

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

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

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

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Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(In thousands of dollars)

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

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

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June 30, 2011 and 2010

(In thousands of dollars)

Following is a summary of the inputs used as of June 30, 2010 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)	2010 Consolidated total
Cash equivalents	\$ 89,448	—	—	89,448
Global public equities (primarily International)	336,131	178,645	407,515	922,291
Private debt	4,209	—	421,601	425,810
Private equity:				
U.S. Venture Capital	—	—	310,732	310,732
U.S. Corporate Finance	—	—	402,248	402,248
International	—	—	348,025	348,025
Real estate	7,252	—	500,478	507,730
Natural resources	—	—	599,775	599,775
Absolute return:				
Equity-Oriented	—	102,199	160,728	262,927
Global Macro/Relative Value	—	53,373	106,945	160,318
Multi-Strategy	—	6,156	722,749	728,905
Credit-Oriented	—	—	73,045	73,045
Fixed income:				
U.S. Treasuries, including TIPS	477,583	—	—	477,583
Other fixed income (primarily Credit Funds)	575,827	101,450	194,103	871,380
Funds in Trust	300,542	—	2,000	302,542
	<u>1,790,992</u>	<u>441,823</u>	<u>4,249,944</u>	<u>6,482,759</u>
Total investments at fair value as of June 30, 2010	\$ <u>1,790,992</u>	<u>441,823</u>	<u>4,249,944</u>	<u>6,482,759</u>

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June 30, 2011 and 2010

(In thousands of dollars)

Changes to the reported amounts of investments measured at fair value using unobservable inputs (Level 3) for the years ended June 30, 2011 and 2010 are as follows:

		Equities and fixed income	Alternative investments			2011 Consolidated total	
			Private equity	Private debt	Real assets		Absolute return
Balance at June 30, 2010	\$	601,618	1,061,005	421,601	1,102,253	1,063,467	4,249,944
Total net realized gains or losses		138	163,100	39,505	123,686	4,951	331,380
Total net unrealized gains or losses		129,986	12,267	3,689	15,961	149,808	311,711
Purchases, issuances, and settlements		74,149	132,605	52,548	214,815	20,000	494,117
Proceeds from sales, redemptions, and distributions		(126,362)	(125,364)	(226,974)	(92,466)	(262,459)	(833,625)
Transfer in (out) of Level III		—	—	—	(640)	76,137	75,497
Balance at June 30, 2011	\$	<u>679,529</u>	<u>1,243,613</u>	<u>290,369</u>	<u>1,363,609</u>	<u>1,051,904</u>	<u>4,629,024</u>

		Equities and fixed income	Alternative investments			2010 Consolidated total	
			Private equity	Private debt	Real assets		Absolute return
Balance at June 30, 2009	\$	526,187	918,160	340,197	952,477	1,244,927	3,981,948
Total net realized gains or losses		20,811	72,652	14,368	33,786	3,252	144,869
Total net unrealized gains or losses		110,275	(9,671)	104,955	(56,245)	152,527	301,841
Purchases, issuances, and settlements		2,844	137,536	91,037	212,751	25	444,193
Proceeds from sales, redemptions, and distributions		(125)	(57,672)	(128,956)	(41,326)	(199,899)	(427,978)
Transfer in (out) of Level III		(58,374)	—	—	810	(137,365)	(194,929)
Balance at June 30, 2010	\$	<u>601,618</u>	<u>1,061,005</u>	<u>421,601</u>	<u>1,102,253</u>	<u>1,063,467</u>	<u>4,249,944</u>

During fiscal year 2011 there were no transfers between investment Levels 1 and 2 which are considered material to the financial statements. Transfers between investment levels primarily take place between Levels 2 and 3 in recognition of changes in observable market data at the end of each reporting period.

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(In thousands of dollars)

A summary of the University's investment returns for the years ended June 30, 2011 and 2010 is presented as follows:

	2011			2010
	University	Medical Center	Consolidated	Consolidated
Investment return:				
Interest and dividends	\$ 61,695	13,459	75,154	67,200
Net realized and unrealized gains and (losses)	<u>937,785</u>	<u>123,889</u>	<u>1,061,674</u>	<u>678,477</u>
Investment return	<u>\$ 999,480</u>	<u>137,348</u>	<u>1,136,828</u>	<u>745,677</u>

Investment returns are reported in the accompanying consolidated statements of activities as endowment payout, earning 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, 2011, the University had unfunded commitments of \$914,462 which are likely to be called through 2015. Details of these commitments are as follows:

	Unfunded commitments
Global public equities	\$ 3,110
Private equity	304,891
Real estate	266,576
Natural resources	205,880
Absolute return	3,656
Private debt	<u>130,349</u>
Total	<u>\$ 914,462</u>

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(In thousands of dollars)

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

	Remaining life	Redemption terms	Redemption restrictions and terms	Redemption restrictions in place at June 30, 2011
Cash	N/A	Daily	None	None
Global public equities:				
Separate accounts	N/A	Daily to monthly with notice periods of 1 to 14 days	None	None
Partnerships	N/A	Quarterly to annually with notice periods of 30 to 180 days	Lock-up provisions ranging from 0 to 5 years, some investments have a portion of capital held in side pockets with no redemptions permitted	None
Private debt	1 to 10 years	Redemptions not permitted	N/A	N/A
Private equity	1 to 19 years	Redemptions not permitted	N/A	N/A
Real estate	1 to 18 years	Redemptions not permitted	N/A	N/A
Natural resources	1 to 18 years	Redemptions not permitted	N/A	N/A
Absolute return:				
Partnerships	N/A	Monthly to annually with varying notice periods	Lock-up provisions ranging from 0 to 5 years, some investments have a portion of capital held in side pockets with no redemptions permitted	Approximately \$36.0 million of investments are in gated or liquidating funds
Drawdown partnerships	1 to 4 years	Redemptions not permitted	N/A	N/A
Fixed income:				
Separate accounts	N/A	Daily	None	None
Commingled funds	N/A	Daily	None	None
Partnerships	N/A	Quarterly with notice periods of 90 days	Only one-third capital available in any 12-month period	None
Funds in Trust	N/A	Daily	None	None

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(4) Endowments

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

(a) University Endowment

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

	2011			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Investment return:				
Endowment yield (interest and dividends)	\$ 16,429	41,038	985	58,452
Net appreciation (realized and unrealized) on investments	300,850	622,442	13,672	936,964
Total investment return	317,279	663,480	14,657	995,416
Endowment payout	(132,200)	(204,459)	(5,201)	(341,860)
Net investment return	185,079	459,021	9,456	653,556

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(In thousands of dollars)

	2011			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Other changes in endowment investments:				
Gifts and pledge payments received in cash	\$ —	190	87,858	88,048
Transfers to create funds functioning as endowment	40,383	—	—	40,383
Other changes	21,032	(29,032)	12,309	4,309
Total other changes in endowment investments	<u>61,415</u>	<u>(28,842)</u>	<u>100,167</u>	<u>132,740</u>
Net change in endowment investments	246,494	430,179	109,623	786,296
Endowment investments at:				
Beginning of year	<u>1,570,387</u>	<u>2,144,096</u>	<u>1,190,234</u>	<u>4,904,717</u>
End of year	<u>\$ 1,816,881</u>	<u>2,574,275</u>	<u>1,299,857</u>	<u>5,691,013</u>

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

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June 30, 2011 and 2010

(In thousands of dollars)

Changes in the fair value of the University endowment investments and net assets by type of fund were as follows for the fiscal year ended June 30, 2010:

	2010			Total
	Unrestricted	Temporarily restricted	Permanently restricted	
Investment return:				
Endowment yield (interest and dividends)	\$ 16,214	35,168	652	52,034
Net appreciation (realized and unrealized) on investments	<u>188,361</u>	<u>434,722</u>	<u>9,397</u>	<u>632,480</u>
Total investment return	204,575	469,890	10,049	684,514
Endowment payout	<u>(123,114)</u>	<u>(188,614)</u>	<u>(3,861)</u>	<u>(315,589)</u>
Net investment return	<u>81,461</u>	<u>281,276</u>	<u>6,188</u>	<u>368,925</u>
Other changes in endowment investments:				
Gifts and pledge payments received in cash	—	253	81,469	81,722
Transfers to create funds functioning as endowment	44,949	—	—	44,949
Withdrawal of working capital funds	(100,000)	—	—	(100,000)
Other changes	<u>(13,968)</u>	<u>(28,463)</u>	<u>15,918</u>	<u>(26,513)</u>
Total other changes in endowment investments	<u>(69,019)</u>	<u>(28,210)</u>	<u>97,387</u>	<u>158</u>
Net change in endowment investments	12,442	253,066	103,575	369,083
Endowment investments at:				
Beginning of year	<u>1,557,945</u>	<u>1,891,030</u>	<u>1,086,659</u>	<u>4,535,634</u>
End of year	<u>\$ 1,570,387</u>	<u>2,144,096</u>	<u>1,190,234</u>	<u>4,904,717</u>

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(In thousands of dollars)

	2010			Total
	Unrestricted	Temporarily restricted	Permanently restricted	
Net assets by type of fund:				
Donor-restricted "true" endowment	\$ (25,384)	2,144,096	1,190,234	3,308,946
Board-designated "funds functioning as endowment"	<u>1,595,771</u>	<u>—</u>	<u>—</u>	<u>1,595,771</u>
Total – as above	\$ <u><u>1,570,387</u></u>	<u><u>2,144,096</u></u>	<u><u>1,190,234</u></u>	<u><u>4,904,717</u></u>

(b) Medical Center Endowment

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

	2011			Total
	Unrestricted	Temporarily restricted	Permanently restricted	
Investment return:				
Endowment yield (interest and dividends)	\$ 12,811	648	—	13,459
Net appreciation (realized and unrealized) on investments	<u>112,358</u>	<u>12,356</u>	<u>—</u>	<u>124,714</u>
Total investment return	125,169	13,004	—	138,173
Endowment payout	<u>(36,056)</u>	<u>(3,986)</u>		<u>(40,042)</u>
Net investment return	<u>89,113</u>	<u>9,018</u>	<u>—</u>	<u>98,131</u>

