



THE UNIVERSITY OF CHICAGO

OMB Circular A-133 Audit Report

Year ended June 30, 2015

(With Independent Auditors' Reports Thereon)

THE UNIVERSITY OF CHICAGO

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THE UNIVERSITY OF CHICAGO

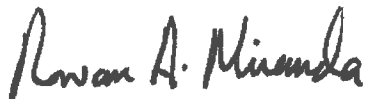
Management's Responsibility for Consolidated Financial Statements

The management of The University of Chicago (University) is responsible for the preparation and fair presentation of the consolidated financial statements. The consolidated financial statements, presented on pages 4 to 44, have been prepared in conformity with U.S. generally accepted accounting principles and, as such, include amounts based on judgments and estimates by management.

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

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

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



Rowan A. Miranda
Vice President for Operations
and Chief Financial Officer



James R. Ribikawskis
Executive Director, Accounting
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Independent Auditors' Report

The Board of Trustees
The University of Chicago:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of The University of Chicago (the University), which comprise the consolidated balance sheets as of June 30, 2015 and 2014, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements. We did not audit the financial statements of The University of Chicago Medical Center (the Medical Center), which statements reflect total assets constituting 19% and 19% and total revenues constituting 43% and 42% of the related consolidated totals in 2015 and 2014, respectively. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Medical Center, is based solely on the report of the other auditors.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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



Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The University of Chicago as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2015 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

The Management's Responsibility Report has not been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

KPMG LLP

Chicago, Illinois
October 29, 2015

THE UNIVERSITY OF CHICAGO

Consolidated Balance Sheets

June 30, 2015 and 2014

(In thousands of dollars)

Assets	2015	2014
Cash and cash equivalents	\$ 198,355	103,010
Notes and accounts receivable, net	426,799	385,643
Prepaid expenses and other assets	170,014	118,713
Pledges receivable, net	522,820	509,365
Investments	8,365,085	8,232,050
Land, buildings, equipment, and books, net	4,409,265	4,249,105
Total assets	\$ 14,092,338	13,597,886
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 828,434	746,623
Deferred revenue	103,795	88,388
Assets held in custody for others	65,785	62,158
Self-insurance liability	270,903	257,762
Pension and other postretirement benefit obligations	478,141	450,677
Asset retirement obligation	59,118	59,783
Notes and bonds payable	4,205,070	3,700,862
Refundable U.S. government student loan funds	39,041	38,711
Total liabilities	6,050,287	5,404,964
Net assets:		
Unrestricted	2,597,309	2,805,178
Temporarily restricted	3,588,616	3,644,424
Permanently restricted	1,856,126	1,743,320
Total net assets	8,042,051	8,192,922
Total liabilities and net assets	\$ 14,092,338	13,597,886

See accompanying notes to consolidated financial statements.

THE UNIVERSITY OF CHICAGO

Consolidated Statements of Activities

Years ended June 30, 2015 and 2014

(In thousands of dollars)

	<u>2015</u>	<u>2014</u>
Changes in unrestricted net assets:		
Operating:		
Revenue:		
Tuition and fees – gross	\$ 737,883	706,731
Less student aid	<u>(348,920)</u>	<u>(327,518)</u>
Tuition and fees – net	388,963	379,213
Government grants and contracts	357,061	344,850
Private gifts, grants, and contracts	241,430	236,528
Endowment payout	439,221	392,118
Earnings on other investments	1,323	3,899
Patient care	1,681,002	1,593,911
Auxiliaries	218,334	208,725
Other income	301,734	284,515
Net assets released from restrictions	<u>87,400</u>	<u>75,015</u>
Total operating revenue	<u>3,716,468</u>	<u>3,518,774</u>
Expenses:		
Compensation:		
Academic salaries	526,371	505,660
Staff salaries	1,097,039	1,034,184
Benefits	<u>456,093</u>	<u>417,567</u>
Total compensation	<u>2,079,503</u>	<u>1,957,411</u>
Other operating expenses:		
Utilities, alterations, and repairs	92,971	90,406
Depreciation	255,972	247,974
Interest	130,736	129,916
Supplies, services, and other	1,101,094	1,032,105
Insurance	<u>42,821</u>	<u>38,490</u>
Total other operating expenses	<u>1,623,594</u>	<u>1,538,891</u>
Total operating expenses	<u>3,703,097</u>	<u>3,496,302</u>
Excess of operating revenue over expenses	\$ <u>13,371</u>	<u>22,472</u>

THE UNIVERSITY OF CHICAGO

Consolidated Statements of Activities

Years ended June 30, 2015 and 2014

(In thousands of dollars)

	<u>2015</u>	<u>2014</u>
Changes in unrestricted net assets:		
Nonoperating:		
Investment gains (losses)	\$ (101,434)	178,845
Postretirement benefit changes other than net periodic benefit cost	(29,718)	34,016
Affiliation – MBL net assets as of July 1, 2013	—	89,999
Change in value of derivative instruments	(18,775)	(7,577)
Loss on debt refinancing	(70,958)	—
Other, net	<u>(355)</u>	<u>(25,546)</u>
Change in unrestricted net assets from nonoperating activities	<u>(221,240)</u>	<u>269,737</u>
Increase (decrease) in unrestricted net assets	<u>(207,869)</u>	<u>292,209</u>
Changes in temporarily restricted net assets:		
Private gifts	143,635	172,128
Investment gains (losses)	(67,023)	323,792
Affiliation – MBL net assets as of July 1, 2013	—	16,730
Other, net	(45,020)	(33,633)
Net assets released from restrictions	<u>(87,400)</u>	<u>(75,015)</u>
Increase (decrease) in temporarily restricted net assets	<u>(55,808)</u>	<u>404,002</u>
Changes in permanently restricted net assets:		
Private gifts	81,619	119,042
Affiliation – MBL net assets as of July 1, 2013	—	51,256
Endowment payout	1,880	1,969
Investment losses	(426)	(3,013)
Other, net	<u>29,733</u>	<u>22,236</u>
Increase in permanently restricted net assets	<u>112,806</u>	<u>191,490</u>
Increase (decrease) in net assets	<u>(150,871)</u>	<u>887,701</u>
Net assets at beginning of year	<u>8,192,922</u>	<u>7,305,221</u>
Net assets at end of year	<u>\$ 8,042,051</u>	<u>8,192,922</u>

See accompanying notes to consolidated financial statements.

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Consolidated Statements of Cash Flows
Years ended June 30, 2015 and 2014
(In thousands of dollars)

	2015	2014
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ (150,871)	887,701
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Affiliation – MBL net assets as of July 1, 2013	—	(157,985)
Depreciation	255,972	247,974
Change in value of derivative instruments	21,016	8,704
Loss on debt refinancing	70,258	—
Loss on disposal of land, buildings, equipment, and books	3,541	10,695
Gain on sale of property	(8,217)	—
Donated property	(4,726)	—
Net gain on investments	(185,883)	(786,040)
Private gifts and grants restricted for long-term investment	(222,321)	(287,042)
Other nonoperating changes	171,135	185,952
Postretirement benefit changes other than net periodic benefit cost	29,718	(33,414)
Changes in operating assets and liabilities:		
Notes and accounts receivable	(40,131)	9,315
Prepaid expenses and other assets	(52,119)	(12,412)
Accounts payable and other liabilities	66,426	75,556
Self-insurance liability	13,141	(15,930)
Total adjustments	117,810	(754,627)
Net cash provided by (used in) operating activities	(33,061)	133,074
Cash flows from investing activities:		
Affiliation – MBL cash and cash equivalents as of July 1, 2013	—	1,543
Purchase of investments	(1,739,633)	(1,958,015)
Proceeds from sale of investments	1,790,492	2,273,401
Acquisition of land, buildings, equipment, and books	(503,871)	(650,297)
Proceeds from sale of property	110,462	—
Loans disbursed	(7,262)	(6,844)
Principal collected on loans	7,522	6,602
Net cash used in investing activities	(342,290)	(333,610)
Cash flows from financing activities:		
Proceeds from issuance of debt instruments	2,399,654	1,412,121
Principal payments on debt instruments	(1,965,352)	(1,315,191)
Proceeds from private gifts and grants restricted for long-term investment	138,597	130,982
Other nonoperating changes	(102,203)	(114,448)
Net cash provided by financing activities	470,696	113,464
Increase (decrease) in cash and cash equivalents	95,345	(87,072)
Cash and cash equivalents at:		
Beginning of year	103,010	190,082
End of year	\$ 198,355	103,010
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 134,121	140,465

See accompanying notes to consolidated financial statements.

THE UNIVERSITY OF CHICAGO

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

(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.

On July 1, 2013, the University entered into an affiliation agreement with the Marine Biological Laboratory (MBL) in Woods Hole, Massachusetts. Under this affiliation, the University became the sole member of MBL. MBL's net assets of \$157,985 at July 1, 2013 have been recognized as a contribution in the consolidated statement of activities in fiscal year 2014.

Significant accounting policies followed by the University, the Medical Center, and MBL are set forth as follows. Accounting policies specific to the Medical Center and MBL are discussed in notes 2 and 3, respectively.

(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, the Medical Center, and MBL. The organization of the Medical Center and MBL and associated agreements with the University are discussed in notes 2 and 3, respectively.

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.

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Notes to Consolidated Financial Statements

June 30, 2015 and 2014

(In thousands of dollars)

Such philanthropic support includes unrestricted gifts, including those designated by the Board of Trustees (the Board) to function as endowment and restricted gifts whose donor-imposed restrictions were met during the fiscal year, as well as restricted gifts and grants for buildings and equipment that have been amortized over the useful life of the assets acquired or constructed.

- 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.

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Notes to Consolidated Financial Statements

June 30, 2015 and 2014

(In thousands of dollars)

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

<u>Detail of net assets</u>	<u>2015</u>		<u>2014</u>	
	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>
University:				
Operating	\$ 18,005	—	12,183	—
Pledges	408,579	110,557	399,529	103,738
Student loans	—	21,794	—	21,088
Endowment	2,856,193	1,624,856	2,934,645	1,515,726
Annuity and life income	27,139	37,805	27,738	43,030
Net investment in physical properties	168,499	—	157,999	—
Subtotal	<u>3,478,415</u>	<u>1,795,012</u>	<u>3,532,094</u>	<u>1,683,582</u>
Medical Center:				
Operating	9,927	—	9,005	—
Pledges	2,614	10	4,481	10
Endowment	73,568	8,092	74,468	8,082
Subtotal	<u>86,109</u>	<u>8,102</u>	<u>87,954</u>	<u>8,092</u>
Marine Biological Laboratory:				
Operating	2,894	—	4,432	—
Pledges	396	664	470	1,137
Annuity and life income	968	459	302	401
Endowment	19,834	51,889	19,172	50,108
Subtotal	<u>24,092</u>	<u>53,012</u>	<u>24,376</u>	<u>51,646</u>
Total	<u>\$ 3,588,616</u>	<u>1,856,126</u>	<u>3,644,424</u>	<u>1,743,320</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 adjustments to self-insurance liabilities, changes in postretirement benefit obligations, changes in the fair value of the derivative instruments, and other infrequent gains and losses.

(d) Tuition and Fees

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

THE UNIVERSITY OF CHICAGO

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

(In thousands of dollars)

(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, 2015 and 2014 are \$46,533 and \$46,633, respectively, of private grant and contract receipts, which have not been expended.

Private gifts, grants, and contracts operating revenue for fiscal years 2015 and 2014 consist of the following:

	2015				2014
	University	Medical Center	MBL	Consolidated	Consolidated
Private gifts:					
Unrestricted as to use	\$ 21,384	584	1,912	23,880	27,771
Temporarily restricted gifts whose restrictions were met during the fiscal year and reported as unrestricted revenue	122,025	—	—	122,025	118,442
Private grants and contracts	90,120	—	5,405	95,525	90,315
Total	\$ 233,529	584	7,317	241,430	236,528

(f) Patient Care

Patient service revenue is reported net of a provision for doubtful accounts of \$6,450 and \$8,402 for the University and \$52,166 and \$55,169 for the Medical Center for the years ended June 30, 2015 and 2014, respectively. This provision reflects the estimated net realizable amounts due from third-party payors for services rendered. A majority of patient care revenue is derived from contractual agreements with Medicare, Medicaid, Blue Cross/Blue Shield, managed care, and certain other programs. Payments under these agreements and programs are based on specific amounts per case or contracted prices. Certain revenue received from third-party payors is subject to audit and retroactive adjustment. Any changes in estimates under these contracts are recorded in operations currently.