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June 30, 2011 and 2010

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		<u>2011</u>			
		<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Other changes in endowment investments:					
Gifts and pledge payments received in cash	\$	—	—	11	11
Transfers to create funds functioning as endowment		25,000	—	—	25,000
Other changes		5	(5)	—	—
Total other changes in endowment investments		<u>25,005</u>	<u>(5)</u>	<u>11</u>	<u>25,011</u>
Net change in endowment investments		114,118	9,013	11	123,142
Endowment investments at:					
Beginning of year		<u>696,066</u>	<u>58,844</u>	<u>6,061</u>	<u>760,971</u>
End of year	\$	<u><u>810,184</u></u>	<u><u>67,857</u></u>	<u><u>6,072</u></u>	<u><u>884,113</u></u>
		<u>2011</u>			
		<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Net assets by type of fund:					
Donor-restricted “true” endowment	\$	—	67,857	6,072	73,929
Board-designated “funds functioning as endowment”		<u>810,184</u>	—	—	<u>810,184</u>
Total – as above	\$	<u><u>810,184</u></u>	<u><u>67,857</u></u>	<u><u>6,072</u></u>	<u><u>884,113</u></u>

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

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(In thousands of dollars)

Changes in the fair value of the Medical Center endowment investments and net assets by type of fund were as follows for the fiscal year ended June 30, 2010:

	2010			
	Unrestricted	Temporarily restricted	Permanently restricted	Total
Investment return:				
Endowment yield (interest and dividends)	\$ 10,761	2,581	—	13,342
Net appreciation (realized and unrealized) on investments	71,477	7,376	—	78,853
Total investment return	82,238	9,957	—	92,195
Endowment payout	(30,976)	(3,461)	—	(34,437)
Net investment return	51,262	6,496	—	57,758
Other changes in endowment investments:				
Gifts and pledge payments received in cash	—	—	21	21
Transfers to create funds functioning as endowment	117,000	—	—	117,000
Other changes	(27)	6	(6)	(27)
Total other changes in endowment investments	116,973	6	15	116,994
Net change in endowment investments	168,235	6,502	15	174,752
Endowment investments at:				
Beginning of year	527,831	52,342	6,046	586,219
End of year	\$ 696,066	58,844	6,061	760,971

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	2010			Total
	Unrestricted	Temporarily restricted	Permanently restricted	
Net assets by type of fund:				
Donor-restricted “true” endowment	\$ (5)	58,844	6,061	64,900
Board-designated “funds functioning as endowment”	696,071	—	—	696,071
Total – as above	\$ 696,066	58,844	6,061	760,971

Included in board-designated “funds functioning as endowment” are \$298,456 of net assets that are separately invested by the Medical Center.

(c) Interpretation of Relevant Law

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

(d) Endowment Payout

The University utilizes the total return concept in allocating endowment income. In accordance with the University’s return objective, between 4.5% and 5.5% of a 12-quarter moving average of the fair value of endowment investments lagged by one year, is available each year for expenditure in the form of endowment payout. The payout percentage, which is set each year by the Board of Trustees with the objective of a 5.0% average payout over time, was 5.50% and 5.25% for the fiscal years ended June 30, 2011 and 2010, respectively. Periodically, the University Board of Trustees will adjust the endowment payout to fund specifically approved strategic initiatives.

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

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(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, 2011 and 2010, amounted to \$4,803 and \$25,384 for the University and \$0 and \$5 for the Medical Center, respectively.

(5) Notes and Accounts Receivable

Components of notes and accounts receivable at June 30, 2011 and 2010 are shown as follows:

	2011			2010
	University	Medical Center	Consolidated	Consolidated
Patients	\$ 73,868	165,254	239,122	231,494
Students:				
Loans	45,651	—	45,651	61,651
Tuition and fees	2,781	—	2,781	3,164
U.S. government	25,999	—	25,999	33,197
All other	71,281	—	71,281	68,420
	Subtotal	165,254	384,834	397,926
Less allowance for doubtful accounts (primarily patient receivables)	(65,697)	(26,653)	(92,350)	(95,188)
	Total	138,601	292,484	302,738

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(6) Land, Buildings, Equipment, and Books

Components of land, buildings, equipment, and books at June 30, 2011 and 2010 are shown as follows:

	2011			2010 Consolidated
	University	Medical Center	Consolidated	
Land	\$ 65,416	36,008	101,424	99,518
Buildings	2,545,947	645,336	3,191,283	3,093,384
Equipment	461,690	436,070	897,760	836,432
Books	269,614	—	269,614	253,643
Construction in progress	280,831	425,488	706,319	436,627
Subtotal	3,623,498	1,542,902	5,166,400	4,719,604
Less accumulated depreciation	(1,269,313)	(649,135)	(1,918,448)	(1,764,935)
Total	\$ 2,354,185	893,767	3,247,952	2,954,669

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(7) Notes and Bonds Payable

Notes and bonds payable at June 30, 2011 and 2010 are shown as follows:

	<u>Fiscal year maturity</u>	<u>Interest rate</u>	<u>2011</u>	<u>2010</u>
University:				
Fixed rate:				
Illinois Educational Facilities Authority (IEFA):				
Series 1993	2014	6.0%	\$ 1,425	1,850
Series 2001A	2042	5.3	2,860	2,860
Series 2003A	2034	4.0% – 5.3%	168,820	173,475
Illinois Finance Authority (IFA):				
Series 2004A	2035	5.0%	92,620	94,600
Series 2004C (synthetically fixed rate)	2040	3.8	78,122	78,241
Series 2007	2047	5.0	242,595	244,030
Series 2008 (synthetically fixed rate)	2039	3.2	117,034	119,477
Series 2008B	2039	5.6	500,000	500,000
Illinois Health Facilities Authority (IHFA) – Series 1985				
Taxable bonds – Series 2010	2021	5.5	61,030	61,145
Unamortized premium	2031	5.3	300,000	300,000
			<u>10,290</u>	<u>10,625</u>
Total fixed rate			<u>1,574,796</u>	<u>1,586,303</u>
Variable rate:				
Illinois Student Assistance Commission (ISAC)				
	—	—	—	15,639
IEFA:				
Series 1998B	2026	3.4	90,090	90,090
Series 2001B-1	2037	1.1	60,000	60,000
Series 2001B-2	2037	1.9	40,000	40,000
Series 2001B-3	2037	0.4	72,265	72,265
Series 2003B	2034	0.1	43,877	45,009
IFA – Series 2004B	2035	0.1	91,561	93,798
Taxable commercial paper (\$200,000 available)	2011	0.2	100,000	100,000
Bank lines of credit (\$250,000 available)	2011	0.6	97,000	21,000
			<u>594,793</u>	<u>537,801</u>
Total variable rate			<u>594,793</u>	<u>537,801</u>
Total University			<u>2,169,589</u>	<u>2,124,104</u>
Medical Center:				
Fixed rate:				
IHFA:				
Series 2001	2024	4.0% – 5.4%	27,570	29,040
Series 2001	2032	5.0%	28,100	28,100
Series 2001	2037	5.1	24,065	24,065
Series 2003	2015	4.0% – 6.0%	27,725	33,920
IFA:				
Series 2009C	2037	5.3% – 5.5%	85,000	85,000
Series 2009A and B	2027	3.0% – 5.0%	153,670	154,830
Series 2011C	2037	5.5%	90,000	—
Unamortized premium			7,088	9,049
Total fixed rate			<u>443,218</u>	<u>364,004</u>
Variable rate:				
IEFA pooled financing program				
	2038	0.4	85,066	86,803
IFA:				
Series 2009D-1 and 2	2044	0.1	70,000	70,000
Series 2009E-1 and 2	2044	0.1	70,000	70,000
Series 2010A and B	2045	0.1	92,500	—
Series 2011A and B	2045	0.1	92,500	—
Bank line of credit (\$15,000 available)	2011	—	—	—
			<u>410,066</u>	<u>226,803</u>
Total variable rate			<u>410,066</u>	<u>226,803</u>
Total Medical Center			<u>853,284</u>	<u>590,807</u>
Total notes and bonds payable			<u>\$ 3,022,873</u>	<u>2,714,911</u>

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Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(In thousands of dollars)

(a) Fiscal 2011 Transactions

During fiscal year 2011, the Medical Center issued \$90,000 in fixed rate revenue bonds (Series 2011C) and \$185,000 in variable rate demand bonds (Series 2010A and B and Series 2011A and B) through the IFA, proceeds from which are being used to finance the construction of a new hospital facility.

(b) Defeased Debt

As of June 30, 2011 and 2010, the total principal amount of indebtedness considered to be legally extinguished and, therefore, excluded from the University notes and bonds payable was \$75,115.

(c) Interest Rate Swaps

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

At June 30, 2011 and 2010, the fair value of the interest rate swap agreements was an accrued liability of \$25,864 and \$33,122 and \$58,064 and \$61,853 for the University and Medical Center, respectively. Changes in the fair value of the interest rate swap agreements for the fiscal years ended June 30, 2011 and 2010, which amounted to \$7,257 and \$(11,049) for the University and \$3,789 and \$(29,406) 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, 2012 through 2016 are approximately \$15,204; \$15,888; \$44,014; \$33,669; and \$25,901, respectively.

Principal payments required in each of the five years ending June 30, 2012 through 2016 for the Medical Center notes and bonds are approximately \$9,340; \$9,810; \$10,315; \$10,035; and \$11,565, respectively.

(e) Fair Value

The carrying value of long-term debt does not differ materially from its estimated fair value as of June 30, 2011 and 2010, based on quoted market prices for the same or similar issues.

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Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(In thousands of dollars)

(f) Collateral

The University's June 30, 2011 notes and bonds payable are secured by certain physical properties with a carrying value of approximately \$225 and assets held by trustees for debt service of \$7,887.

Each of the Medical Center bond series is collateralized by unrestricted receivables and subject to certain restrictions. In addition, the Medical Center IHFA Series 2001 and 2003 bonds are guaranteed by a municipal bond insurance policy and the IEFA and IFA variable rate bonds are guaranteed by bank letters of credit.

(g) Remarketing

Included in the University and Medical Center's notes and bonds payable are \$594,793 and \$410,066, respectively, of variable rate notes and bonds maturing through fiscal year 2044. 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 \$410,066, respectively, which support variable rate debt in the event of a failed remarketing.

In addition, the University has a standby bond purchase agreement of \$117,034 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, 2011 and 2010 are shown as follows:

	2011			2010
	University	Medical Center	Consolidated	Consolidated
Unconditional promises expected to be collected in:				
Less than one year	\$ 90,841	5,765	96,606	103,353
One year to five years	105,485	8,985	114,470	112,503
More than five years	227,069	144	227,213	248,494
	423,395	14,894	438,289	464,350
Less unamortized discount and allowance for uncollectible pledges	(68,778)	(869)	(69,647)	(77,187)
Total	\$ 354,617	14,025	368,642	387,163

The University's five largest pledges comprise 98% 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

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Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(In thousands of dollars)

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, 2011, the University has received \$305,233 of promises to give, which are conditional upon the raising of matching gifts from other sources, implementation of academic programs, completion of construction projects, or future income from pledged investments. These amounts will be recognized as revenue in the periods in which the conditions are fulfilled.