THE UNIVERSITY OF CHICAGO

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

(In thousands of dollars)

(g) Capitalized Interest

The University capitalizes interest costs incurred on debt during the construction of major projects exceeding one year. During fiscal years 2015 and 2014, the amount of interest capitalized amounted to \$17,480 and \$11,522 for the University and \$300 and \$60 for the Medical Center, respectively.

(h) Fair Value

Fair value is defined as the price that the University would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The University uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the University. Inputs refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 – quoted market prices in active markets for identical investments

Level 2 – inputs other than quoted prices for similar investments in active markets, quoted prices for identical or similar investments in markets that are not active, or inputs other than quoted prices that are observable including model-based valuation techniques

Level 3 – valuation techniques that use significant inputs that are unobservable because they trade infrequently or not at all

- **Cash Equivalents**

Cash equivalents include U.S. Treasury notes, commercial paper, and corporate notes with original maturities of three months or less, except that such instruments purchased with endowment assets or funds on deposit with bond trustees are classified as investments. Cash equivalents are considered Level 1 in the fair value hierarchy.

THE UNIVERSITY OF CHICAGO

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

(In thousands of dollars)

- ***Investments***

Investments are recorded in the consolidated financial statements at estimated fair value. If an investment is held directly by the University and an active market with quoted prices exists, the market price of an identical security is used as reported fair value. Reported fair values for shares in mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year. The University's interests in alternative investment funds such as private debt, private equity, real estate, natural resources, and absolute return are generally reported at the net asset value (NAV) reported by the fund managers, which is used as a practical expedient to estimate the fair value, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2015 and 2014, the University had no plans to sell investments at amounts different from NAV.

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

A summary of the inputs used in valuing the University's investments as of June 30, 2015 and 2014 is included in Note 4.

- ***Pledges Receivable***

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

- ***Land, Buildings, Equipment, and Books***

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

- ***Split-Interest Agreements***

Split-interest agreements with donors consist primarily of charitable remainder trusts for which the University serves as trustee, gift annuity contracts, and pooled life income agreements. Assets associated with split-interest agreements are included in investments. A liability for split-interest obligations is recorded when the agreement is established at the estimated net present value of future cash flows using a risk-adjusted discount rate commensurate with the duration of the estimated payments. These inputs to the fair value estimate are considered Level 3 in the fair value hierarchy. At June 30, 2015 and 2014, the University had liabilities of \$55,757 and \$53,838

THE UNIVERSITY OF CHICAGO

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

(In thousands of dollars)

associated with its charitable remainder trust and gift annuity contracts and deferred revenue of \$5,441 and \$5,784 associated with its pooled income agreements, respectively. In subsequent periods, the discount rate is unchanged.

- ***Interest Rate Swap Agreements***

In order to reduce exposure to adjustable interest rates on variable rate debt, the University has entered into debt-related interest rate swap agreements. These agreements have the effect of fixing the rate of interest for the variable rate debt. The fair value of these swap agreements is the estimated amount that the University would have to pay or receive to terminate the agreements as of the consolidated balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparty. These inputs to the fair value estimate are considered Level 2 in the fair value hierarchy.

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

Assets held in custody for others consists of resources, primarily investments, held by the University as a custodian for affiliated organizations. Investments held for others are included in the University's investment portfolio. The leveling of these investments is presented in Note 4.

- ***Self-insurance Liability***

The self-insurance liability is the estimated present value of self-insured claims that will be settled in the future and considers anticipated payout patterns as well as investment returns on available assets prior to payment. The discount rate used to value the self-insurance liability is a risk-adjusted rate commensurate with the duration of anticipated payments. These inputs to the fair value estimate of the liability are considered Level 2 in the fair value hierarchy.

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

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

- ***Asset Retirement Obligation***

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

THE UNIVERSITY OF CHICAGO

Notes to Consolidated Financial Statements

June 30, 2015 and 2014

(In thousands of dollars)

- ***Notes and Bonds Payable***

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

- ***All Other Assets and Liabilities***

The carrying value of all other assets and liabilities do not differ materially from its estimated fair value.

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

The following tables set forth the gross and net notional values and the University's gain (loss) related to internally managed investment derivative activities as of June 30, 2015 and 2014 and for the fiscal years then ended:

		2015		
		Gross notional	Net notional	Gain (loss)
Interest rate derivatives	\$	—	—	68
Currency derivatives		—	—	1,791
Equity derivatives		105,371	105,371	9,479
Total	\$	105,371	105,371	11,338

		2014		
		Gross notional	Net notional	Gain (loss)
Interest rate derivatives	\$	12,719	12,719	378
Currency derivatives		37,782	—	(2,581)
Equity derivatives		71,369	71,369	(26,039)
Total	\$	121,870	84,088	(28,242)

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

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(j) *Income Taxes*

The University, Medical Center, and MBL are tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code and, except for unrelated business income, are exempt from federal income taxes. There was no provision for income taxes due on unrelated business income in fiscal years 2015 and 2014 and there are no uncertain tax positions considered to be material.

(k) *Use of Estimates*

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

(l) *Recent Accounting Pronouncement*

During 2015, the University adopted ASU No. 2015-07 – *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. This guidance removes the requirement to categorize within the fair value hierarchy investments whose fair values are measured at Net Asset Value (NAV) (or its equivalent) under the practical expedient in the FASB's fair value measurement guidance.

(m) *Subsequent Events*

The University has performed an evaluation of subsequent events through October 29, 2015, which is the date the consolidated financial statements were issued.

In August 2015, the University issued \$415,825 in fixed rate bonds through the Illinois Finance Authority (IFA) and \$150,505 in taxable fixed rate bonds. Proceeds were used to 1) advance refund \$230,320 of the IFA fixed rate bonds and 2) finance the construction and renovation of certain educational facilities. See note 8.

In October 2015, the University sold twenty-one residential properties previously held for sale for \$70,100. See note 7.

(2) *The University of Chicago Medical Center*

(a) *Organization*

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

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(b) *Agreements with the University*

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

(c) *Community Benefits*

The Medical Center's policy is to treat patients in immediate need of medical services without regard to their ability to pay for such services, including patients transferred from other hospitals and patients accepted through the Perinatal and Pediatrics Trauma Networks. Patients are offered discounts of up to 100% of charges on a sliding scale based both on income as a percentage of the Federal Poverty Level guidelines and the charges for services rendered. The Medical Center policy also contains provisions that are responsive to those patients subject to catastrophic healthcare expenses. Since the Medical Center does not pursue collection of these amounts, they are not reported as net patient care revenue. The unreimbursed cost of providing such care, along with the unreimbursed cost of government sponsored indigent healthcare programs, unreimbursed cost to support education, clinical research, and other community programs amounted to \$291,703 and \$294,555 for the years ended June 30, 2015 and 2014, respectively.

(d) *Basis of Presentation*

The Medical Center maintains its accounts and prepares stand-alone financial statements in conformity with accounting and reporting principles of the AICPA *Audit and Accounting Guide for Health Care Organizations*. For purposes of presentation of the Medical Center financial position and changes in net assets in the consolidated financial statements, several reclassifications have been made as follows: (1) investment gains used for operations of \$43,895 in fiscal year 2015 and \$40,658 in 2014 have been recorded as unrestricted operating revenue and (2) transfers to the University of \$72,935 in fiscal year 2015 and \$53,574 in fiscal year 2014 have been recorded as a reduction of other income.

(3) *Marine Biological Laboratory (MBL)*

(a) *Organization*

MBL is a private, independent not-for-profit research and educational institution dedicated to establishing and maintaining a laboratory and station for scientific study and investigations, and a school for instruction in biology and natural history. The Laboratory is located in Woods Hole, Massachusetts. The University is the sole corporate member of MBL, elects MBL's Board of Trustees, and approves its bylaws.

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(b) *Agreements with the University*

The relationship between the University and MBL is defined in an Affiliation Agreement which specifies the University and MBL responsibilities for the provision of research and education in biology, biomedicine, ecology, and related fields.

(c) *Basis of Presentation*

MBL maintains its accounts and prepares stand-alone financial statements on a calendar year basis. MBL's financial position and changes in net assets in the consolidated financial statements reflect fiscal year activity for the period July 1 to June 30.

(4) *Investments*

Investments at June 30, 2015 and 2014 comprise the following:

	2015				2014
	University	Medical Center	MBL	Consolidated	Consolidated
Cash equivalents	\$ 246,550	23,027	8,473	278,050	244,482
Global public equities (primarily international)	1,471,070	197,876	15,988	1,684,934	1,580,608
Private debt	275,544	31,372	3,278	310,194	232,832
Private equity:					
U.S. venture capital	351,040	68,005	4,190	423,235	397,844
U.S. corporate finance	323,999	36,875	3,961	364,835	362,187
International	370,561	42,357	4,471	417,389	448,996
Real estate	464,569	50,933	5,406	520,908	625,796
Natural resources	453,555	51,676	5,508	510,739	677,160
Absolute return:					
Equity-oriented	615,038	70,046	7,415	692,499	558,965
Global macro/relative value	496,767	56,579	6,000	559,346	471,658
Multistrategy	509,846	72,043	6,193	588,082	613,278
Credit-oriented	301,918	34,386	3,639	339,943	212,513
Protection-oriented	131,220	14,945	1,582	147,747	124,138
Fixed income:					
U.S. treasuries, including TIPS	359,336	116,025	4,325	479,686	578,433
Other fixed income (primarily credit funds)	763,397	130,659	7,979	902,035	1,008,855
Funds in trust	124,010	21,453	—	145,463	94,305
Total	\$ 7,258,420	1,018,257	88,408	8,365,085	8,232,050

(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

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increase investment value after inflation. The University diversifies its investments among various asset classes incorporating multiple strategies and external investment managers. Major investment decisions are authorized by the Board's Investment Committee, which oversees the University's investment program in accordance with established guidelines.

(b) *Investment Strategies*

- **Value Based on Quoted Market Prices in Active Markets**

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

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

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

- **Value Measured at Net Asset Value**

Investments in private debt, private equity, real estate, and natural resources are in the form of limited partnership interests, which typically invest in private securities for which there is no readily determinable market value. In these cases, market value is determined by external managers based on a combination of discounted cash flow analysis, industry comparables, and outside appraisals. Where private equity, real estate, and natural resources managers hold publicly traded securities, these securities are generally valued based on market prices. The value of the limited partnership interests are held at the manager's reported NAV, unless information becomes available indicating the reported NAV may require adjustment. The methods used by managers to assess the NAV of these external investments vary by asset class. The University monitors the valuation methodologies and practices of managers.

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

The University believes that the reported amount of its investments is a reasonable estimate of fair value as of June 30, 2015 and 2014. Because of the inherent uncertainties of valuation, these estimated fair values may differ significantly from values that would have been used had a ready market existed.

(c) ***Fair Value Hierarchy of Investments***

Following is the fair value hierarchy of investments as of June 30, 2015:

	<u>Level 1</u>	<u>Level 2</u>	2015 Consolidated total
Cash equivalents	\$ 278,050	—	278,050
Global public equities (primarily international)	489,975	35,377	525,352
Real estate	20,990	—	20,990
Natural resources	32,628	—	32,628
Absolute return:			
Global macro/relative value	99,597	—	99,597
Fixed income:			
U.S. treasuries, including TIPS	420,130	—	420,130
Other fixed income (primarily credit funds)	822,400	—	822,400
Funds in trust	139,005	—	139,005
	<u>2,302,775</u>	<u>35,377</u>	<u>2,338,152</u>
Investments measured at net asset value			<u>6,026,933</u>
Total investments at fair value as of June 30, 2015			\$ <u>8,365,085</u>

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Following is the fair value hierarchy of investments as of June 30, 2014:

	Level 1	Level 2	2014 Consolidated total
Cash equivalents	\$ 244,492	—	244,492
Global public equities (primarily international)	894,416	375,586	1,270,002
Private equity:			
U.S. venture capital	2,511	—	2,511
Real estate	12,801	—	12,801
Absolute return:			
Equity-oriented	79,416	132,342	211,758
Global macro/relative value	56,106	116,662	172,768
Multi-strategy	—	67,343	67,343
Protection-oriented	—	124,138	124,138
Fixed income:			
U.S. treasuries, including TIPS	510,346	—	510,346
Other fixed income (primarily credit funds)	1,008,855	—	1,008,855
Funds in trust	92,295	—	92,295
	\$ 2,901,238	816,071	3,717,309
Investments measured at net asset value			4,514,741
Total investments at fair value as of June 30, 2014			\$ 8,232,050

During fiscal years 2015 and 2014, there were no transfers between investment Levels 1 and 2.