(9) Self-Insurance Liability

The University maintains a self-insurance program for medical malpractice liability. This program is supplemented with commercial excess insurance above the University's self-insurance retention, which, for the year ended June 30, 2011, was \$7,500 per claim and unlimited in the aggregate. Claims in excess of \$7,500 are subject to an additional self-insurance retention limited to \$12,500 per claim and \$12,500 in annual aggregate. For the year ended June 30, 2010, the self-insurance retention was \$10,000 per claim and unlimited in annual aggregate. Claims in excess of \$10,000 are subject to an additional self-insurance retention limited to \$15,000 per claim and \$15,000 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 \$57,600 higher than the amount recorded in the consolidated financial statements at June 30, 2011. The interest rate assumed in determining the present value was 5.25%. The University recorded unrestricted nonoperating actuarial income adjustments of \$58,013 and \$33,147 during the years ended June 30, 2011 and 2010, respectively, which are included in the accompanying consolidated statements of activities.

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Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(In thousands of dollars)

The estimated liability for incurred malpractice, workers' compensation, and other claims (filed and unfiled) as of June 30, 2011 and 2010 is presented as follows:

	2011			2010
	University	Medical Center	Consolidated	
Medical malpractice	\$ 245,861	—	245,861	240,492
Workers' compensation	5,031	8,196	13,227	11,094
Others	3,638	—	3,638	2,622
Total	<u>\$ 254,530</u>	<u>8,196</u>	<u>262,726</u>	<u>254,208</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 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.

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Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(In thousands of dollars)

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

	Defined benefit pension plans		Other postretirement benefit plans	
	2011	2010	2011	2010
Change in benefit obligation:				
Benefit obligation at beginning of year	\$ 592,464	444,204	196,857	168,085
Service cost	28,114	20,217	8,395	6,852
Interest cost	31,824	29,325	10,696	11,289
Benefits paid	(26,168)	(29,764)	(6,864)	(6,918)
Plan amendments	—	4,572	—	—
Actuarial loss, net	25,010	123,910	2,709	17,549
Benefit obligation at end of year	651,244	592,464	211,793	196,857
Change in fair value of plan assets:				
Fair value of plan assets at beginning of year	285,807	225,530	9,140	13,389
Actual return on plan assets	40,658	27,813	1,457	1,518
Employer contributions	85,281	62,228	1,499	1,151
Benefits paid	(26,168)	(29,764)	(6,864)	(6,918)
Fair value of plan assets at end of year	385,578	285,807	5,232	9,140
Funded status – liability	\$ (265,666)	(306,657)	(206,561)	(187,717)

The accumulated benefit obligation for the defined benefit pension plans was \$560,647 and \$499,986 at June 30, 2011 and 2010, respectively.

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Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(In thousands of dollars)

(a) Components of Net Periodic Benefit Cost

	Defined benefit pension plans		Other postretirement benefit plans	
	2011	2010	2011	2010
Service cost	\$ 28,114	20,217	8,395	6,852
Interest cost	31,824	29,325	10,696	11,289
Expected return on plan assets	(29,126)	(28,351)	(428)	(706)
Amortization of prior service cost (benefit)	1,134	716	(2,105)	(2,105)
Amortization of transition obligation	—	—	1,370	1,370
Amortization of actuarial loss	14,951	3,810	5,478	4,733
Net periodic benefit cost	\$ 46,897	25,717	23,406	21,433
Amounts included in the consolidated statements of activities:				
University	\$ 4,257	(5,397)	23,406	21,433
Medical Center	42,640	31,114	—	—
Total	\$ 46,897	25,717	23,406	21,433

(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	
	2011	2010	2011	2010
Discount rate	5.5%	5.5%	5.6%	5.5%
Expected return on plan assets	7.1	7.6	6.5	6.5
Rate of compensation increase	3.5	3.5	3.5	3.6
Healthcare cost trend rates:				
Next two fiscal years			7.7% – 8.0%	8.0% – 8.2%
Next seven fiscal years			6.2% – 7.5%	6.3% – 7.7%
Thereafter			4.5% – 6.0%	4.5% – 6.2%

The expected return on plan assets assumptions for both the defined benefit pension plan and the other postretirement benefit plans is based on historical returns for similar investment portfolios.

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Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(In thousands of dollars)

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

		<u>2011</u>	<u>2010</u>
Effect on total service cost and interest cost:			
One-percentage-point increase	\$	3,569	3,003
One-percentage-point decrease		(2,752)	(2,342)
Effect on year-end postretirement benefit obligation:			
One-percentage-point increase	\$	31,657	28,931
One-percentage-point decrease		(25,404)	(23,205)

(c) Plan Assets

Weighted average asset allocations by asset category are as follows:

	Defined benefit pension plans		Other postretirement benefit plans	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Domestic public equities	27%	26%	51%	58%
International public equities	16	13	—	—
Fixed income	57	61	49	42
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

As of June 30, 2011, substantially all of the plan assets for the defined benefit pension plans and other postretirement benefit plans are invested in mutual funds and exchange traded funds and are valued based on quoted market prices in active markets for identical investments (Level 1). The defined benefit plans combined target asset allocation of 43% public equities and 57% fixed income securities is meant to result in a favorable long-term rate of return from a diversified portfolio of equity and fixed income investments. Plan assets for the other postretirement benefit plans are managed by the University and have a target asset allocation of 50% public equities and 50% fixed income securities.

(d) Contributions

The University expects to make no contribution to its postretirement healthcare plan and, along with the Medical Center, expects to make a \$105,300 contribution to the defined benefit pension plans in fiscal year 2012.

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Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(In thousands of dollars)

(e) *Estimated Future Benefits Payments*

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

Fiscal year	Defined benefit pension plans	Other postretirement benefit plans
2012	\$ 32,866	7,468
2013	31,814	7,105
2014	33,573	9,716
2015	35,743	10,620
2016	38,184	10,305
2017 – 2021	228,537	64,052

(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 \$52,280 and \$50,542 at June 30, 2011 and 2010, 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, 2011 and 2010, the benefit obligation for the plan exceeded the plan's assets thus creating an unfunded liability of \$13,502 and \$19,903 at June 30, 2011 and 2010, respectively.

(h) *Defined Contribution Pension Plan*

Defined contribution pension plan costs included in the consolidated statements of activities amounted to \$42,895 in fiscal year 2011 and \$41,060 in fiscal year 2010 for the University and \$10,200 in fiscal year 2011 and \$10,632 in fiscal year 2010 for the Medical Center.

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Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(In thousands of dollars)

(11) Functional Classification of Expenses

Expenses by functional classification for the years ended June 30, 2011 and 2010 are shown as follows:

	2011	2010
University:		
Academic and research:		
Instruction	\$ 811,558	725,867
Research	296,716	287,144
Auxiliary enterprises	154,593	163,908
Library	17,237	18,126
Student services	47,768	47,827
Operation and maintenance of physical plant	101,198	88,127
Depreciation	109,878	107,458
Interest on notes and bonds	50,452	25,618
Total academic and research	1,589,400	1,464,075
Administration:		
Institutional support	89,818	120,226
Informational services	44,633	46,265
Development and alumni relations	56,340	54,108
Operation and maintenance of physical plant	10,367	7,221
Depreciation	27,256	24,288
Interest on notes and bonds	22,940	9,651
Total administration	251,354	261,759
Total University	1,840,754	1,725,834
Medical Center:		
Healthcare service	1,029,727	980,185
General and administrative	58,667	54,497
	1,088,394	1,034,682
Total	\$ 2,929,148	2,760,516

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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Notes to Consolidated Financial Statements

June 30, 2011 and 2010

(In thousands of dollars)

(12) Affiliated Organizations

The University has an ongoing relationship with the National Opinion Research Center (NORC), a not-for-profit organization that conducts research in the public interest primarily for various federal agencies. The majority of NORC's board of trustees are faculty members or officers of the University. Program-related revenue for the years ended December 31, 2010 and 2009 was \$148,970 and \$116,220, respectively. Unrestricted net assets at December 31, 2010 and 2009 were \$21,477 and \$20,521, 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 \$745,189 for ANL and \$431,610 for Fermilab in fiscal year 2011, and \$642,671 for ANL and \$403,845 for Fermilab in fiscal year 2010, are not included in the consolidated statements of activities. Net assets relating to ANL and to Fermilab are owned by the U.S. government and, therefore, are not included in the consolidated balance sheets.

(13) Contingencies

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

THE UNIVERSITY OF CHICAGO
Schedule of Expenditures of Federal Awards
Year ended June 30, 2011

Federal agency and pass-through entity	CFDA numbers	Direct awards	Pass-through awards	Total expenditures
Research and Development Cluster:				
Department of Agriculture:				
Grants for Agricultural Research – Competitive Research Grants	10.206	\$ 70,376	—	70,376
Agricultural and Rural Economic Research	10.250	5,039	—	5,039
Food Assistance and Nutrition Research Programs (FANRP)	10.253	—	65,118	65,118
University of Baltimore	10.255	—	21,747	21,747
Research Innovation and Development Grants in Economic (RIDGE)	10.RD,59-400-9-0066	(8)	—	(8)
University of Wisconsin				
Total Department of Agriculture		75,407	86,865	162,272
Department of Commerce:				
Sea Grant Support:				
University of Southern California	11.417	—	4,537	4,537
Total Department of Commerce		—	4,537	4,537
Department of Defense:				
Basic and Applied Scientific Research	12.300	1,285,501	—	1,285,501
Drexel University		—	69,693	69,693
Basic Scientific Research – Combating Weapons of Mass Destruction	12.351	60,351	—	60,351
Military Medical Research and Development	12.420	4,257,177	—	4,257,177
ADME Tech Foundation		—	27,301	27,301
University of Alabama at Birmingham		—	98,762	98,762
University of Illinois at Champaign		—	65,160	65,160
Xintek		—	30,650	30,650
Basic Scientific Research	12.431	258,036	—	258,036
Colorado School of Mines		—	118,332	118,332
Cornell University		—	28,267	28,267
Rush-Presbyterian-St. Luke's Medical Center		—	24,164	24,164
University of Maryland		—	178,766	178,766
University of Utah		—	155,570	155,570
Air Force Defense Research Sciences Program	12.800	1,089,208	—	1,089,208
University of Maryland, College Park		—	104,462	104,462
Mathematical Sciences Grants Program	12.901	35,900	—	35,900
Research and Technology Development	12.910	563,779	—	563,779
Northwestern University		—	511,667	511,667
University of Illinois at Champaign		—	43,206	43,206
Johns Hopkins University	12.RD,N66001-10-C-4056	—	489,448	489,448
Total Department of Defense		7,549,952	1,945,448	9,495,400
Department of Education:				
International Research and Studies	84.017	203,654	—	203,654
National Institute on Disability and Rehabilitation Research	84.133	—	7,254	7,254
Rehabilitation Institute Research Corporation		—	17,286	17,286
University of Pittsburgh				
Safe and Drug-Free Schools and Communities National Programs	84.184	—	176,510	176,510
Chicago Public Schools	84.184,#10-0728-PR26	—	3	3
Chicago Public Schools	84.184,PO#1452525	—	718	718
Chicago Public Schools	84.184,PO#1671021	—	—	—
Graduate Assistance in Areas of National Need	84.200	1,484,478	—	1,484,478
Language Resource Centers	84.229	342,803	—	342,803
Comprehensive Centers	84.283	—	103,909	103,909
American Institutes for Research		—	—	—
Education Research, Development and Dissemination	84.305	601,213	—	601,213
Research in Special Education	84.324	68,802	—	68,802
School Leadership	84.363	—	42,536	42,536
Chicago Board of Education		—	77,168	77,168
American Institutes for Research	84.RD	—	89,092	89,092
Chicago Public Schools	84.RD,09-0826-PR33-1	—	80,819	80,819
Learning Point Associates	84.RD,ED-06-CO-0019/11WLP10029	—	1,043	1,043
Learning Point Associates	84.UNK,ED-06-CO-0019	—	—	—
Total Department of Education		2,700,950	596,338	3,297,288
Department of Energy:				
Office of Science Financial Assistance Program	81.049	5,153,488	—	5,153,488
Argonne National Laboratory		—	216,928	216,928
Arradance, Inc.		—	20,000	20,000
Battelle Memorial Institute		—	18,634	18,634
Hyper V. Technologies		—	21,998	21,998
Krell Institute		—	6,574	6,574
Lawrence-Livermore		—	42,089	42,089
Muons, Inc.		—	10,000	10,000
Northwestern University		—	440,817	440,817
Oak Ridge National Laboratory		—	3,219	3,219
Princeton University		—	13,592	13,592
University of Michigan		—	371,642	371,642
ARRA – Office of Science Financial Assistance Program				
University of Utah		—	78,651	78,651
ARRA – Renewable Energy Research and Development	81.087	—	76,549	76,549
Illinois Institute of Technology		—	—	—
Fossil Energy Research and Development	81.089	242,006	—	242,006
State Energy Program Special Projects	81.119	—	167,404	167,404
Argonne National Laboratory		—	373,121	373,121
Fermi National Accelerator Laboratory		—	762,916	762,916
University of Wisconsin		—	—	—

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Schedule of Expenditures of Federal Awards
Year ended June 30, 2011

Federal agency and pass-through entity	CFDA numbers	Direct awards	Pass-through awards	Total expenditures
Department of Energy:				
Argonne National Laboratory	81.RD	\$ —	384	384
Argonne National Laboratory	81.RD .0J-30381-0002A	—	37,931	37,931
Argonne National Laboratory	81.RD .0J-30381-0005A	—	1,347,168	1,347,168
Argonne National Laboratory	81.RD .0J-30381-0006A	—	43,856	43,856
Argonne National Laboratory	81.RD .0J-30381-0008A	—	39,632	39,632
Argonne National Laboratory	81.RD .0J-30381-0010A	—	321,113	321,113
Argonne National Laboratory	81.RD .0J-30381-0011A	—	7,972	7,972
Argonne National Laboratory	81.RD .0J-30381-0013A	—	7,185	7,185
Argonne National Laboratory	81.RD .5J-00023-00031E	—	55,374	55,374
Argonne National Laboratory	81.RD .5J-00023-0037D	—	120,486	120,486
Argonne National Laboratory	81.RD .5J-00023-0053A	—	(2,765)	(2,765)
Argonne National Laboratory	81.RD .5J-00023-0055A	—	(2,017)	(2,017)
Argonne National Laboratory	81.RD .5J-00023-0057B	—	4,975	4,975
Argonne National Laboratory	81.RD .5J-00023-0058A	—	16,955	16,955
Argonne National Laboratory	81.RD .5J-00023-0059A	—	8,374	8,374
Argonne National Laboratory	81.RD .5J-00023-0060A	—	49,801	49,801
Lawrence-Livermore	81.RD .B523820	—	147,370	147,370
Berkeley National Laboratory	81.RD .DE-AC02-05-CH11231	—	14,844	14,844
University of California Berkeley	81.RD .DE-AC02-05CH11231	—	54,693	54,693
Argonne National Laboratory	81.RD .DE-AC02-06CH11357	—	221,532	221,532
Oak Ridge National Laboratory	81.RD .DE-AC05-00OR22725	—	86,434	86,434
Northwestern University	81.RD .DE-SC0001271	—	76,334	76,334
Fermi National Accelerator Laboratory	81.RD .FNAL PO #576333	—	79,208	79,208
Fermi National Accelerator Laboratory	81.RD .FNAL PO #585224	—	66,088	66,088
Argonne National Laboratory	81.RD .0J-30381-0009A	—	52,449	52,449
Argonne National Laboratory	81.RD .0J-30381-0012A	—	15,885	15,885
Fermi National Accelerator Laboratory	81.RD .PO #597353	—	35,228	35,228
Total Department of Energy		5,395,494	5,530,623	10,926,117
Department of Health and Human Services:				
Maternal and Child Health Federal Consolidated Programs				
American Academy of Pediatrics	93.110	—	3,299	3,299
University of Illinois at Chicago		—	53,950	53,950
Illinois Department of Human Services	93.110,11GM514000	—	10,978	10,978
Environmental Health				
Columbia University	93.113	911,883	—	911,883
Harvard University		—	26,938	26,938
New York University		—	9,587	9,587
		—	498,951	498,951
Biometry and Risk Estimation – Health Risks from Environmental Exposures				
Rush-Presbyterian-St. Luke's Medical Center	93.115	—	1,758	1,758
Oral Diseases and Disorders Research				
University of California Los Angeles	93.121	163,833	—	163,833
University of Miami		—	20,165	20,165
		—	30,341	30,341
Injury Prevention and Control Research and State and Community Based Programs				
NIEHS Superfund Hazardous Substances – Basic Research and Education				
Columbia University	93.136	2,056,057	—	2,056,057
	93.143	—	122,719	122,719
Human Genome Research				
Michigan State University	93.172	3,760,080	—	3,760,080
Northwestern University		—	28,017	28,017
		—	(238)	(238)
Research Related to Deafness and Communication Disorders				
Northwestern University	93.173	1,836,616	—	1,836,616
University of Iowa		—	57,211	57,211
		—	21,911	21,911
Research and Training in Complementary and Alternative Medicine				
National Research Service Awards – Health Services Research Training	93.213	1,543,205	—	1,543,205
Research on Healthcare Costs, Quality and Outcomes	93.225	361,978	—	361,978
University of Illinois at Chicago	93.226	1,623,520	—	1,623,520
University of Pennsylvania		—	41,739	41,739
University of Texas MD Anderson Cancer Center		—	97	97
		—	16,971	16,971
National Center on Sleep Disorders Research				
Policy Research and Evaluation Grants	93.233	1,766,891	—	1,766,891
	93.239	—	—	—
Bowling Green State University		—	2,273	2,273
Mental Health Research Grants				
Columbia University	93.242	5,840,711	—	5,840,711
Duke University		—	53,617	53,617
Neuropsychiatric Research Institute		—	92,884	92,884
Northwestern University		—	(8,640)	(8,640)
Oregon Health and Science University		—	67,747	67,747
University of California Los Angeles		—	187,998	187,998
University of California San Diego		—	139,040	139,040
University of California San Diego		—	115,249	115,249
University of Florida		—	186,503	186,503
University of Illinois at Chicago		—	132,905	132,905
University of Pittsburgh		—	54,588	54,588
University of Southern California		—	7,523	7,523
Yale University		—	83,913	83,913
Substance Abuse and Mental Health Services Projects of Regional and National Significance				
Access Community Health	93.243	—	42,508	42,508
Illinois Department of Human Services	93.243,11GM514000	—	132,304	132,304
Geriatric Academic Career Awards	93.250	56,978	—	56,978
Occupational Safety and Health Program	93.262	686,966	—	686,966
Rapid Expansion of Antiretroviral Therapy Programs for HIV-Infected Persons in Selected Countries in Africa and the Caribbean Under the President's Emergency Plan for AIDS Relief				
Access Community Health	93.266	—	20,310	20,310