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A summary of the University's investment return for the years ended June 30, 2015 and 2014 is presented as follows:

	2015				2014
	University	Medical Center	MBL	Consolidated	Consolidated
Investment return:					
Interest and dividends	\$ 75,405	41,398	900	117,703	144,138
Net realized and unrealized gains	161,705	(8,138)	2,271	155,838	753,472
Investment return	<u>\$ 237,110</u>	<u>33,260</u>	<u>3,171</u>	<u>273,541</u>	<u>897,610</u>

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

The University is obligated under certain limited partnership investment fund agreements to advance additional funding periodically up to specified levels. At June 30, 2015, the University had unfunded commitments of \$1,082,425, which are likely to be called through 2021. Details of these commitments are as follows:

	Unfunded commitments
Private equity	\$ 376,581
Real estate	231,032
Natural resources	194,863
Absolute return	40,966
Private debt	238,983
Total	<u>\$ 1,082,425</u>

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

	Remaining life	Redemption terms	Redemption restrictions and terms	Redemption restrictions or side pockets at June 30, 2015
Cash	N/A	Daily	None	None
Global public equities: Commingled funds	N/A	Daily to triennial with notice periods of 2 to 90 days	Lock-up provisions for up to 3 years, some investments have a portion of capital held in side pockets with no redemptions permitted	\$0.6 million
Partnerships N	N/A	Monthly to biennial with notice periods of 10 to 90 days	Lock-up provisions for up to 4 years, some investments have a portion of capital held in side pockets with no redemptions permitted	\$32.2 million
Separate accounts N	N/A	Daily with notice periods of 1 to 7 days	Lock-up provisions ranging for up to 1 year	None
Private debt: Drawdown partnerships	1 to 12 years	Redemptions not permitted	N/A	N/A
Partnerships	N/A	Redemptions not permitted	Capital held in side pockets with no redemptions permitted	\$1.2 million
Private equity Drawdown partnerships	1 to 18 years	Redemptions not permitted	N/A	N/A
Separate account	N/A	Daily with notice period of 1 day	None	None
Real estate Drawdown partnerships	1 to 17 years	Redemptions not permitted	N/A	N/A

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	Remaining life	Redemption terms	Redemption restrictions and terms	Redemption restrictions or side pockets at June 30, 2015
Separate account	N/A	Daily with notice period of 5 days	None	None
Natural resources				
Drawdown partnerships	1 to 18 years	Redemptions not permitted	N/A	N/A
Commingled Funds	N/A	Daily with notice period of 1 day	None	None
Absolute return: Commingled funds	N/A	Daily to triennial with notice periods of 1 to 122 days	Lock-up provisions for up to 3 years, some investments have a portion of capital held in side pockets with no redemptions permitted	\$23.2 million
Drawdown partnerships	1 to 5 years	Redemptions not permitted	N/A	N/A
Partnerships	N/A	Quarterly to triennial with notice periods of 45 to 180 days	Lock-up provisions for up to 5 years, some investments have a portion of capital held in side pockets with no redemptions permitted	\$122.7 million
Fixed income:				
Commingled funds	N/A	Daily to monthly with notice periods of 5 to 10 days	None	None
Separate accounts	N/A	Daily to monthly with notice periods of 1 to 30 days	None	None
Funds in Trust	N/A	Daily	None	None

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(5) Endowments

The University's endowment consists of approximately 3,500 individual funds established for a variety of purposes. The endowment includes both donor-restricted "true" endowment funds and funds designated by the Board to function as endowments commonly referred to as "funds functioning as endowment." Net assets associated with endowment funds, including funds functioning as endowment, are classified and reported based on the existence or absence of donor-imposed restrictions.

(a) University Endowment

Changes in the fair value of the University endowment investments and net assets by type of fund were as follows for the fiscal year ended June 30, 2015:

	2015			Total
	Unrestricted	Temporarily restricted	Permanently restricted	
Changes in the fair value of endowment investments				
Investment return:				
Endowment yield (interest and dividends)	\$ 22,533	51,025	496	74,054
Net appreciation (realized and unrealized) on investments	61,764	98,094	958	160,816
Total investment return	<u>84,297</u>	<u>149,119</u>	<u>1,454</u>	<u>234,870</u>
Endowment payout	<u>(169,002)</u>	<u>(220,553)</u>	<u>(1,880)</u>	<u>(391,435)</u>
Net investment return	<u>(84,705)</u>	<u>(71,434)</u>	<u>(426)</u>	<u>(156,565)</u>
Other changes in endowment investments:				
Gifts and pledge payments received in cash	—	1,676	102,716	104,392
Transfers to create funds functioning as endowment	55,296	—	—	55,296
Other changes	286	(8,694)	16,590	8,182
Total other changes in endowment investments	<u>55,582</u>	<u>(7,018)</u>	<u>119,306</u>	<u>167,870</u>
Net change in endowment investments	<u>(29,123)</u>	<u>(78,452)</u>	<u>118,880</u>	<u>11,305</u>
Endowment investments at:				
Beginning of year	2,009,883	2,934,645	1,515,726	6,460,254
End of year	<u>\$ 1,980,760</u>	<u>2,856,193</u>	<u>1,634,606</u>	<u>6,471,559</u>
Investments by type of fund				
Donor-restricted "true" endowment	\$ (1,457)	2,856,193	1,634,606	4,489,342
Board-designated "funds functioning as endowment"	1,982,217	—	—	1,982,217
Total – as above	<u>\$ 1,980,760</u>	<u>2,856,193</u>	<u>1,634,606</u>	<u>6,471,559</u>

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Changes in the fair value of the University endowment investments and net assets by type of fund were as follows for the fiscal year ended June 30, 2014:

	2014			Total
	Unrestricted	Temporarily restricted	Permanently restricted	
Changes in the fair value of endowment investments				
Investment return:				
Endowment yield (interest and dividends)	\$ 30,090	70,044	675	100,809
Net appreciation (realized and unrealized) on investments	223,768	444,006	(1,719)	666,055
Total investment return	253,858	514,050	(1,044)	766,864
Endowment payout	(136,543)	(207,795)	(1,969)	(346,307)
Net investment return	117,315	306,255	(3,013)	420,557
Other changes in endowment investments:				
Gifts and pledge payments received in cash	—	85	99,043	99,128
Transfers to create funds functioning as endowment	37,913	—	—	37,913
Other changes	3,476	1	12,211	15,688
Total other changes in endowment investments	41,389	86	111,254	152,729
Net change in endowment investments	158,704	306,341	108,241	573,286
Endowment investments at:				
Beginning of year	1,851,179	2,628,304	1,407,485	5,886,968
End of year	\$ 2,009,883	2,934,645	1,515,726	6,460,254
Investments by type of fund				
Donor-restricted "true" endowment	\$ (808)	2,934,645	1,515,726	4,449,563
Board-designated "funds functioning as endowment"	2,010,691	—	—	2,010,691
Total – as above	\$ 2,009,883	2,934,645	1,515,726	6,460,254

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(b) Medical Center Endowment

Changes in the fair value of the Medical Center endowment investments and net assets by type of fund were as follows for the fiscal year ended June 30, 2015:

	2015			Total
	Unrestricted	Temporarily restricted	Permanently restricted	
Changes in the fair value of endowment investments				
Investment return:				
Endowment yield (interest and dividends)	\$ 40,491	907	—	41,398
Net appreciation (realized and unrealized) on investments	(13,703)	1,879	—	(11,824)
Total investment return	26,788	2,786	—	29,574
Endowment payout	(43,486)	(4,095)	—	(47,581)
Net investment return	(16,698)	(1,309)	—	(18,007)
Other changes in endowment investments:				
Gifts and pledge payments received in cash	—	—	10	10
Transfers to create funds functioning as endowment	32,000	—	—	32,000
Withdrawal to finance capital expenditures	(21,332)	—	—	(21,332)
Other changes	(1,187)	409	—	(778)
Total other changes in endowment investments	9,481	409	10	9,900
Net change in endowment investments	(7,217)	(900)	10	(8,107)
Endowment investments at:				
Beginning of year	921,696	74,468	8,082	1,004,246
End of year	\$ 914,479	73,568	8,092	996,139
Investments by type of fund				
Donor-restricted "true" endowment	\$ —	73,568	8,092	81,660
Board-designated "funds functioning as endowment"	914,479	—	—	914,479
Total – as above	\$ 914,479	73,568	8,092	996,139

Included in board-designated "funds functioning as endowment" are \$221,768 of net assets that are separately invested by the Medical Center.

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Changes in the fair value of the Medical Center endowment investments and net assets by type of fund were as follows for the fiscal year ended June 30, 2014:

	2014			Total
	Unrestricted	Temporarily restricted	Permanently restricted	
Changes in the fair value of endowment investments				
Investment return:				
Endowment yield (interest and dividends)	\$ 37,212	1,207	—	38,419
Net appreciation (realized and unrealized) on investments	67,078	8,092	—	75,170
Total investment return	104,290	9,299	—	113,589
Endowment payout	(40,272)	(3,850)	—	(44,122)
Net investment return	64,018	5,449	—	69,467
Other changes in endowment investments:				
Gifts and pledge payments received in cash	—	—	2,000	2,000
Transfers to create funds functioning as endowment	87,500	—	—	87,500
Return of endowment used to finance capital expenditures	64,084	—	—	64,084
Other changes	(1,196)	385	—	(811)
Total other changes in endowment investments	150,388	385	2,000	152,773
Net change in endowment investments	214,406	5,834	2,000	222,240
Endowment investments at:				
Beginning of year	707,290	68,634	6,082	782,006
End of year	\$ 921,696	74,468	8,082	1,004,246
Investments by type of fund				
Donor-restricted "true" endowment	\$ —	74,468	8,082	82,550
Board-designated "funds functioning as endowment"	921,696	—	—	921,696
Total – as above	\$ 921,696	74,468	8,082	1,004,246

Included in board-designated "funds functioning as endowment" are \$253,235 of net assets that are separately invested by the Medical Center.

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(c) **MBL**

Changes in the fair value of the MBL endowment investments and net assets by type of fund were as follows for the fiscal year ended June 30, 2015:

	2015			Total
	Unrestricted	Temporarily restricted	Permanently restricted	
Changes in the fair value of endowment investments				
Investment return:				
Endowment yield (interest and dividends)	\$ 112	786	—	898
Net appreciation (realized and unrealized) on investments	724	1,546	—	2,270
Total investment return	836	2,332	—	3,168
Endowment payout	(328)	(1,757)	—	(2,085)
Net investment return	508	575	—	1,083
Other changes in endowment investments:				
Gifts and pledge payments received in cash	—	—	1,782	1,782
Other changes	24	87	1	112
Total other changes in endowment investments	24	87	1,783	1,894
Net change in endowment investments	532	662	1,783	2,977
Endowment investments at:				
Beginning of year	9,755	19,172	50,108	79,035
End of year	\$ 10,287	19,834	51,891	82,012
Investments by type of fund				
Donor-restricted "true" endowment	\$ —	19,834	51,891	71,725
Board-designated "funds functioning as endowment"	10,287	—	—	10,287
Total – as above	\$ 10,287	19,834	51,891	82,012

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Changes in the fair value of the MBL endowment investments and net assets by type of fund were as follows for the fiscal year ended June 30, 2014:

	2014			Total
	Unrestricted	Temporarily restricted	Permanently restricted	
Changes in the fair value of endowment investments				
Investment return:				
Endowment yield (interest and dividends)	\$ 109	902	—	1,011
Net appreciation (realized and unrealized) on investments	1,279	10,586	—	11,865
Total investment return	1,388	11,488	—	12,876
Endowment payout	(499)	(3,159)	—	(3,658)
Net investment return	889	8,329	—	9,218
Other changes in endowment investments:				
Gifts and pledge payments received in cash	290	—	907	1,197
Affiliation - MBL endowment as of July 1, 2013	8,275	11,270	49,201	68,746
Other changes	301	(427)	—	(126)
Total other changes in endowment investments	8,866	10,843	50,108	69,817
Net change in endowment investments	9,755	19,172	50,108	79,035
Endowment investments at:				
Beginning of year	—	—	—	—
End of year	\$ 9,755	19,172	50,108	79,035
Investments by type of fund				
Donor-restricted "true" endowment	\$ —	19,172	50,108	69,280
Board-designated "funds functioning as endowment"	9,755	—	—	9,755
Total - as above	\$ 9,755	19,172	50,108	79,035

(d) Interpretation of Relevant Law

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

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(e) Endowment Payout

Approximately 97% of the University, Medical Center, and MBL endowment is merged into one investment pool referred to as the Total Return Investment Pool (TRIP). The University utilizes the total return concept in allocating endowment income from TRIP. In accordance with the University's return objective, between 4.5% and 5.5% of a 12-quarter moving average of the fair value of endowment investments lagged by one year, is available each year for expenditure in the form of endowment payout. The payout percentage, which is set each year by the Board with the objective of a 5% average payout over time, was 5.5% for the fiscal years ended June 30, 2015 and 2014. Periodically, the University's Board will adjust the endowment payout to fund specifically approved strategic initiatives.

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

The endowment payout is comprised of the TRIP formula payout, payout from separately held investments, as well as special payouts for the funding of Alumni Relations and Development and University-wide strategic initiatives as follows:

	2015				2014
	University	Medical Center	MBL	Consolidated	Consolidated
TRIP formula payout	\$ 319,849	38,856	2,085	360,790	335,084
Payout from separately invested endowment	3,123	8,725	—	11,848	17,657
Special payouts:					
Alumni Relations and Development	20,245	—	—	20,245	19,466
Strategic initiatives	48,218	—	—	48,218	21,880
Total	<u>\$ 391,435</u>	<u>47,581</u>	<u>2,085</u>	<u>441,101</u>	<u>394,087</u>

(f) 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, 2015 and 2014, amounted to \$1,457 and \$808, respectively.

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(6) Notes and Accounts Receivable

Components of notes and accounts receivable at June 30, 2015 and 2014 are shown as follows:

	2015			2014
	Receivable	Allowance for doubtful accounts	Net receivable	Net receivable
University:				
Patients	\$ 23,445	(1,103)	22,342	20,180
Students:				
Loans	46,678	(2,500)	44,178	43,883
Tuition and fees	3,507	(1,350)	2,157	3,244
U.S. government	47,899	—	47,899	46,874
All other	100,331	(5,214)	95,117	82,416
Total University	221,860	(10,167)	211,693	196,597
Medical Center	261,473	(51,737)	209,736	184,765
MBL	5,405	(35)	5,370	4,281
Total	\$ 488,738	(61,939)	426,799	385,643

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

(7) Land, Buildings, Equipment, and Books

Components of land, buildings, equipment, and books at June 30, 2015 and 2014 are shown as follows:

	University	Center	MBL	Consolidated	Consolidated
Land	\$ 121,446	36,008	53,083	210,537	210,537
Buildings	3,384,801	1,385,018	102,318	4,872,137	4,531,448
Equipment	489,208	512,531	23,575	1,025,314	1,005,459
Books	341,723	—	842	342,565	324,866
Construction in progress	501,316	55,238	42	556,596	473,326
Subtotal	4,838,494	1,988,795	179,860	7,007,149	6,545,636
Less accumulated depreciation	(1,779,248)	(756,011)	(68,193)	(2,603,452)	(2,394,049)
Subtotal	3,059,246	1,232,784	111,667	4,403,697	4,151,587
Residential properties held for sale	5,568	—	—	5,568	97,518
Total	\$ 3,064,814	1,232,784	111,667	4,409,265	4,249,105

On October 21, 2015, the University sold the residential properties held for sale for \$70,100.

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(8) Notes and Bonds Payable

Notes and bonds payable at June 30, 2015 and 2014 are shown as follows:

	<u>Fiscal year maturity</u>	<u>Interest rate</u>	<u>2015</u>	<u>2014</u>
University:				
Fixed rate:				
Illinois Finance Authority (IFA)	\$ 2035–2053	3.2%–5.6%	\$ 1,566,424	1,398,850
Taxable bonds	2031–2046	4.2–5.2	864,270	691,005
Unamortized premium			132,558	65,274
Total fixed rate			2,563,252	2,155,129
Variable rate:				
IEFA	2026–2037	0.1–1.9	301,211	302,542
IFA	2035	0.1	81,669	84,291
Taxable commercial paper (\$200,000 available)	2016 2016	0.1 0.1	100,000	150,000
Bank lines of credit (\$350,000 available)			250,500	138,200
Total variable rate			733,380	675,033
Total University			3,296,632	2,830,162
Medical Center:				
Fixed rate:				
Illinois Health Facilities Authority (IHFA)			—	7,410
IFA	2027–2045	3.9–5.5	714,810	719,655
Unamortized premium			12,016	9,797
Total fixed rate			726,826	736,862

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	<u>Fiscal year maturity</u>	<u>Interest rate</u>	<u>2015</u>	<u>2014</u>
Variable rate:				
IEFA	2020	3.1	75,000	24,706
IEFA	2038	0.1	77,717	79,517
Bank line of credit (\$40,000 available)	2016	—	—	—
Total variable rate			<u>152,717</u>	<u>104,223</u>
Total Medical Center			<u>879,543</u>	<u>841,085</u>
MBL:				
Fixed rate:				
Massachusetts Development Finance Authority	2015–2018	3.5	28,895	29,615
Variable rate:				
Bank line of credit (\$3,000 available)	2016	—	—	—
Total MBL			<u>28,895</u>	<u>29,615</u>
Total notes and bonds payable			<u>\$ 4,205,070</u>	<u>3,700,862</u>

As of June 30, 2015, the University, Medical Center, and MBL fixed rate notes and bonds payable include variable rate debt with interest rates that have been fixed through interest rate swap agreements which amounted to \$183,959, \$325,000, and \$28,895, respectively. As of June 30, 2014, the University, Medical Center, and MBL fixed rate notes and bonds payable include variable rate debt with interest rates that have been fixed through interest rate swap agreements which amounted \$186,905, \$325,000, and \$29,615, respectively.

(a) Fiscal 2015 Transactions

During fiscal year 2015, the University issued \$573,645 in fixed rate bonds through the IFA and \$175,685 in taxable fixed rate bonds. Proceeds were used to 1) advance refund \$397,905 of the IFA fixed rate bonds and 2) finance the construction and renovation of certain educational and research facilities.

During fiscal year 2015, the Medical Center issued \$21,895 in fixed rate revenue bonds through the IFA. Proceeds were used to advance refund a portion of other IFA fixed rate bonds.

(b) Defeased Debt

As of June 30, 2015 and 2014, the total principal amount of indebtedness considered to be legally extinguished and, therefore, excluded from the University notes and bonds payable was \$397,905 and \$102,935, respectively.

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(c) Interest Rate Swaps

At June 30, 2015 and 2014, the fair value of the interest rate swap agreements was an accrued liability of \$160,125 and \$139,108, respectively as follows:

	2015	2014
University	\$ 45,222	39,138
Medical Center	110,447	95,810
MBL	4,456	4,160
Total	\$ 160,125	139,108

Changes in the fair value of the interest rate swap agreements are included in other unrestricted nonoperating changes in the accompanying consolidated statements of activities for the years ended June 30, 2015 and 2014 as follows:

	2015	2014
University	\$ (6,083)	(1,631)
Medical Center	(12,396)	(5,914)
MBL	(296)	(32)
Total	\$ (18,775)	(7,577)

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.

The Medical Center maintains two cash flow hedges against interest on variable rate debt which were entered into in August 2011 and have a combined notional amount of \$325,000. The interest rate swaps terminate on February 1, 2044.

The Medical Center is required to provide collateral on one of the interest rate swap agreements when the liability of that swap exceeds \$50,000. If the Medical Center's credit rating were to be downgraded one level; collateral would need to be provided under the swap with JP Morgan when the liability of that swap exceeds \$40,000 and under the Wells Fargo swap when the liability of that swap exceeds \$60,000. Upon further downgrade, the collateral requirements increase. At June 30, 2015 and 2014, \$5,030 and \$0 was held as collateral, respectively.

(d) Debt Payments

Principal payments required in each of the five years ending June 30, 2016 through 2020 for the University notes and bonds are approximately \$23,651, \$36,853, \$52,346, \$19,964, and \$35,475, respectively.

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Principal payments required in each of the five years ending June 30, 2016 through 2020 for the Medical Center notes and bonds are approximately \$12,778, \$13,255, \$13,868, \$14,513, and \$15,208, respectively.

Principal payments required in each of the five years ending June 30, 2016 through 2020 for MBL's notes and bonds are approximately \$750, \$780, \$810, \$840, and \$875, respectively.

(e) Collateral

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

(f) Remarketing

Included in the University, Medical Center, and MBL's notes and bonds payable are \$917,339, \$477,717, and \$28,895, respectively, of variable rate notes and bonds maturing through fiscal year 2045. In the event the University, Medical Center, or MBL'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, Medical Center, and MBL have standby bond purchase agreements totaling \$400,000, \$402,717, and \$29,164, respectively, which support variable rate debt in the event of a failed remarketing.

In addition, the University has a standby bond purchase agreement of \$106,363 in support of its IFA variable rate bonds, which, through an interest rate swap agreement, carry a synthetically fixed interest rate.

(g) Subsequent Event

In August 2015, the University issued \$415,825 in fixed rate bonds through the IFA and \$150,505 in taxable fixed rate bonds. Proceeds were used to 1) advance refund \$234,265 of the IFA fixed rate bonds and 2) finance the construction and renovation of certain educational facilities.

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(9) Pledges

Pledges receivable at June 30, 2015 and 2014 are shown as follows:

	2015				2014 Consolidated
	University	Medical Center	MBL	Consolidated	
Unconditional promises expected to be collected in:					
Less than one year	\$ 130,901	1,102	832	132,835	132,039
One year to five years	265,066	1,522	239	266,827	246,206
More than five years	223,630	—	—	223,630	234,550
	619,597	2,624	1,071	623,292	612,795
Less unamortized discount and allowance for uncollectible pledges	(100,461)	—	(11)	(100,472)	(103,430)
Total	\$ 519,136	2,624	1,060	522,820	509,365

The University's five largest pledges comprise 93% of pledges expected to be collected in more than five years. Included in this amount is the estimated fair value of a nonmarketable equity investment (based on discounted cash flow and market multiples) specifically aligned with a promise to give, the proceeds of which, when sold, will be used to satisfy the pledge.

In addition, at June 30, 2015, the University has received \$361,766 of promises to give, which are conditional upon the raising of matching gifts from other sources, implementation of academic programs, or future income from pledged investments. These amounts will be recognized as revenue in the periods in which the conditions are fulfilled.

(10) Self-Insurance Liability

The University maintains a self-insurance program for medical malpractice liability. This program is supplemented with commercial excess insurance above the University's self-insurance retention, which, for the years ended June 30, 2015 and 2014, was \$5,000 per claim and unlimited in the aggregate. Claims in excess of \$5,000 are subject to an additional self-insurance retention limited to \$12,500 per claim and \$22,500 in annual aggregate for the year ended June 30, 2015 and \$12,500 in annual aggregate for the year ended June 30, 2014. 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.

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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 \$43,429 higher than the amount recorded in the consolidated financial statements at June 30, 2015. The interest rate assumed in determining the present value was 4.25%. The University recorded unrestricted nonoperating actuarial income adjustments of \$4,796 and \$(3,756) during the years ended June 30, 2015 and 2014, respectively, which are included in the accompanying consolidated statements of activities.