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Federal agency and pass-through entity	CFDA numbers	Direct awards	Pass-through awards	Total expenditures
Alcohol Research Programs	93.273	\$ 1,044,660	—	1,044,660
Drug Abuse and Addiction Research Programs	93.279	4,860,854	—	4,860,854
Columbia University		—	52,608	52,608
Medical College of Wisconsin		—	(6,241)	(6,241)
Northwestern University		—	17,135	17,135
State University of New York		—	2,638	2,638
University of Illinois at Chicago		—	23,949	23,949
University of Virginia		—	201,083	201,083
Mental Health Research Career/Scientist Development Awards	93.281	453,642	—	453,642
Mental Health National Research Service Awards for Research Training	93.282	25,055	—	25,055
University of Minnesota		—	95,933	95,933
Centers for Disease Control and Prevention – Investigations and Technical Assistance	93.283	316,419	—	316,419
Medical University of Ohio		—	212	212
University of Pittsburgh		—	874	874
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286	2,983,317	—	2,983,317
Illinois Institute of Technology		—	132,697	132,697
University of California-Davis		—	105,741	105,741
University of Denver		—	34,897	34,897
University of Illinois at Chicago		—	35,245	35,245
University of Iowa		—	96,361	96,361
University of Tennessee		—	89,636	89,636
Trans-NIH Research Support	93.310	4,126,933	—	4,126,933
Cincinnati Children's Hospital		—	131,326	131,326
University of Michigan		—	372,440	372,440
University of Virginia		—	84,799	84,799
Nursing Research	93.361	—	—	—
Johns Hopkins University		—	189,749	189,749
University of Illinois at Chicago		—	4,288	4,288
University of Rhode Island		—	4,151	4,151
National Center for Research Resources	93.389	15,280,995	—	15,280,995
Johns Hopkins University		—	156,892	156,892
Pennsylvania State University		—	14,619	14,619
University of Southern California		—	1,107,688	1,107,688
Academic Research Enhancement Award	93.390	118,926	—	118,926
Columbia University		—	28,015	28,015
Cancer Cause and Prevention Research	93.393	8,923,338	—	8,923,338
Beckman Research Institute of the City of Hope		—	41,773	41,773
H. Lee Moffitt Cancer Center & Research Inst		—	4,983	4,983
Harvard University		—	80,724	80,724
University of California San Francisco		—	18,703	18,703
University of Hawaii		—	125,017	125,017
University of Illinois at Chicago		—	4,167	4,167
University of Pennsylvania		—	71,777	71,777
University of Southern California		—	29,863	29,863
University of Vermont		—	8,985	8,985
Washington University		—	11,588	11,588
Cancer Detection and Diagnosis Research	93.394	1,416,468	—	1,416,468
Alan Penn and Associates Inc.		—	(887)	(887)
American College of Radiology		—	13,336	13,336
College of Radiology Imaging Network		—	25,600	25,600
Marquette University		—	7,819	7,819
Northwestern University		—	55,131	55,131
University of Illinois at Chicago		—	3,499	3,499
University of Texas		—	1,595	1,595
Cancer Treatment Research	93.395	8,980,793	—	8,980,793
Albany Medical College		—	52,091	52,091
Albert Einstein College of Medicine		—	285	285
Brigham and Women's Hospital		—	3,202,316	3,202,316
Duke University		—	12,565	12,565
Gynecologic Oncology Group		—	140,910	140,910
LNK Chemsolutions, LLC		—	1,487	1,487
National Childhood Cancer Foundation		—	99,829	99,829
New York Medical College		—	15	15
Northwestern University		—	57,957	57,957
Sloan-Kettering Institute for Cancer Research		—	19,728	19,728
University of Alabama at Birmingham		—	536,887	536,887
University of California Riverside		—	2,772	2,772
University of Illinois at Chicago		—	10,001	10,001
University of Pittsburgh		—	19,113	19,113
University of South Florida		—	601	601
Cancer Biology Research	93.396	7,176,590	—	7,176,590
Cincinnati Children's Hospital		—	(4,492)	(4,492)
Dana-Farber Cancer Research Institute		—	18,429	18,429
Genvec, Inc.		—	20,632	20,632
Loyola University – Illinois		—	114,020	114,020
Northwestern University		—	417,273	417,273
Cancer Centers Support Grants	93.397	7,088,218	—	7,088,218
Northwestern University		—	293,044	293,044
Cancer Research Manpower	93.398	2,298,970	—	2,298,970
Cancer Control	93.399	822,985	—	822,985
Northwestern University		—	17,660	17,660
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	105,000	—	105,000
Social Services Research and Demonstration	93.647	139,413	—	139,413

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Federal agency and pass-through entity	CFDA numbers	Direct awards	Pass-through awards	Total expenditures
Adoption Opportunities	93.652			
University of Michigan		\$ —	75,240	75,240
Child Abuse and Neglect Discretionary Activities	93.670,11GM5140000	207,311	—	207,311
Illinois Department of Children and Family Service	93.670,1923669030	—	282,830	282,830
Illinois Department of Human Services	93.670,11GL5140000	—	14,326	14,326
ARRA – Trans-NIH Recovery Act Research Support	93.701	31,796,946	—	31,796,946
Blue Cross Blue Shield Association		—	644,210	644,210
Boston College		—	42,920	42,920
Brigham and Women's Hospital		—	724,752	724,752
Children's Hospital Los Angeles		—	265,924	265,924
Cornell University		—	51,480	51,480
Dana-Farber Cancer Research Institute		—	19,271	19,271
Duke University		—	30,826	30,826
Emory University		—	305,986	305,986
Johns Hopkins University		—	17,606	17,606
Massachusetts General Hospital		—	60,014	60,014
National Childhood Cancer Foundation		—	36,200	36,200
North Shore University Health System		—	80,462	80,462
Northwestern University		—	81,337	81,337
Radiological Society of North America		—	67,569	67,569
SAIC-Frederick, Inc.		—	18,807	18,807
Tourette Syndrome Association		—	13,312	13,312
University of California Los Angeles		—	7,800	7,800
University of Florida		—	23,557	23,557
University of Illinois at Chicago		—	180,150	180,150
University of Maryland		—	122,829	122,829
University of Massachusetts		—	17,905	17,905
University of Michigan		—	310,072	310,072
University of Nebraska		—	13,109	13,109
University of Southern California		—	(9,153)	(9,153)
Vanderbilt University		—	483,456	483,456
Washington University		—	138,997	138,997
ARRA – National Center for Research Resources, Recovery Act				
Construction Support	93.702	157,553	—	157,553
Cardiovascular Diseases Research	93.837	7,855,257	—	7,855,257
AJ Medical Devices, Inc.		—	8,989	8,989
Children's Hospital Oakland Research Institute		—	85,643	85,643
Duke University		—	840	840
Johns Hopkins University		—	8,395	8,395
Northwestern University		—	325,772	325,772
University of North Carolina		—	396	396
University of Texas		—	36,474	36,474
University of Washington		—	137,695	137,695
Vanderbilt University		—	47,934	47,934
Wake Forest University		—	74,797	74,797
Yale University		—	2,025	2,025
Lung Diseases Research	93.838	8,316,832	—	8,316,832
Cleveland Clinic		—	29,575	29,575
Duke University		—	34,311	34,311
Northwestern University		—	2,692	2,692
University of Arizona		—	8	8
University of Illinois at Chicago		—	325,045	325,045
University of Michigan		—	78	78
University of Pittsburgh		—	19,152	19,152
University of Wisconsin		—	410,822	410,822
Blood Diseases and Resources Research	93.839	210,848	—	210,848
Howard University		—	19,856	19,856
Medical College of Georgia		—	465	465
St Jude Children's Research Hospital		—	(920)	(920)
Arthritis, Musculoskeletal and Skin Diseases Research	93.846	847,851	—	847,851
Cincinnati Children's Hospital		—	18,631	18,631
Hospital for Special Surgery		—	18,148	18,148
Loyola University – Illinois		—	102,919	102,919
Pennsylvania State University		—	10,607	10,607
Seattle Children's Hospital & Regional Medical Ctr		—	2,922	2,922
University of Pennsylvania		—	162,217	162,217
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	14,739,978	—	14,739,978
Columbia University		—	31,438	31,438
Illinois Institute of Technology		—	19,632	19,632
Johns Hopkins University		—	107,224	107,224
Kaiser Foundation Research Institute		—	102,562	102,562
Palo Alto Medical Foundation Research Institute		—	29,729	29,729
University of Pittsburgh		—	23,099	23,099
University of Texas		—	328,793	328,793
Washington University		—	(772)	(772)
Yale University		—	213,361	213,361
Digestive Diseases and Nutrition Research	93.848	652,353	—	652,353
Northwestern University		—	77,234	77,234
University of Illinois at Chicago		—	159,732	159,732
Yale University		—	64,165	64,165
Kidney Diseases, Urology and Hematology Research	93.849	1,134,564	—	1,134,564
University of Rochester		—	49,635	49,635
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	7,704,631	—	7,704,631
Columbia University		—	61,119	61,119
Cornell University		—	1,315	1,315
Duke University		—	234,468	234,468

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Federal agency and pass-through entity	CFDA numbers	Direct awards	Pass-through awards	Total expenditures
Johns Hopkins University		\$ —	202,441	202,441
Northwestern University		—	246,749	246,749
Seattle Children's Research Institute		—	98,843	98,843
The Children's Hospital of Philadelphia		—	1,902	1,902
Tourette Syndrome Association		—	36,792	36,792
University of Minnesota		—	65,388	65,388
University of Rochester		—	851	851
Allergy, Immunology and Transplantation Research	93.855	24,571,577	—	24,571,577
Albany Medical College		—	12,797	12,797
Columbia University		—	170,819	170,819
Duke University		—	327,439	327,439
Emory University		—	245,741	245,741
Innovative Biologies		—	(81)	(81)
Michigan State University		—	47,531	47,531
Northwestern University		—	37,790	37,790
Oklahoma Medical Research Foundation		—	409,801	409,801
Rhode Island Hospital		—	8,061	8,061
Snowdon, Inc.		—	202,018	202,018
Solulink, Inc.		—	161,048	161,048
The Miriam Hospital		—	2,650	2,650
University of California San Francisco		—	40,359	40,359
University of Illinois at Chicago		—	54,770	54,770
University of Massachusetts		—	304,031	304,031
University of Pittsburgh		—	18,685	18,685
University of Wisconsin		—	64,131	64,131
Biomedical Research and Research Training	93.859	33,772,540	—	33,772,540
Biostructures, Inc.		—	(244)	(244)
Brigham and Women's Hospital		—	134,843	134,843
Johns Hopkins University		—	9,584	9,584
Los Alamos National Laboratory		—	719	719
Schrodinger, Inc.		—	61,097	61,097
University of Kansas		—	44,344	44,344
University of Michigan		—	215,331	215,331
University of Utah		—	73,259	73,259
University of Wisconsin		—	40,327	40,327
NIH Population Research	93.864	1,850,228	—	1,850,228
Pennsylvania State University		—	3,978	3,978
University of Illinois at Chicago		—	35,820	35,820
Child Health and Human Development Extramural Research	93.865	5,175,397	—	5,175,397
Children's Memorial Hospital, Chicago		—	47	47
Columbia University		—	17,365	17,365
Cornell University		—	107,778	107,778
Harvard University		—	7,298	7,298
Johns Hopkins University		—	4,953	4,953
Mount Sinai Medical Center of Miami		—	30,549	30,549
University of California San Francisco		—	149,614	149,614
University of Colorado		—	42,301	42,301
University of Illinois at Chicago		—	51,949	51,949
University of Kansas		—	298,658	298,658
University of Maryland		—	201,007	201,007
University of Missouri – Kansas City		—	(426)	(426)
University of Texas, San Antonio		—	34,492	34,492
Aging Research	93.866	6,328,401	—	6,328,401
Duke University		—	110,730	110,730
National Bureau of Economic Research		—	893,817	893,817
National Opinion Research Center		—	156,422	156,422
Stanford University		—	5,089	5,089
University of California San Diego		—	139,716	139,716
University of Michigan		—	53,920	53,920
University of Pennsylvania		—	23,271	23,271
University of Wisconsin		—	4,999	4,999
Vision Research	93.867	3,226,243	—	3,226,243
Medical Library Assistance	93.879	125,758	—	125,758
Marine Biological Laboratory		—	23,430	23,430
Grants for Training in Primary Care Medicine and Dentistry	93.884	115,888	—	115,888
HIV Demonstration, Research, Public and Professional Education Projects	93.941	227,967	—	227,967
Family Planning – Service Delivery Improvement Research Grants	93.974	69,455	—	69,455
International Research and Research Training	93.989	106,789	—	106,789
Healthy Start Initiative	93.926	—	—	—
Illinois Department of Human Services	93.926.11GM514000	—	159,433	159,433
Maternal and Child Health Services Block Grant to the States	93.994	—	—	—
Illinois Department of Human Services	93.994.11GL514000	—	2,994	2,994
Department of Health and Human Services	93.RD	94,833	—	94,833
Access Community Health		—	4,992	4,992
City of Chicago Department of Health		—	(6,274)	(6,274)
University of Pittsburgh		—	869	869
Washington University		—	6,175	6,175
Duke University		—	9,612	9,612
American Psychiatric Institute Research and Education	93.RD ,1 N01 AR22265-01	—	(3,400)	(3,400)
Booz Allen Hamilton, Inc.	93.RD .GS-35F-0306J	—	(1,497)	(1,497)
University of Illinois at Chicago	93.RD ,HA H4A00062-08	—	4	4
Children's Hospital Los Angeles	93.RD .P01 CA081403	—	9,034	9,034
University of Illinois at Chicago	93.RD .P01 HD055751	—	47,217	47,217
Children's Hospital Los Angeles	93.RD .R01 CA90027	—	17,617	17,617
Duke University	93.RD ,Z4051	—	2,880	2,880
Duke University	93.RD ,Z6051	—	1,631	1,631