The estimated liability for incurred malpractice, workers' compensation, and other claims (filed and unfiled) as of June 30, 2015 and 2014 is presented as follows:

	2015			2014 Consolidated
	University	Medical Center	Consolidated	
Medical malpractice	\$ 250,444	—	250,444	238,552
Workers' compensation	7,740	8,174	15,914	15,096
Others	4,545	—	4,545	4,114
Total	\$ 262,729	8,174	270,903	257,762

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

	<u>Defined benefit pension plans</u>		<u>Other postretirement benefit plans</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Change in benefit obligation:				
Benefit obligation at beginning of year	\$ 916,791	795,133	223,509	252,747
Service cost	41,070	35,779	10,401	10,112
Interest cost	38,137	38,291	9,715	11,165
Benefits paid	(40,076)	(39,285)	(10,054)	(9,520)
Plan amendment	—	—	—	(50,613)
Actuarial (gain) loss, net	(1,036)	86,873	7,808	9,618
Benefit obligation at end of year	<u>954,886</u>	<u>916,791</u>	<u>241,379</u>	<u>223,509</u>
Change in fair value of plan assets:				
Fair value of plan assets at beginning of year	671,793	557,966	21,089	5,002
Actual return on plan assets	(848)	88,112	1,492	2,087
Employer contributions	65,000	65,000	18,009	23,520
Benefits paid	<u>(40,076)</u>	<u>(39,285)</u>	<u>(10,054)</u>	<u>(9,520)</u>
Fair value of plan assets at end of year	<u>695,869</u>	<u>671,793</u>	<u>30,536</u>	<u>21,089</u>
Funded status – liability	<u>\$ (259,017)</u>	<u>(244,998)</u>	<u>(210,843)</u>	<u>(202,420)</u>

The accumulated benefit obligation for the defined benefit pension plans was \$821,030 and \$784,550 at June 30, 2015 and 2014, respectively.

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(a) Components of Net Periodic Benefit Cost

	Defined benefit pension plans		Other postretirement benefit plans	
	2015	2014	2015	2014
Service cost	\$ 41,070	35,779	10,401	10,112
Interest cost	38,137	38,291	9,715	11,165
Expected return on plan assets	(41,177)	(37,013)	(1,859)	(1,228)
Amortization of prior service cost (benefit)	1,134	1,134	(7,506)	(5,705)
Amortization of actuarial loss	28,335	24,811	5,240	5,723
Net periodic benefit cost	\$ 67,499	63,002	15,991	20,067
Amounts included in the consolidated statements of activities:				
University	\$ 34,999	30,502	15,991	20,067
Medical Center	32,500	32,500	—	—
Total	\$ 67,499	63,002	15,991	20,067

(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	
	2015	2014	2015	2014
Discount rate	4.5%	4.3%	4.6%	4.4%
Expected return on plan assets	6.5	6.5	6.5	6.5
Rate of compensation increase	3.5	3.5	4.4	3.5
Healthcare cost trend rates:				
Next two fiscal years			6.7%–7.0%	7.0%–7.2%
Next seven fiscal years			5.3%–6.5%	5.5%–6.7%
Thereafter			4.5%–5.1%	4.5%–5.3%

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

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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:

	2015	2014
Effect on total service cost and interest cost:		
One-percentage-point increase	\$ 3,725	4,248
One-percentage-point decrease	(2,868)	(3,240)
Effect on year-end postretirement benefit obligation:		
One-percentage-point increase	\$ 36,814	34,743
One-percentage-point decrease	(29,278)	(27,553)

(c) Plan Assets

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

	Defined benefit pension plans		Other postretirement benefit plans	
	2015	2014	2015	2014
Domestic public equities	25%	28%	50%	51%
International public equities	24	18	—	—
Fixed income	51	54	50	49
	100%	100%	100%	100%

As of June 30, 2015, 76% of plan assets for the defined benefit pension plans are invested in cash, mutual funds, exchange traded funds, or separately managed accounts comprised of individual securities and are valued based on quoted market prices in active markets for identical investments (Level 1). The remaining 24% of plan assets are primarily invested in commingled funds and limited partnerships generally reported at NAV by external fund managers.

The defined benefit plans combined target asset allocation of 48% public equities and 52% fixed income securities is meant to result in a favorable long-term rate of return from a diversified portfolio of equity and fixed income investments. Plan assets for the other postretirement benefit plans are managed by the University and were held in mutual funds (Level 1) at June 30, 2015.

(d) Contributions

The University expects to make a \$4,653 contribution to its postretirement healthcare plan and, combined with the Medical Center, expects to make a \$65,000 contribution to the defined benefit pension plans in fiscal year 2016.

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(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
2016	\$ 74,746	8,065
2017	50,099	8,980
2018	52,716	9,936
2019	54,767	10,660
2020	57,246	11,361
2021 – 2025	327,528	68,270

(f) *Prescription Drug Act*

The Medicare Prescription Drug, Improvement, and Modernization Act provides for special tax-free subsidies to employers that offer retiree medical benefit plans with qualifying drug coverage. Effective January 1, 2014, the University ceased its participation in the Part D Retiree Drug Subsidy (RDS) program and began providing prescription drug benefits to Medicare eligible retirees through an Employer Group Waiver Plan (EGWP) design. As a result, the University is eligible for reimbursement from the federal government prescription drug program and, in addition, is eligible for government mandated rebates from pharmaceutical companies that participate in the Medicare Part D program. The University has recognized the effect of these subsidies in the calculation of its postretirement benefit obligation, the impact of which was to reduce the benefit obligation by \$41,600 at June 30, 2015.

(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, 2015 and 2014, the benefit obligation for the plan exceeded the plan's assets thus creating an unfunded liability of \$8,281 and \$3,259 at June 30, 2015 and 2014, respectively.

(h) *Defined Contribution Pension Plan*

Defined contribution pension plan expenses included in the consolidated statements of activities amounted to \$49,758 in fiscal year 2015 and \$47,727 in fiscal year 2014 for the University and \$12,600 in fiscal year 2015 and \$11,700 in fiscal year 2014 for the Medical Center.

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(12) Functional Classification of Expenses

Expenses by functional classification for the years ended June 30, 2015 and 2014 are shown as follows:

	2015	2014
University:		
Academic and research:		
Instruction	\$ 1,008,092	947,614
Research	258,760	250,469
Auxiliary enterprises	158,657	144,301
Library	17,332	17,524
Student services	76,470	70,098
Operation and maintenance of physical plant	133,863	136,180
Depreciation	139,559	129,244
Interest on notes and bonds	71,365	69,047
Total academic and research	1,864,098	1,764,477
Administration:		
Institutional support	137,015	116,537
Informational services	59,899	55,170
Development and alumni relations	73,460	68,458
Operation and maintenance of physical plant	11,917	11,172
Depreciation	29,813	30,479
Interest on notes and bonds	22,688	26,236
Total administration	334,792	308,052
Total University	2,198,890	2,072,529
Medical Center:		
Healthcare service	1,359,252	1,285,218
General and administrative	99,897	92,922
Total Medical Center	1,459,149	1,378,140
MBL:		
Academic and research	39,978	40,276
General and administrative	5,080	5,357
Total MBL	45,058	45,633
Total University	\$ 3,703,097	3,496,302

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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.

(13) 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, 2014 and 2013 was \$171,512 and \$154,621, respectively. Net assets at December 31, 2014 and 2013 were \$33,486 and \$29,158, 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 \$731,287 for ANL and \$372,774 for Fermilab in fiscal year 2015, and \$762,814 for ANL and \$386,600 for Fermilab in fiscal year 2014 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.

(14) 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, 2015

Federal Agency and Pass-Through Entity	CFDA Numbers/ Award Numbers	Direct Awards	Pass-Through Awards	Total Expenditures
Research and Development Cluster:				
Agency for International Development:				
USAID Foreign Assistance for Programs Overseas	98.001	\$ 544,783	\$ —	\$ 544,783
National Academy of Sciences		—	8,400	8,400
Total Agency for International Development		544,783	8,400	553,183
Department of Agriculture:				
Higher Education Graduate Fellowships Grant Program	10.210	31,974	—	31,974
Agriculture and Food Research Initiative (AFRI):	10.310	272,891	—	272,891
University of Minnesota		—	(7,265)	(7,265)
Total Department of Agriculture		304,865	(7,265)	297,600
Department of Commerce:				
Education Quality Award Ambassadorship	11.013	30,913	—	30,913
Sea Grant Support:	11.417	—	—	—
University of Illinois at Champaign		—	4,404	4,404
Measurement and Engineering Research and Standards:	11.609	—	1,002,211	1,002,211
Northwestern University		—	—	—
Total Department of Commerce		30,913	1,006,615	1,037,528
Department of Defense:				
Basic and Applied Scientific Research:	12.300	1,891,508	—	1,891,508
Drexel University		—	125,875	125,875
University of California San Diego		—	201,378	201,378
University of Minnesota		—	58,966	58,966
Total Basic and Applied Scientific Research		1,891,508	386,219	2,277,727
Basic Scientific Research – Combating Weapons of Mass Destruction	12.351	243,633	—	243,633
Military Medical Research and Development:				
Illinois Institute of Technology	12.420	1,550,895	—	1,550,895
Northwestern University		—	14,323	14,323
Sloan-Kettering Institute for Cancer Research		—	57,753	57,753
University of Alabama at Birmingham		—	154,148	154,148
University of Alabama at Birmingham		—	31,036	31,036
Total Military Medical Research and Development		1,550,895	257,260	1,808,155
Basic Scientific Research:				
Colorado School of Mines	12.431	3,015,495	—	3,015,495
Indiana University		—	235,439	235,439
Ohio State University		—	63,880	63,880
University of Maryland		—	329,282	329,282
University of Maryland		—	(28,101)	(28,101)
University of Utah		—	91,716	91,716
Total Basic Scientific Research		3,015,495	692,216	3,707,711
Air Force Defense Research Sciences Program:				
University of Maryland, College Park	12.800	2,315,132	—	2,315,132
University of Maryland, College Park		—	90,346	90,346
Total Air Force Defense Research Sciences Program		2,315,132	90,346	2,405,478
Research and Technology Development:				
Massachusetts Institute of Technology	12.910	714,786	—	714,786
Michigan State University		—	41,800	41,800
Northwestern University		—	2,101	2,101
University of Utah		—	162,903	162,903
University of Utah		—	169,378	169,378
Total Research and Technology Development		714,786	376,182	1,090,968
Department of Defense:				
Department of Defense	12.RD	28,973	—	28,973
Department of Defense	W81XWH-13-1-0234	205,244	—	205,244
Department of Defense	W81XWH-13-1-0451	76,606	—	76,606
Department of Defense	W81XWH-14-1-0529	—	35,556	35,556
Argonne National Laboratory	0J-30381-0025A	—	5,999	5,999
Case Western Reserve University	N66001-12-C-4173	—	33,422	33,422
Case Western Reserve University	N66001-15-C-4014	—	84,250	84,250
FDC for Applied Molecular Evolution, Inc.	HDTRA1-13-1-0004	—	269,348	269,348
Johns Hopkins University	N66001-10-C-4056	—	89,999	89,999
RDMChem LLD	W911NF-14-P-0048	—	41,985	41,985
Sivananthan Laboratories	0025-14-SUOC-0001	—	694	694
Sivananthan Laboratories	0048-14-SUOC-0002	—	1,562	1,562
Sivananthan Laboratories	W911SR-3-C-0051	—	52,202	52,202
UES, Inc.	S-875-020-013	—	356	356
UES, Inc.	S-875-060-026	—	98,727	98,727
University of Hawaii	N00024-08-D6323	—	5,973	5,973
University of New Mexico	W81XWH-09-2-0073	—	33,841	33,841
University of Utah	N66001-15-4017	—	—	—
Total Other Department of Defense		310,823	753,914	1,064,737
Total Department of Defense		10,042,272	2,556,137	12,598,409
Department of Education:				
Graduate Assistance in Areas of National Need	84.200	1,209,200	—	1,209,200
Education Research, Development, and Dissemination:				
American Institutes for Research	84.305	1,277,589	—	1,277,589
Michigan State University		—	39,901	39,901
Michigan State University		—	105,844	105,844
Northwestern University		—	72,162	72,162
Total Education Research, Development, and Dissemination		1,277,589	217,907	1,495,496
Research in Special Education				
American Institutes for Research	84.324 84.RD ED-IES-12-C-0004	241,665	—	241,665
American Institutes for Research		—	48,062	48,062
Total Department of Education		2,728,454	265,969	2,994,423
Department of Energy:				
Office of Science Financial Assistance Program:	81.049	4,660,902	—	4,660,902
Fermi National Accelerator Laboratory		—	68,810	68,810
Incom, Inc.		—	14,863	14,863
Innosys, Inc.		—	(11,218)	(11,218)
Los Alamos National Laboratory		—	89,095	89,095
Northwestern University		—	221,918	221,918
Princeton University		—	103,175	103,175
Radiation Monitoring Devices, Inc.		—	15,240	15,240
University of California-Davis		—	244,559	244,559
University of Wisconsin		—	169,344	169,344
Total Office of Science Financial Assistance Program		4,660,902	915,786	5,576,688