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Federal agency and pass-through entity	CFDA numbers	Direct awards	Pass-through awards	Total expenditures
University of Illinois at Champaign	93.RD.1 R21 EB009450-01A1	\$ —	47,941	47,941
NCI 3rd Millennium Inc.	93.RD.108T1702	—	225,338	225,338
Illinois Department of Children and Family Service	93.RD.1923669041	—	64,070	64,070
Columbia University	93.RD.2 U54 AI057158-06	—	(1,038)	(1,038)
Johns Hopkins University	93.RD.2000891393	—	5,192	5,192
Urban Institute	93.RD.233-02-0059	—	90,562	90,562
Ohio State University	93.RD.28X193	—	58,353	58,353
Booz Allen Hamilton, Inc.	93.RD.99102XSB23	—	42,401	42,401
Southwest Oncology Group	93.RD.CA37429	—	333	333
University of Illinois at Chicago	93.RD.HA H4A00062	—	40,683	40,683
	93.RD.HHSN261200555009C	86,365	—	86,365
	93.RD.HHSN261200622001C	494,625	—	494,625
SAIC-Frederick, Inc.	93.RD.HHSN261200800001E	—	25,266	25,266
Materials Development, Inc.	93.RD.HHSN261201000113C	—	11,702	11,702
	93.RD.HHSN261201000121C	175,492	—	175,492
Solulink, Inc.	93.RD.HHSN261201000122C	—	31,915	31,915
Westat	93.RD.HHSN265200423601C	—	(4,827)	(4,827)
Oklahoma Medical Research Foundation	93.RD.HHSN266200500026C	—	52,865	52,865
Emory University	93.RD.HHSN266200700006C	—	(50,389)	(50,389)
Northwestern University	93.RD.HHSN267200700027C	—	56,644	56,644
Northwestern University	93.RD.HHSN272200700058C	—	1,890,506	1,890,506
University of California San Francisco	93.RD.HHSN27220070031C	—	628,876	628,876
Virginia Tech	93.RD.HHSN272200900040C	—	1,223,262	1,223,262
Northwestern University	93.RD.HHSN275200800016C	—	27,351	27,351
National Opinion Research Center	93.RD.HHSP23320095647WC	—	94,035	94,035
Mathematica Policy Research	93.RD.HHSP2330095642WC	—	127,761	127,761
University of California San Francisco	93.RD.N01 AI15416	—	73,069	73,069
Northwestern University	93.RD.N01 CN35157	—	24,830	24,830
SAIC-Frederick, Inc.	93.RD.NCI28XS102	—	391,344	391,344
Case-Western Reserve University	93.RD.NONE	—	4,109	4,109
Chicago Board of Education	93.RD.NONE	—	62,517	62,517
American College of Radiology	93.RD.R01 CA021661	—	107,805	107,805
City of Chicago Department of Health	93.RD.PO#24346	—	123,420	123,420
Total Department of Health and Human Services		<u>236,816,976</u>	<u>29,742,439</u>	<u>266,559,415</u>
Department of Housing and Urban Development:				
Doctoral Dissertation Research Grants	14.516	8,354	—	8,354
Total Department of Housing and Urban Development		<u>8,354</u>	<u>—</u>	<u>8,354</u>
Department of Justice:				
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	52,838	—	52,838
ARRA – Recovery Act – State and Local Law Enforcement Assistance Program:				
Combating Criminal Narcotics Activity Stemming from the Southern Border of the United States Competitive Grant Program	16.809	—	13,272	13,272
Rutgers University		—	—	—
Total Department of Justice		<u>52,838</u>	<u>13,272</u>	<u>66,110</u>
Department of State:				
Department of State	19.RD.263-G-00-05-00005-00	261,509	—	261,509
Population Council	19.RD.CB06.102A	—	(6,184)	(6,184)
Total Department of State		<u>261,509</u>	<u>(6,184)</u>	<u>255,325</u>
Environmental Protection Agency:				
Science To Achieve Results (STAR) Fellowship Program	66.514	233,699	—	233,699
Total Environmental Protection Agency		<u>233,699</u>	<u>—</u>	<u>233,699</u>
National Aeronautics and Space Administration:				
Aerospace Education Services Program	43.001	2,708,672	—	2,708,672
California Institute of Technology		—	189,256	189,256
Cornell University		—	61,828	61,828
Fermi National Accelerator Laboratory		—	25,886	25,886
Jet Propulsion Laboratory		—	141,849	141,849
Johns Hopkins University		—	11,193	11,193
Massachusetts Institute of Technology		—	35,454	35,454
Smithsonian Institution		—	297,575	297,575
Southwest Research Institute		—	106,532	106,532
Space Telescope Science Institute		—	142,654	142,654
University of California Los Angeles		—	18,149	18,149
University of Space Research Association		—	816,279	816,279
University of Texas at Austin		—	153,908	153,908
California Institute of Technology	43.RD.1382405	—	45,634	45,634
University of Illinois at Champaign	43.RD.NNG05GE81H	—	118,647	118,647
Cornell University	43.RD.NNM08AA26C	—	82,210	82,210
University of Illinois at Champaign	43.RD.NNX10AK65H	—	9,164	9,164
Arizona State University	43.RD.NNX10AO52G/11-475	—	60,387	60,387
University of Cincinnati	43.RD.NNX10AQ44G	—	15,961	15,961
Total National Aeronautics and Space Administration		<u>2,708,672</u>	<u>2,332,566</u>	<u>5,041,238</u>
National Endowment for the Humanities:				
Promotion of the Humanities – Division of Preservation and Access	45.149	48,888	—	48,888
Promotion of the Humanities – Research	45.161	442,405	—	442,405
Promotion of the Humanities – Office of Digital Humanities	45.169	53,167	—	53,167
National Endowment for the Humanities	45.RD.PD-50012-10	48,217	—	48,217
Total National Endowment for the Humanities		<u>592,677</u>	<u>—</u>	<u>592,677</u>

THE UNIVERSITY OF CHICAGO
Schedule of Expenditures of Federal Awards
Year ended June 30, 2011

Federal agency and pass-through entity	CFDA numbers	Direct awards	Pass-through awards	Total expenditures
National Science Foundation:				
Engineering Grants	47.041	\$ 192,354	—	192,354
Northwestern University		—	121,997	121,997
QD Vision		—	6,240	6,240
Mathematical and Physical Sciences	47.049	20,162,170	—	20,162,170
Columbia University		—	1,140,339	1,140,339
Fermi National Accelerator Laboratory		—	56,138	56,138
University of California Irvine		—	177,427	177,427
University of Notre Dame		—	248,373	248,373
University of Wisconsin		—	271,915	271,915
Geosciences	47.050	3,192,349	—	3,192,349
California Institute of Technology		—	(12,493)	(12,493)
State University of New York		—	36,908	36,908
University of California San Diego		—	(53,044)	(53,044)
University of California-Davis		—	73,554	73,554
Computer and Information Science and Engineering	47.070	9,089,157	—	9,089,157
DePaul University		—	31,297	31,297
University of Delaware		—	(7)	(7)
Biological Sciences	47.074	2,671,052	—	2,671,052
University of Arizona		—	56,902	56,902
University of California-Davis		—	273,116	273,116
University of Florida		—	9,430	9,430
University of Illinois at Chicago		—	20,001	20,001
University of Michigan		—	117,642	117,642
Social, Behavioral, and Economic Sciences	47.075	3,335,321	—	3,335,321
Temple University		—	1,260,142	1,260,142
University of Michigan		—	18,867	18,867
Education and Human Resources	47.076	1,161,706	—	1,161,706
American Educational Research Association		—	3,150	3,150
University of Missouri – Columbia		—	65,741	65,741
Polar Programs	47.078	3,905,890	—	3,905,890
International Science and Engineering (OISE)	47.079	134,784	—	134,784
Office of Cyberinfrastructure	47.080	21,877,548	—	21,877,548
Indiana University		—	336,469	336,469
Northwestern University		—	142,416	142,416
University of California San Diego		—	68,875	68,875
University of Florida		—	176,573	176,573
University of Illinois at Champaign		—	65,631	65,631
University of Wisconsin		—	25,542	25,542
Virginia Tech		—	8,464	8,464
ARRA – Trans-NSF Recovery Act Research Support	47.082	3,675,660	—	3,675,660
California State University, Fresno		—	37,515	37,515
University of California Berkeley		—	67,839	67,839
University of California San Diego		—	565,094	565,094
Total National Science Foundation		<u>69,397,991</u>	<u>5,418,053</u>	<u>74,816,044</u>
Social Security Administration:				
Social Security – Research and Demonstration:				
Rand Corporation	96.007	—	640	640
Total Social Security Administration		<u>—</u>	<u>640</u>	<u>640</u>
Total Research and Development Cluster		<u>325,794,519</u>	<u>45,664,597</u>	<u>371,459,116</u>
Student Financial Assistance Cluster:				
Department of Education:				
Federal Supplemental Educational Opportunity Grants	84.007	692,315	—	692,315
Federal Work-Study Program	84.033	2,635,708	—	2,635,708
Federal Perkins Loan Program – Federal Capital Contributions	84.038	6,054,762	—	6,054,762
Federal Pell Grant Program	84.063	3,804,650	—	3,804,650
Federal Direct Student Loans	84.268	134,312,887	—	134,312,887
Academic Competitiveness Grants	84.375	354,468	—	354,468
National Science and Mathematics Access to Retain Talent (SMART) Grants	84.376	262,659	—	262,659
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379	120,000	—	120,000
Total Department of Education		<u>148,237,449</u>	<u>—</u>	<u>148,237,449</u>
Department of Health and Human Services:				
Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students	93.342	110,190	—	110,190
Total Department of Health and Human Services		<u>110,190</u>	<u>—</u>	<u>110,190</u>
Total Student Financial Assistance Cluster		<u>148,347,639</u>	<u>—</u>	<u>148,347,639</u>
Other Federal Programs:				
Department of Defense:				
Military Medical Research and Development	12.420	16,219	—	16,219
Mathematical Sciences Grants Program	12.901	144,000	—	144,000
Chicago Public Schools	12.UNK.1865301G	—	19,250	19,250
Total Department of Defense		<u>160,219</u>	<u>19,250</u>	<u>179,469</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	2,176,163	—	2,176,163
Northeastern Illinois University		—	352,787	352,787
University of Illinois at Champaign		—	396,613	396,613

THE UNIVERSITY OF CHICAGO
Schedule of Expenditures of Federal Awards
Year ended June 30, 2011

Federal agency and pass-through entity	CFDA numbers	Direct awards	Pass-through awards	Total expenditures
International Research and Studies	84.017			
University of Washington		\$ —	19,122	19,122
Overseas Programs – Doctoral Dissertation Research Abroad	84.022	487,352	—	487,352
Javits Fellowships	84.170	699,455	—	699,455
Education Research, Development and Dissemination	84.305	1,678,073	—	1,678,073
International Education – Technological Innovation and Cooperation for Foreign Information Access	84.337	194,590	—	194,590
Improving Teacher Quality State Grants	84.367			
Illinois Board of Higher Education			313,617	313,617
Department of Education				
Chicago Board of Education	84.10-0526-ED2-158,10-0922-A	—	178,443	178,443
Chicago Public Schools	84.UNK,09-0826-PR29-1	—	6,000	6,000
Total Department of Education		5,235,633	1,266,582	6,502,215
Department of Energy:				
State Energy Program Special Projects	81.119			
Krell Institute		—	352	352
Department of Energy	81.UNK			
Fermi National Accelerator Laboratory	81.UNK, FNAL PO #570086	—	305,534	305,534
Total Department of Energy		—	305,886	305,886
Department of Health and Human Services:				
Allied Health Special Projects	93.191	58,843	—	58,843
Research on Healthcare Costs, Quality and Outcomes	93.226	60,423	—	60,423
Drug Abuse and Addiction Research Programs	93.279	165,806	—	165,806
Discovery and Applied Research for Technological Innovations to				
Improve Human Health	93.286	9,845	—	9,845
Cancer Cause and Prevention Research	93.393	15,000	—	15,000
Cancer Research Manpower	93.398			
Northwestern University			16,277	16,277
Cardiovascular Diseases Research	93.837	97,534	—	97,534
Kidney Diseases, Urology and Hematology Research	93.849	(1,634)	—	(1,634)
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	16,399	—	16,399
Biomedical Research and Research Training	93.859	281,111	—	281,111
HIV Emergency Relief Project Grants	93.914			
Aids Foundation of Chicago			117,632	117,632
City of Chicago Department of Health	93.914,17199-2		(768)	(768)
City of Chicago Department of Health	93.914,17199-3		287,202	287,202
City of Chicago Department of Health	93.914,23794		119,793	119,793
Healthy Start Initiative	93.926			
Illinois Department of Human Services	93.926,11GL514000		500	500
Maternal and Child Health Services Block Grant to the States	93.994			
Illinois Department of Public Health	93.994,13789001		403,253	403,253
Department of Health and Human Services	93.UNK	118,611	—	118,611
Total Department of Health and Human Services		821,938	943,889	1,765,827
Department of State:				
Department of State				
The Field Museum	19.UNK,IRD-FIELD-001	—	(14,925)	(14,925)
Total Department of State		—	(14,925)	(14,925)
Institute of Museum Services:				
Museums for America	45.301	40,698	—	40,698
Conservation Project Support	45.303	54,605	—	54,605
Total Institute of Museum Services		95,303	—	95,303
National Aeronautics and Space Administration:				
Aerospace Education Services Program	43.001	253,548	—	253,548
Chicago Public Schools			54,407	54,407
Space Telescope Science Institute			8,009	8,009
Total National Aeronautics and Space Administration		253,548	62,416	315,964
National Endowment for the Arts:				
ARRA – Promotion of the Arts – Grants to Organizations and Individuals	45.024	43,666	—	43,666
Total National Endowment for the Arts		43,666	—	43,666
National Endowment for the Humanities:				
Promotion of the Humanities – Division of Preservation and Access	45.149	196,402	—	196,402
Total National Endowment for the Humanities		196,402	—	196,402
National Science Foundation:				
Mathematical and Physical Sciences	47.049	302,709	—	302,709
Geosciences	47.050	2,565	—	2,565
Biological Sciences	47.074	9,630	—	9,630
Social, Behavioral, and Economic Sciences	47.075	30,918	—	30,918
Education and Human Resources	47.076	1,724,172	—	1,724,172
Chicago Pre-College Science & Engineering Programs			40,035	40,035
ARRA – Trans-NSF Recovery Act Research Support	47.082	666,666	—	666,666
Total National Science Foundation		2,736,660	40,035	2,776,695
Total Other Federal Programs		9,543,369	2,623,133	12,166,502
Trio Cluster:				
Department of Education:				
TRIO Upward Bound	84.047	469,258	—	469,258
Total Department of Education		469,258	—	469,258
Total TRIO Cluster		469,258	—	469,258

THE UNIVERSITY OF CHICAGO
Schedule of Expenditures of Federal Awards
Year ended June 30, 2011

Federal agency and pass-through entity	CFDA numbers	Direct awards	Pass-through awards	Total expenditures
Immunization Cluster:				
Department of Health and Human Services:				
Immunization Grants				
City of Chicago Department of Health	93.268	\$ —	145,003	145,003
ARRA – Immunization	93.712			
City of Chicago Department of Health	93.712,P.O.21681	—	202,565	202,565
Total Department of Health and Human Services		—	347,568	347,568
Total Immunization Cluster		—	347,568	347,568
State Fiscal Stabilization Fund Cluster:				
Department of Education:				
ARRA – State Fiscal Stabilization Fund (SFSF) – Government Services, Recovery Act				
Chicago Public Schools	84.397 84.397,PO#1756272	—	28,866	28,866
Total Department of Education		—	28,866	28,866
Total State Fiscal Stabilization Fund Cluster		—	28,866	28,866
Teacher Quality Partnerships Cluster:				
Department of Education:				
ARRA – Teacher Quality Partnerships, Recovery Act				
Total Department of Education	84.405	1,255,205	—	1,255,205
Total Teacher Quality Partnerships Cluster		1,255,205	—	1,255,205
Total Teacher Quality Partnerships Cluster		1,255,205	—	1,255,205
CCDF Cluster (Child Care and Development Fund):				
Department of Health and Human Services:				
Child Care and Development Block Grant				
Total Department of Health and Human Services	93.575	85,796	—	85,796
Total CCDF Cluster (Child Care and Development Fund)		85,796	—	85,796
Head Start Cluster:				
Department of Health and Human Services:				
Head Start				
Illinois Department of Children and Family Service	93.600 93.600,PO#23439	—	222,389	222,389
Total Department of Health and Human Services		—	222,389	222,389
Total Head Start Cluster		—	222,389	222,389
Total Federal Expenditures		\$ 485,495,786	48,886,553	534,382,339

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, 2011

(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, 2011. 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 2011 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, 2011

(c) American Recovery and Reinvestment Act (ARRA)

During fiscal year 2011, the University expended \$42,423,521 of ARRA funds that it received from the following agencies:

Department of Education	\$	1,284,071
Department of Energy		206,942
Department of Health and Human Services		35,906,462
Department of Justice		13,272
National Science Foundation		5,012,774
	\$	<u>42,423,521</u>

(d) Direct and Indirect Federal Award Expenditures

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

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

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

(2) Summary of Indirect Costs

Indirect cost charges to federal awards for the year ended June 30, 2011 were as follows:

Research and development	\$	91,423,783
Other		<u>684,409</u>
Total	\$	<u>92,108,192</u>

THE UNIVERSITY OF CHICAGO

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

(3) Summary of Subrecipient Payments

Subrecipient payments charged to federal awards for the year ended June 30, 2011 were as follows:

Research and development:	
Department of Agriculture	\$ 6,161
Department of Defense	913,149
Department of Education	198,706
Department of Energy	384,793
Department of Health and Human Services	29,148,342
Department of Justice	10,915
Environmental Protection Agency	107,784
National Aeronautics and Space Administration	125,485
National Endowment for the Humanities	1,003
National Science Foundation	26,502,338
	<u>57,398,676</u>
Other:	
Department of Education	103,762
Department of Health and Human Services	65,104
National Aeronautics and Space Administration	8,009
National Endowment for the Humanities	97,937
	<u>274,812</u>
Total	\$ <u>57,673,488</u>

THE UNIVERSITY OF CHICAGO

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

(4) Federal Loan Programs

Loans made to University students under the various federal loan programs for the year ended June 30, 2011 are summarized below:

University federal loans:		
Perkins	\$	5,798,313
Health Professions-Primary Care Loans		<u>110,190</u>
Total University federal loans		<u>5,908,503</u>
Non-University federal loans:		
Stafford		72,972,796
Parent Loans for Undergraduate Students (PLUS) & Graduate PLUS		<u>61,340,091</u>
Total non-University federal loans		<u>134,312,887</u>
Total	\$	<u><u>140,221,390</u></u>

University federal loans outstanding at June 30, 2011 are shown below:

Perkins	\$	35,750,440
Health professions		233,331
Loans to disadvantaged students		<u>2,012</u>
Total	\$	<u><u>35,985,783</u></u>

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



KPMG LLP
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Chicago, IL 60601-5212

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

The Board of Trustees
The University of Chicago:

We have audited the consolidated financial statements of The University of Chicago (the University) as of and for the year ended June 30, 2011, and have issued our report thereon dated October 5, 2011. Our report is based on the report of other auditors insofar as it relates to the amounts included in the consolidated financial statements for The University of Chicago Medical Center. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an



opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the University in a separate letter dated October 5, 2011.