THE UNIVERSITY OF CHICAGO
Schedule of Expenditures of Federal Awards
Year ended June 30, 2015

Federal Agency and Pass-Through Entity	CFDA Numbers/ Award Numbers	Direct Awards	Pass-Through Awards	Total Expenditures
Renewable Energy Research and Development	81.087	\$ 182,772	\$ —	\$ 182,772
Sewardship Science Grant Program	81.112	5,764	—	5,764
State Energy Program Special Projects:	81.119			
Argonne National Laboratory		—	41,219	41,219
Brookhaven National Laboratory		—	(74,423)	(74,423)
Columbia University		—	(484)	(484)
Fermi National Accelerator Laboratory		—	66,460	66,460
Total State Energy Program Special Projects		—	32,772	32,772
Nuclear Energy Research, Development, and Demonstration	81.121	145,160	—	145,160
ARRA – Department of Energy:	81.RD			
Argonne National Laboratory	0J-30381-0006B	—	29,363	29,363
Total ARRA – Department of Energy		—	29,363	29,363
Department of Energy:				
Argonne National Laboratory	OJ-30381-0017A	—	340	340
Argonne National Laboratory	OJ-30381-0020A	—	78,445	78,445
Argonne National Laboratory	OJ-30381-0026A	—	18,173	18,173
Argonne National Laboratory	OJ-30381-0026B	—	64,918	64,918
Argonne National Laboratory	OJ-30381-0028A	—	585,223	585,223
Argonne National Laboratory	OJ-30381-0029A	—	105,774	105,774
Argonne National Laboratory	OJ-30381-0031A	—	76,046	76,046
Argonne National Laboratory	OJ-30381-0032BCD	—	215,496	215,496
Argonne National Laboratory	OJ-30381-0033A	—	14,972	14,972
Argonne National Laboratory	OJ-30381-0034A	—	72,698	72,698
Argonne National Laboratory	OJ-30381-0035A	—	397,399	397,399
Argonne National Laboratory	OJ-30381-0036A	—	33,648	33,648
Argonne National Laboratory	3F-32561	—	64,906	64,906
Argonne National Laboratory	DE-AC02-06CH11357	—	182,226	182,226
Argonne National Laboratory	OJ-30381-0038A	—	5,692	5,692
Battelle Memorial Institute	234402	—	120,484	120,484
Fermi National Accelerator Laboratory	DE-AC02-76CH03000	—	126,000	126,000
Fermi National Accelerator Laboratory	FNAL_PO #602848	—	17,610	17,610
Fermi National Accelerator Laboratory	PO #614163	—	12,346	12,346
Fermi National Accelerator Laboratory	PO #619035	—	49,529	49,529
Fermi National Accelerator Laboratory	URA VISIT SCHLRS #14-F-12	—	21,114	21,114
Idaho National Laboratory	DE-AC07-051D14517	—	309,054	309,054
Innosys, Inc.	DE-SC0009702	—	37,642	37,642
Lawrence Livermore	B610537	—	164,460	164,460
Lawrence Livermore	B612950	—	12,798	12,798
Lawrence Livermore	B612920	—	3,834	3,834
Los Alamos National Laboratory	271923	—	70,173	70,173
Oak Ridge National Laboratory	DE-AC05-00OR22725	—	14,434	14,434
Savannah River Nuclear Solutions	DE-SC0000152447	—	10,023	10,023
Total Other Department of Energy		—	2,885,457	2,885,457
Total Department of Energy		4,994,598	3,863,378	8,857,976
Department of Health and Human Services:				
Food and Drug Administration-Research	93.103			
Dxray Inc		—	96,553	96,553
Maternal and Child Health Federal Consolidated Programs	93.110			
University of Illinois at Chicago		—	38,592	38,592
Environmental Health:	93.113	1,890,134	—	1,890,134
Harvard University		—	4,696	4,696
New York University		—	167,290	167,290
Northwestern University		—	42,415	42,415
University of Alabama at Birmingham		—	56,110	56,110
University of North Carolina		—	69,149	69,149
Total Environmental Health		1,890,134	339,660	2,229,794
Oral Diseases and Disorders Research	93.121	684,794	—	684,794
University of Pittsburgh		—	11,408	11,408
University of Southern California		—	197,611	197,611
Injury Prevention and Control Research and State and Community Based Programs	93.136	1,033,456	—	1,033,456
NIEHS Superfund Hazardous Substances – Basic Research and Education:	93.143			
Columbia University		—	451,991	451,991
AIDS Education and Training Centers	93.145			
University of Illinois at Chicago		—	71,777	71,777
Human Genome Research:	93.172	2,552,047	—	2,552,047
Brigham and Women's Hospital		—	93,393	93,393
Stanford University		—	331,066	331,066
University of California Santa Cruz		—	42,554	42,554
University of Illinois at Chicago		—	9,270	9,270
University of North Carolina		—	12,092	12,092
University of Washington		—	852,281	852,281
University of Wisconsin		—	60,169	60,169
Total Human Genome Research		2,552,047	1,400,825	3,952,872
Research Related to Deafness and Communication Disorders:	93.173	2,110,051	—	2,110,051
University of Washington		—	170,440	170,440
Total Research Related to Deafness and Communication Disorders		2,110,051	170,440	2,280,491
Research and Training in Complementary and Alternative Medicine	93.213	207,795	—	207,795
National Research Service Awards – Health Services	93.225	616,451	—	616,451
Research Training:		—	184,418	184,418
Northwestern University		—	—	—
Total National Research Service Awards – Health Services		616,451	184,418	800,869
Research on Healthcare Costs, Quality, and Outcomes:	93.226	1,859,124	—	1,859,124
Dartmouth College		—	(1,580)	(1,580)
Northwestern University		—	167,159	167,159
University of California Irvine		—	39,592	39,592
University of Illinois at Chicago		—	60,963	60,963
University of Michigan		—	21,246	21,246
Total Research on Healthcare Costs, Quality, and Outcomes		1,859,124	287,380	2,146,504
National Center on Sleep Disorders Research	93.233	819,344	—	819,344
Mental Health Research Grants:	93.242	7,419,942	—	7,419,942
Butler Hospital		—	9,493	9,493
Duke University		—	58,945	58,945
LNK Chemsolutions LLC		—	8,648	8,648
New York University		—	104,275	104,275
North Shore University Health System		—	44,094	44,094
Stanford University		—	12,712	12,712

THE UNIVERSITY OF CHICAGO
Schedule of Expenditures of Federal Awards
Year ended June 30, 2015

Federal Agency and Pass-Through Entity	CFDA Numbers/ Award Numbers	Direct Awards	Pass-Through Awards	Total Expenditures
University of California Los Angeles		—	21,330	21,330
University of California San Diego		\$ —	\$ 139,124	\$ 139,124
University of California San Francisco		—	17,378	17,378
University of Illinois at Chicago		—	717,037	717,037
University of Minnesota		—	100,935	100,935
University of Texas Health Science Cntr-Houston		—	284,522	284,522
Total Mental Health Research Grants		7,419,942	1,518,493	8,938,435
Geriatric Academic Career Awards	93.250	74,427	—	74,427
Occupational Safety and Health Program	93.262	278,799	—	278,799
Rapid Expansion of Antiretroviral Therapy Programs for HIV- Infected Persons in Selected Countries in Africa and the Caribbean Under the President's Emergency Plan for AIDS Relief	93.266	44,116	—	44,116
Alcohol Research Programs	93.273	1,078,628	—	1,078,628
Drug Abuse and Addiction Research Programs:	93.279	6,182,152	—	6,182,152
Brown University		—	102,509	102,509
National Opinion Research Center		—	208,940	208,940
Northwestern University		—	17,203	17,203
University of California San Francisco		—	4,921	4,921
University of Illinois at Chicago		—	37,191	37,191
Vanderbilt University		—	9,080	9,080
Total Drug Abuse and Addiction Research Programs		6,182,152	379,844	6,561,996
Mental Health National Research Service Awards for Research Training:	93.282	—	(300)	(300)
University of Minnesota		—	(300)	(300)
Total Mental Health National Research Service Awards for Research Training		—	(300)	(300)
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	—	6,915	6,915
Medical University of Ohio		—	6,915	6,915
Total Centers for Disease Control and Prevention Investigations and Technical Assistance		—	6,915	6,915
Discovery and Applied Research for Technological Innovations	93.286	3,310,576	—	3,310,576
Berkeley National Laboratory		—	141,136	141,136
California Institute of Technology		—	550	550
Columbia University		—	219	219
Purdue University		—	83,706	83,706
University of Colorado		—	126,327	126,327
University of Illinois at Chicago		—	159,634	159,634
University of Minnesota		—	6,500	6,500
Total Discovery and Applied Research for Technological Innovations		3,310,576	518,072	3,828,648
President's Council on Fitness, Sports, and Nutrition	93.289	30,507	—	30,507
Minority Health and Health Disparities Research:	93.307	366,429	—	366,429
Trans-NIH Research Support:	93.310	3,669,464	—	3,669,464
Brigham and Women's Hospital		—	39,221	39,221
California Institute of Technology		—	(3,904)	(3,904)
Cincinnati Children's Hospital		—	(23,129)	(23,129)
Duke University		—	4,152	4,152
University of Michigan		—	43,169	43,169
Total Trans-NIH Research Support		3,669,464	59,509	3,728,973
National Center for Advancing Translational Sciences Research Infrastructure Programs	93.350	4,938,475	—	4,938,475
93.351	93.351	3,683,418	—	3,683,418
Nursing Research:	93.361	—	18,004	18,004
Beth Israel Deaconess Medical Center, Inc.		—	1,095	1,095
Johns Hopkins University		—	19,099	19,099
Total Nursing Research		—	19,099	19,099
National Center for Research Resources:	93.389	727,342	—	727,342
Johns Hopkins University		—	175,581	175,581
Pennsylvania State University		—	17,946	17,946
Total National Center for Research Resources		727,342	193,527	920,869
Cancer Cause and Prevention Research:	93.393	4,461,687	—	4,461,687
Beckman Research Institute of the City of Hope		—	7,831	7,831
Fox Chase Cancer Center		—	31,523	31,523
Harvard University		—	438	438
Health Research		—	5,110	5,110
Res. Inst. McGill University Health Center		—	(4,414)	(4,414)
University of Alabama at Birmingham		—	3,152	3,152
University of California San Francisco		—	2,704	2,704
University of Illinois at Chicago		—	91,379	91,379
University of Miami		—	3,600	3,600
University of Pennsylvania		—	242,931	242,931
University of Rochester		—	86,082	86,082
University of Southern California		—	2,283	2,283
University of Texas		—	4,169	4,169
University of Texas MD Anderson Cancer Center		—	25,730	25,730
Total Cancer Cause and Prevention Research		4,461,687	502,518	4,964,205
Cancer Detection and Diagnosis Research:	93.394	3,676,192	—	3,676,192
Alan Penn and Associates Inc		—	138,398	138,398
American College of Radiology		—	15,372	15,372
Johns Hopkins University		—	52,427	52,427
Marquette University		—	(8,869)	(8,869)
Northwestern University		—	104,776	104,776
University of California San Francisco		—	132,398	132,398
Total Cancer Detection and Diagnosis Research		3,676,192	434,502	4,110,694
Cancer Treatment Research:	93.395	3,383,496	—	3,383,496
Brigham and Women's Hospital		—	3,177,551	3,177,551
Children's Hospital Los Angeles		—	7,355	7,355
Duke University		—	30,954	30,954
Gynecologic Oncology Group		—	13,379	13,379
LNK Chemsolutions LLC		—	248,228	248,228
Mayo Hospitals and Clinics		—	595,666	595,666
Medical College of Wisconsin		—	15,810	15,810
Northwestern University		—	185,937	185,937
Oregon Health and Science University		—	16,349	16,349
Sloan-Kettering Institute for Cancer Research		—	1,275	1,275
The Children's Hospital of Philadelphia		—	60,097	60,097
Tufts University		—	15,483	15,483
University of Alabama at Birmingham		—	5,947	5,947
University of Illinois at Chicago		—	2,966	2,966
University of Rochester		—	56,960	56,960

THE UNIVERSITY OF CHICAGO
Schedule of Expenditures of Federal Awards
Year ended June 30, 2015

Federal Agency and Pass-Through Entity	CFDA Numbers/ Award Numbers	Direct Awards	Pass-Through Awards	Total Expenditures
University of Texas		—	10,074	10,074
Total Cancer Treatment Research		3,383,496	4,444,031	7,827,527
Cancer Biology Research:	93.396	\$ 5,159,049	\$ —	\$ 5,159,049
Northwestern University		—	31,791	31,791
Ohio State University		—	6,262	6,262
University of Southern California		—	475,677	475,677
Total Cancer Biology Research		5,159,049	513,730	5,672,779
Cancer Centers Support Grants:	93.397	4,868,686	—	4,868,686
Johns Hopkins University		—	48,100	48,100
Northwestern University		—	114,281	114,281
Washington University		—	1,896	1,896
Total Cancer Centers Support Grants		4,868,686	164,277	5,032,963
Cancer Research Manpower:	93.398	2,341,946	—	2,341,946
American College of Radiology		—	170,677	170,677
Beckman Research Institute of the City of Hope		—	24,103	24,103
Northwestern University		—	45,129	45,129
Total Cancer Research Manpower		2,341,946	239,909	2,581,855
Cancer Control:	93.399	—	20,457	20,457
Mayo Hospitals and Clinics		—	20,457	20,457
Total Cancer Control		—	20,457	20,457
Child Care and Development Block Grant	93.575	234,864	—	234,864
Health Care Innovation Awards (HCIA)	93.610	2,298,010	—	2,298,010
Social Services Research and Demonstration	93.647	648,297	—	648,297
ARRA – Trans-NIH Recovery Act Research Support:	93.701	(7,555)	—	(7,555)
Duke University		—	22,575	22,575
Total ARRA – Trans-NIH Recovery Act Research Support		(7,555)	22,575	15,020
Cardiovascular Diseases Research:	93.837	8,082,846	—	8,082,846
Brigham and Women's Hospital		—	44,254	44,254
Children's Hospital Oakland Research Institute		—	36,785	36,785
Johns Hopkins University		—	310,576	310,576
New York University		—	13,627	13,627
Northwestern University		—	202,438	202,438
University of California San Francisco		—	131,302	131,302
University of Maryland		—	76,262	76,262
University of North Carolina		—	1,524	1,524
University of Texas		—	(12,129)	(12,129)
University of Washington		—	158,213	158,213
Vanderbilt University		—	43,727	43,727
Yale University		—	12,902	12,902
Total Cardiovascular Diseases Research		8,082,846	1,019,481	9,102,327
Lung Diseases Research:	93.838	6,361,098	—	6,361,098
Brigham and Women's Hospital		—	(8,484)	(8,484)
Duke University		—	68,857	68,857
Harvard University		—	876	876
Johns Hopkins University		—	22,920	22,920
University of Alabama at Birmingham		—	23,330	23,330
University of Illinois at Chicago		—	32,822	32,822
University of Pittsburgh		—	7,993	7,993
University of Southern California		—	131,679	131,679
University of Washington		—	16,972	16,972
University of Wisconsin		—	506,502	506,502
Total Lung Diseases Research		6,361,098	803,467	7,164,565
Blood Diseases and Resources Research:	93.839	469,750	—	469,750
Cleveland Clinic		—	30,938	30,938
Health Research		—	1,464	1,464
Sloan-Kettering Institute for Cancer Research		—	39,789	39,789
Total Blood Diseases and Resources Research		469,750	72,191	541,941
Arthritis, Musculoskeletal, and Skin Diseases Research:	93.846	990,443	—	990,443
University of Iowa		—	11,487	11,487
University of Pennsylvania		—	6,026	6,026
Total Arthritis, Musculoskeletal, and Skin Diseases Research		990,443	17,513	1,007,956
Diabetes, Digestive, and Kidney Diseases Extramural Research:	93.847	16,888,370	—	16,888,370
Case Western University		—	109,830	109,830
Emory University		—	(8,002)	(8,002)
Illinois Institute of Technology		—	88,406	88,406
Johns Hopkins University		—	268,630	268,630
Kaiser Foundation Research Institute		—	3,608	3,608
Mount Sinai School of Medicine		—	226,642	226,642
North Shore University Health System		—	29,187	29,187
Northwestern University		—	(1,504)	(1,504)
Seattle Children's Research Institute		—	34,311	34,311
State University of New York		—	322,146	322,146
University of Iowa		—	121,699	121,699
University of North Carolina		—	235,163	235,163
University of Pittsburgh		—	10,649	10,649
University of Rochester		—	55,816	55,816
University of Texas		—	222,376	222,376
VidyaSyn		—	104,457	104,457
Wake Forest University		—	50,775	50,775
Washington University		—	22,406	22,406
Georgia Regents University		—	8,703	8,703
Total Diabetes, Digestive, and Kidney Diseases Extramural Research		16,888,370	1,905,298	18,793,668
Extramural Research Programs in the Neurosciences and Neurological Disorders:	93.853	7,898,867	—	7,898,867
Boston University		—	73,323	73,323
Columbia University		—	55,408	55,408
EIC Laboratories		—	90,065	90,065
Emory University		—	105,741	105,741
Hines VA Hospital		—	57,330	57,330
Johns Hopkins University		—	309,113	309,113
NeuroRx Development		—	18,000	18,000
Northwestern University		—	142,594	142,594
Seattle Children's Research Institute		—	93,311	93,311
University of Ibadan		—	13,252	13,252
University of Illinois at Champaign		—	130,507	130,507
University of Minnesota		—	15,943	15,943
Total Extramural Research Programs in the Neurosciences and Neurological Disorders		7,898,867	1,104,587	9,003,454

THE UNIVERSITY OF CHICAGO
Schedule of Expenditures of Federal Awards
Year ended June 30, 2015

Federal Agency and Pass-Through Entity	CFDA Numbers/ Award Numbers	Direct Awards	Pass-Through Awards	Total Expenditures
Allergy, Immunology, and Transplantation Research:	93.855	\$ 17,313,384	\$ —	\$ 17,313,384
Benaroya Research Institute at Virginia Med Ctr		—	33,897	33,897
Children's Hospital Boston		—	3,853	3,853
Columbia University		—	(53,149)	(53,149)
Duke University		—	659,022	659,022
Emory University		—	216,984	216,984
Houston Methodist Research Institute		—	173,552	173,552
Michigan State University		—	1,610	1,610
Mount Sinai School of Medicine		—	879,278	879,278
Northwestern University		—	689,402	689,402
Seattle Biomedical		—	11,618	11,618
Stanford University		—	207,059	207,059
University of Texas Health Science Cntr at San Antonio		—	19,692	19,692
University of Illinois at Chicago		—	22,788	22,788
Total Allergy, Immunology, and Transplantation Research		17,313,384	2,865,606	20,178,990
Biomedical Research and Research Training:	93.859	28,502,860	—	28,502,860
Case Western Reserve University		—	16,165	16,165
Cornell University		—	122,030	122,030
Johns Hopkins University		—	122,309	122,309
Northwestern University		—	175,155	175,155
Pennsylvania State University		—	19,167	19,167
University of California San Francisco		—	26,418	26,418
University of Kansas		—	29,379	29,379
University of Notre Dame		—	116,380	116,380
University of Utah		—	124,165	124,165
Total Biomedical Research and Research Training		28,502,860	751,168	29,254,028
Child Health and Human Development Extramural Research:	93.865	6,522,245	—	6,522,245
Columbia University		—	125,367	125,367
Emory University		—	(2,993)	(2,993)
National Bureau of Economic Research		—	103,086	103,086
National Opinion Research Center		—	157,407	157,407
Northwestern University		—	473,695	473,695
University of Illinois at Chicago		—	1,240	1,240
University of Maryland		—	311,615	311,615
University of Michigan		—	10,260	10,260
Washington University		—	254,365	254,365
Total Child Health and Human Development Extramural Research		6,522,245	1,434,042	7,956,287
Aging Research:	93.866	3,354,266	—	3,354,266
Beckman Research Institute of the City of Hope		—	(255)	(255)
Brown University		—	18,563	18,563
Duke University		—	90,472	90,472
National Opinion Research Center		—	1,044,086	1,044,086
New York University		—	119,689	119,689
University of Rochester		—	600	600
University of Tennessee		—	5,812	5,812
Total Aging Research		3,354,266	1,278,967	4,633,233
Vision Research:	93.867	2,550,690	—	2,550,690
University of Illinois at Chicago		—	128,323	128,323
Total Vision Research		2,550,690	128,323	2,679,013
HIV Emergency Relief Project Grants	93.914	—	3,600	3,600
City of Chicago Department of Health		—	3,600	3,600
Total HIV Emergency Relief Project Grants		—	3,600	3,600
International Research and Research Training:	93.989	379,499	—	379,499
Northwestern University		—	14,372	14,372
Total International Research and Research Training		379,499	14,372	393,871
Department of Health and Human Services:	93.RD			
Department of Health and Human Services	HHSN261201000145C	268,011	—	268,011
Department of Health and Human Services	HHSN261201100071C	505,459	—	505,459
Department of Health and Human Services	HHSN275201300009	21,864	—	21,864
Department of Health and Human Services	HHSN275201300009/00002	391,124	—	391,124
Department of Health and Human Services	HHSN261201400225P	88,671	—	88,671
Department of Health and Human Services	HHSN272201400027C	2,327,445	—	2,327,445
Department of Health and Human Services	IPA - David Meltzer	63,402	—	63,402
American College of Radiology	U10 CA021661	—	170,193	170,193
Boston University	157050	—	66,118	66,118
City of Chicago Department of Health	24346-RELEASE 4	—	(36,342)	(36,342)
City of Chicago Department of Health	31989	—	43,658	43,658
Feinstein Institute for Medical Research	UH2AR067688-01	—	102,244	102,244
Fox Chase Cancer Center	CRC SURVEILLANCE 43004-01	—	680	680
Leidos Biomedical Research	12XS572 STO2	—	8,282	8,282
Leidos Biomedical Research	12XS572 T01	—	(90,337)	(90,337)
Leidos Biomedical Research	NCL-9443	—	13,506	13,506
Leidos Biomedical Research	14X050	—	9,468,365	9,468,365
Leidos Biomedical Research	HHSN261200800001E	—	(2,940)	(2,940)
Mayo Hospitals and Clinics	RU241201	—	27,510	27,510
National Opinion Research Center	GS10F0033M	—	1,481	1,481
Northwestern University	HHSN272201200026C	—	1,339,541	1,339,541
Northwestern University	N01-CN-35157-01 AMEND	—	394	394
Radiological Society of North America	HHSN268201200078C	—	142,294	142,294
Solulink, Inc.	HHSN261201200089C	—	76,438	76,438
University of California San Francisco	HHSN27220070031C	—	230,128	230,128
University of Illinois at Chicago	HHSN276201100005C	—	3,244	3,244
University of Illinois at Chicago	Pending	—	19,427	19,427
University of Rochester	HHSN272201400005C	—	649,785	649,785
University of South Florida	HHSN26720080019C	—	6,126	6,126
Virginia Tech	HHSN272200900040C	—	646,028	646,028
Total Department of Health and Human Services		3,665,976	12,885,823	16,551,799
ARRA – Department of Health and Human Services:	93.RD			
Cleveland Clinic	HHSN261201000060C	—	20,649	20,649
Radiological Society of North America	HHSN268200900060C	—	(60,549)	(60,549)
Total ARRA – Department of Health and Human Services		—	(39,900)	(39,900)
Total Department of Health and Human Services		173,622,437	36,532,351	210,154,788
Department of Justice:				
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	192,675	—	192,675
Project Safe Neighborhoods	16.609	—	27,086	27,086
Illinois Criminal Justice Information Authority	16.726	119,064	—	119,064
Juvenile Mentoring Program		—	—	—
Total Department of Justice		311,739	27,086	338,825