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

KPMG LLP

October 5, 2011



KPMG LLP
303 East Wacker Drive
Chicago, IL 60601-5212

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

The Board of Trustees
The University of Chicago:

Compliance

We have audited The University of Chicago's (the University) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2011. The University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

The University's consolidated financial statements include the operations of The University of Chicago Medical Center (the Medical Center) and University Charter Schools, which received federal awards that are not included in the schedule of expenditures of federal awards for the year ended June 30, 2011, and were audited by other auditors.

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

In our opinion, the University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 11-01 through 11-04.



Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 11-01 through 11-04. 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.

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

KPMG LLP

March 23, 2012

THE UNIVERSITY OF CHICAGO
 Schedule of Findings and Questioned Costs
 Year ended June 30, 2011

(1) Summary of Auditors' Results

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

Material weaknesses: **No**

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

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

Material weaknesses: **No**

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

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

- (g) Major programs:

Student Financial Assistance Program Cluster:

Federal Supplemental Educational Opportunity Grants	84.007
Federal Work-Study Program	84.033
Federal Perkins Loan Program	84.038
Federal Pell Grant Program	84.063
Federal Direct Student Loans	84.268
Academic Competitiveness Grants	84.375
The National Science and Mathematics Access to Retain Talent Grants	84.376
Teacher Education Assistance for College and Higher Education Grants	84.379

ARRA – Teacher Quality Partnerships, Recovery Act 84.405A

- (h) Dollar threshold used to distinguish between Type A and Type B programs: **\$3,000,000**
- (i) Auditee qualified as a low-risk auditee under Section 0.530 of OMB Circular A-133: **Yes**

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

None

THE UNIVERSITY OF CHICAGO
Schedule of Findings and Questioned Costs
Year ended June 30, 2011

(3) Findings and Questioned Costs Relating to Federal Awards

Finding 11-01: *Failure to Follow Established Internal Control Procedures for Eligibility*

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

Program Name: Student Financial Assistance Cluster

CFDA # and Program Expenditures: 84.007/84.033/84.038/84.063/84.268/84.375/84.376/
84.379 (\$148,237,449)

Award Numbers: P007A101305/P033A091305/P038A001305/P033A101305/
P063P20101389/P268K121389/P268K127030/P268K127038/
P268K127041/P375A20101389/P376S20101389/P379T111389

Questioned Costs: None

Requirement

The determination of SFA award amounts is based on financial need. Financial need is generally defined as the student's cost of attendance (COA) minus financial resources reasonably available. In determining the financial need, the school must use one of the need analysis systems or any other procedures approved by the Secretary of Education. The school must also consider other information that it has regarding the student's financial status. For Title IV programs, the financial resources available is generally the Expected Family Contribution (EFC) that is computed by the central processor and included on the student's Student Aid Reports (SARs) and the Institutional Student Information Record (ISIR) provided to the institution.

In addition, OMB Circular A-110, *Uniform Administrative Requirements for Grant and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations* requires nonfederal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure student awards are packaged in accordance with program regulations.

Condition Found

During our testwork over 100 students who were awarded and disbursed student financial aid, we noted two medical students were packaged using incorrect EFCs (EFCs other than what was reported on the ISIR). The EFC difference did not affect these students' eligibility for federal loans.

Effect

Failure to properly review student award packages may result in students receiving awards for which they are not eligible which would result in unallowable costs.

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Recommendation

We recommend the University follow its existing procedures to ensure adequate supporting documentation is obtained and evaluated by financial aid counselors prior to disbursing federal funds.

Views of Responsible Officials:

University management agrees with the Auditors' finding and recommendation. Management reviewed and reemphasized to financial aid staff existing policies and procedures, including procedures that call for the appropriate "financial resources available" documents to be used when manually packaging awards.

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Finding 11-02: *Inaccurate and Untimely Return of Funds*

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

Program Name: Student Financial Assistance Cluster

CFDA # and Program Expenditures: 84.007/84.033/84.038/84.063/84.268/84.375/84.376/
84.379 (\$148,237,449)

Award Numbers: P007A101305/P033A091305/P038A001305/P033A101305/
P063P20101389/P268K121389/P268K127030/P268K127038/
P268K127041/P375A20101389/P376S20101389/P379T111389

Questioned Costs: \$10,359, which has been subsequently reimbursed to the grantor.

Requirement

The University is required to determine whether student financial assistance recipients complete the course for which they enrolled and received student financial assistance awards. For those recipients who officially withdraw from their courses and those recipients who withdraw without notification (do not earn any of their planned credit hours), the University is required to determine whether any of the student financial assistance awarded is required to be returned to the federal government. According to 34 CFR 668.22(j)(2), an institution must determine the withdrawal date for a student who withdraws without providing notification to the institution no later than 30 days after the end of the earlier of the (1) payment period or period of enrollment; (2) academic year in which the student withdrew; or (3) educational program from which the student withdrew.

Additionally, OMB Circular A-110, *Uniform Administrative Requirements for Grant and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*, requires nonfederal entities receiving awards to establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Effective internal control should include procedures to ensure returns of Title IV funds are performed in accordance with program regulations.

Condition Found

During our testwork over 25 students who were awarded and disbursed student financial aid, we noted the following:

- For 8 students, the return of funds was not made within the required time frame. The funds that were returned, but not within the required period, totaled \$32,423.
- For 1 of the 8 students, the return of funds was not consistent with the return calculation and Title IV requirements. The funds required to be returned for this student totaled \$8,299.
- For 1 of the 8 students, an incorrect withdrawal date was used leading to an error in the return calculation and delay in the return of funds. The funds required to be returned for this student totaled \$2,060.

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Effect

Failure to perform all required return of funds calculations could result in unallowable costs being charged to federal programs.

Recommendation

We recommend the University review its procedures for identifying students who withdraw without notification to ensure all required return of funds calculations are performed accurately and remitted timely.

View of Responsible Officials

University management agreed with the Auditors' finding and recommendations. Management reviewed and reemphasized to financial aid staff procedures for identifying students who withdraw without notification and for calculating the required "return calculation" amounts. For the two students where the "return calculations" were incorrect, the University corrected the calculations and returned the corrected amount of funds to the federal programs prior to September 30, 2011. In addition, management reviewed a sample of students who withdrew without notification to identify if the finding was a systemic condition during the year ended June 30, 2011 and concluded that it was not. However, as a part of the corrective action plan, management is currently in the process of performing a review of all students who withdrew without notification during the year ended June 30, 2011 to identify if any additional "return calculations" were incorrect.

The University will complete the corrective action plan by April 30, 2012.

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Finding 11-03: *Failure to report disbursements in a timely and accurate manner*

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

Program Name: Student Financial Assistance Cluster

CFDA # and Program Expenditures: 84.268 (\$134,312,887)

AwardNumbers: P268K121389/P268K127030/P268K127038/P268K127041

Questioned Costs: None

Requirement

According to 34 CFR 685.309, an institution must submit the initial disbursement record for a loan to the Secretary no later than 30 days following the date of the initial disbursement. The school must submit subsequent disbursement records, including adjustments and cancellation records, to the Secretary no later than 30 days following the date of disbursement, adjustment, or cancellation made.

In addition, OMB Circular A-110, *Uniform Administrative Requirements for Grant and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations* requires nonfederal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure data reported in disbursement reports is accurate and to ensure disbursements are reported in a timely manner.

Condition Found

During our testwork over 50 students who were disbursed funds under the Direct Loan program, we noted the following:

- One medical student's Autumn and Winter Grad PLUS disbursements were credited to the student account (Gargoyle) on October 8, 2010 and December 27, 2010, respectively. However, these disbursements were not reported to the Common Origination and Disbursement (COD) until February 2, 2011.
- Two medical students' Winter Stafford Direct Loan (Subsidized) disbursements were credited to the student account (Gargoyle) on December 28, 2010. However, these disbursements were not reported to the COD until February 2, 2011.

Effect

Failure to properly and accurately report disbursements in a timely manner inhibits the ability of the USDE to properly monitor and evaluate the performance of the programs.

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Recommendation

We recommend the University implement procedures to ensure submissions to COD are accurately reported within the required timeframe.

View of Responsible Officials

University management agrees with the Auditors' finding and recommendation.

The University converted to processing federal loans via Direct Loans in June 2010, using its PowerFAIDS financial aid software's functionality to originate and disburse the loans. On January 21, 2011, the University completed an upgrade to PowerFAIDS which included functionality to prohibit the disbursement of Direct Loan funds to a student, unless the disbursement has already been reported to and accepted by COD. Management also reemphasized existing policies and procedures to financial aid staff and instituted a new reporting procedure to identify possible future instances of inaccurate COD submissions.

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Finding 11-04: *Failure to report Pell payment data in a timely and accurate manner*

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

Program Name: Student Financial Assistance Cluster

CFDA # and Program Expenditures: 84.063 (\$3,804,650)

Award Numbers: P063P20101389

Questioned Costs: None

Requirement

According to CFR 690.83, an institution must submit Pell origination records and disbursement records to the Common Origination and Disbursement (COD) system. Origination records can be sent well in advance of any disbursements, as early as the institution chooses to submit them, for any student the institution believes will be eligible for payment. The disbursement record reports actual disbursement date and the amount of the disbursement. Institutions must report student payment data within 30 calendar days after the institution makes a payment; or becomes aware of the need to make an adjustment to previously reported student payment data or expected student payment data. Institutions may do this by reporting once every 30 calendar days, bi-weekly, weekly or may set up their own system to ensure that changes are reported in a timely manner.

In addition, OMB Circular A-110, *Uniform Administrative Requirements for Grant and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations* requires nonfederal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure data reported in disbursement reports is accurate and to ensure disbursements are reported in a timely manner.

Condition Found

During our testwork over 25 students who were awarded and disbursed student financial aid, we noted that the Pell disbursement date reported by the University to COD was the data transmission date and not the actual disbursement date. Key items to test on disbursement records are disbursement date and amount. In response to this exception, the University reviewed the Pell disbursement population and identified that for all Pell disbursements, the transmission date was submitted and not the actual disbursement date. However, all Pell disbursements were reported timely to the COD.

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Effect

Failure to properly and accurately report Pell payment data in a timely manner to the USDE through COD inhibits the ability of the USDE to properly monitor and evaluate the performance of the programs.

Recommendation

We recommend the University implement procedures to ensure submissions to COD are accurately reported within the required timeframe.

View of Responsible Officials

The University agrees with the Auditors' finding and recommendation. To correct the condition, the University implemented a new procedure to be utilized by its College Aid staff when reporting Pell Grant disbursements to COD. The new procedure uses a newly created report in the University's PowerFAIDS financial aid software that will ensure that the actual disbursement date is reported. The report was used beginning October 11, 2011, the first date of Pell disbursement reporting for the 2011-2012 academic year.