THE UNIVERSITY OF CHICAGO
Schedule of Expenditures of Federal Awards
Year ended June 30, 2015

Federal Agency and Pass-Through Entity	CFDA Numbers/ Award Numbers	Direct Awards	Pass-Through Awards	Total Expenditures
Department of State:				
Public Diplomacy Programs for Afghanistan and Pakistan	19.501	\$ 1,209,609	\$ —	\$ 1,209,609
Total Department of State		1,209,609	—	1,209,609
National Aeronautics and Space Administration:				
Science:	43.001	3,556,300	—	3,556,300
California Institute of Technology		640,786	640,786	640,786
Carnegie Mellon University		—	83,365	83,365
Cornell University		—	23,242	23,242
Iowa State University		—	8,143	8,143
Jet Propulsion Laboratory		—	148,112	148,112
Smithsonian Institute		—	266,591	266,591
Southwest Research Institute		—	123,691	123,691
Space Telescope Science Institute		—	544,246	544,246
Stony Brook University		—	11,425	11,425
University of Cincinnati		—	99,242	99,242
University of Washington		—	34,756	34,756
SUNY Plattsburgh		—	94,907	94,907
Total Science		3,556,300	2,078,506	5,634,806
Total National Aeronautics and Space Administration		3,556,300	2,078,506	5,634,806
National Endowment for the Arts:				
Promotion of the Arts – Grants to Organizations and Individuals	45.024	15,000	—	15,000
National Endowment for the Arts:	45.RD			
MBK Analytics, LLC	C13-72	—	1,371	1,371
Total National Endowment for the Arts		15,000	1,371	16,371
National Endowment for Humanities:				
Promotion of the Humanities – Division of Preservation and Access	45.149	96,329	—	96,329
Promotion of the Arts – Grants to Organizations and Individuals	45.169	74,852	—	74,852
Total National Endowment for the Humanities		171,181	—	171,181
National Science Foundation:				
Engineering Grants:	47.041	998,928	—	998,928
California Institute of Technology		—	190,880	190,880
Stroud Water Research Center		—	9,764	9,764
Total Engineering Grants		998,928	200,644	1,199,572
Mathematical and Physical Sciences:	47.049	21,140,383	—	21,140,383
Columbia University		—	1,700,874	1,700,874
Emory University		—	34,507	34,507
University of California Irvine		—	(24,101)	(24,101)
University of California Los Angeles		—	91,073	91,073
University of Notre Dame		—	377,254	377,254
University of Wisconsin		—	1,310,960	1,310,960
Total Mathematical and Physical Sciences		21,140,383	3,490,567	24,630,950
Geosciences:	47.050	6,539,765	—	6,539,765
University of California San Diego		—	63,361	63,361
University of California Davis		—	184,126	184,126
University of Illinois at Champaign		—	25,392	25,392
Total Geosciences		6,539,765	272,879	6,812,644
Computer and Information Science and Engineering:	47.070	2,700,412	—	2,700,412
DePaul University		—	13,742	13,742
Indiana University		—	118,093	118,093
Princeton University		—	51,797	51,797
School Board of Broward County, Florida		—	28,390	28,390
University of Illinois at Champaign		—	40,526	40,526
University of Minnesota		—	22,169	22,169
University of Texas at Austin		—	474,953	474,953
Total Computer and Information Science and Engineering		2,700,412	749,670	3,450,082
Biological Sciences:	47.074	3,713,451	—	3,713,451
University of Arizona		—	47,765	47,765
University of Massachusetts		—	45,743	45,743
University of Michigan		—	14,696	14,696
University of Oregon		—	12,884	12,884
University of South Dakota		—	17,866	17,866
University of Wisconsin		—	29,688	29,688
Total Biological Sciences		3,713,451	168,642	3,882,093
Social, Behavioral, and Economic Sciences:	47.075	3,769,067	—	3,769,067
Case Western University		—	52,546	52,546
Temple University		—	995,189	995,189
University of Arkansas		—	40,289	40,289
University of California Irvine		—	10,593	10,593
University of New Hampshire		—	72,010	72,010
Total Social, Behavioral, and Economic Sciences		3,769,067	1,170,627	4,939,694
Education and Human Resources:	47.076	1,753,892	—	1,753,892
University of Missouri-Columbia		—	88,127	88,127
Total Education and Human Resources		1,753,892	88,127	1,842,019
Polar Programs:	47.078	170,122	—	170,122
Biosperical Instruments, Inc		—	13,502	13,502
Total Polar Programs		170,122	13,502	183,624
Office of International Science and Engineering (OISE)	47.079	1,145,559	—	1,145,559
Office of Cyberinfrastructure:	47.080	923,308	—	923,308
Indiana University		—	70,517	70,517
University of Illinois at Champaign		—	1,599,369	1,599,369
Total Office of Cyberinfrastructure		923,308	1,669,886	2,593,194
ARRA – Trans-NSF Recovery Act Research Support	47.082	108,588	—	108,588
Trans-NSF Recovery Act Research Support	47.082	114,181	—	114,181
National Science Foundation:	47.RD			
National Science Foundation	INST ALLOW Jonathan Chaika	5,000	—	5,000
Argonne National Laboratory	OJ-30381-0023A	—	—	—
California Institute of Technology	68D-1094597	—	266,372	266,372
DePaul University	CNS-1359459	—	—	—
University of Wisconsin	DMR-1121288	—	36,124	36,124
Total Other National Science Foundation		—	302,496	302,496
Total National Science Foundation		43,082,656	8,127,040	51,209,696
Total Research and Development Cluster		240,614,807	54,459,588	295,074,395

THE UNIVERSITY OF CHICAGO
Schedule of Expenditures of Federal Awards
Year ended June 30, 2015

Federal Agency and Pass-Through Entity	CFDA Numbers/ Award Numbers	Direct Awards	Pass-Through Awards	Total Expenditures
Education and Human Resources Cluster:				
National Science Foundation:				
Education and Human Resources	47.076	\$ 4,003,852	\$ —	\$ 4,003,852
Total National Science Foundation		4,003,852	—	4,003,852
Total Education and Human Resources Cluster		4,003,852	—	4,003,852
Student Financial Assistance Cluster:				
Department of Education:				
Federal Supplemental Educational Opportunity Grants	84.007	1,422,040	—	1,422,040
Federal Work-Study Program	84.033	1,149,972	—	1,149,972
Federal Perkins Loan Program – Federal Capital Contributions	84.038	44,128,024	—	44,128,024
Federal Pell Grant Program	84.063	2,707,616	—	2,707,616
Federal Direct Student Loans	84.268	92,319,458	—	92,319,458
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379	177,173	—	177,173
Health Professions Student Loans, Including Primary Care Loans and Loans for Disadvantaged Students	93.342	121,045	—	121,045
Total Department of Education		142,025,328	—	142,025,328
Total Student Financial Assistance Cluster		142,025,328	—	142,025,328
Other Federal Programs:				
Agency for International Development:				
USAID Foreign Assistance for Programs Overseas	98.001	78,772	—	78,772
Total Agency for International Development		78,772	—	78,772
Department of Education:				
Overseas Programs – Doctoral Dissertation Research Abroad	84.022	193,313	—	193,313
TRIO – Upward Bound	84.047	502,577	—	502,577
Javits Fellowships	84.170	84,114	—	84,114
Gaining Early Awareness and Readiness for Undergraduate Programs:				
Northeastern Illinois University	84.334	—	130,755	130,755
Improving Teacher Quality State Grants:				
Illinois Board of Higher Education	84.367	—	372,967	372,967
Total Improving Teacher Quality State Grants		—	372,967	372,967
School Improvement Grants:				
Chicago Public Schools	84.377	389,087	—	389,087
Chicago Board of Education		—	48,422	48,422
Total School Improvement Grants		389,087	1,047,517	1,047,517
Department of Education:	84.OTH			
Illinois Board of Education	110727PR252	—	162,014	162,014
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 (NRCPLAS):				
University of Illinois at Champaign	84.015	1,737,787	—	1,737,787
ARRA – Teacher Quality Partnerships, Recovery Act	84.405	—	322,448	322,448
Total Department of Education		2,455,430	—	2,455,430
Total Department of Education		5,362,308	2,084,123	7,446,431
Department of Energy:				
Office of Science Financial Assistance Program:				
Battelle Memorial Institute	81.049	—	7,679	7,679
Krell Institute		—	4,280	4,280
Total Office of Science Financial Assistance Program		—	11,959	11,959
State Energy Program Special Projects:				
Fermi National Accelerator Laboratory	81.119	—	188,643	188,643
Department of Energy:				
Department of Energy	81.OTH			
Argonne National Laboratory	PO #1315756	64,249	—	64,249
Argonne National Laboratory	OJ-30381-0041A	—	3,710	3,710
Total Department of Energy		64,249	3,710	67,959
Total Department of Energy		64,249	204,312	268,561
Department of Health and Human Services:				
Maternal and Child Health Federal Consolidated Programs:				
American Academy of Pediatrics	93.110	—	18,139	18,139
Substance Abuse and Mental Health Services – Projects of Regional and National Significance:				
Access Community Health	93.243	—	5,086	5,086
Justice Research Institute, Inc.		—	29,269	29,269
Northwestern University		—	14,432	14,432
Total Substance Abuse and Mental Health Services		—	66,926	66,926
Adult Viral Hepatitis Prevention and Control	93.270	453,362	—	453,362
Total Department of Health and Human Services		453,362	—	453,362
Discovery and Applied Research for Technological Innovations to Improve Human Health:				
Discovery and Applied Research for Technological Innovations to Improve Human Health:	93.286	9,193	—	9,193
Total Discovery and Applied Research for Technological Innovations		9,193	—	9,193

THE UNIVERSITY OF CHICAGO
Schedule of Expenditures of Federal Awards
Year ended June 30, 2015

Federal Agency and Pass-Through Entity	CFDA Numbers/ Award Numbers	Direct Awards	Pass-Through Awards	Total Expenditures
Cancer Treatment Research:	93.395			
The Children's Hospital of Philadelphia		\$ —	\$ 78,689	\$ 78,689
Total Cancer Treatment Research		—	78,689	78,689
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program:				
Childhood Home Visiting Program:	93.505			
Illinois Department of Public Health		—	922,146	922,146
Total ACA Maternal, Infant, and Early Childhood Home Visiting Program		—	922,146	922,146
Health Care Innovation Awards (HCIA)	93.610	2,059,942	—	2,059,942
Social Services Block Grant	93.667			
Illinois Department of Human Services		—	131,726	131,726
HIV Emergency Relief Project Grants:	93.914			
Aids Foundation of Chicago		—	55,292	55,292
City of Chicago Department of Health		—	461,472	461,472
Total HIV Emergency Relief Project Grants		—	516,764	516,764
HIV Prevention Activities – Health Department Based:	93.940			
City of Chicago Department of Health		—	103,287	103,287
Maternal and Child Health Services Block Grant to States:	93.994			
Illinois Department of Human Services		—	159,399	159,399
Illinois Department of Public Health		—	334,537	334,537
Total Maternal and Child Health Services Block Grant to States		—	493,936	493,936
Department of Health and Human Services:	93.OTH			
City of Chicago Department of Health	31706	—	91,734	91,734
University of Illinois at Chicago	2010066218100	—	9,210	9,210
City of Chicago Department of Health	30597	—	1,115,798	1,115,798
Chapin Hall	H37P23320095654	—	40,066	40,066
Department of Health and Human Services:	93.OTH			
University of Illinois at Chicago	276-2011-00005C	—	9,076	9,076
Total Department of Health and Human Services		—	1,265,884	1,265,884
Total Department of Health and Human Services		2,522,497	3,579,358	6,101,855
Department of Justice:				
Second Chance Act Prisoner Reentry Initiative:	16.812			
Illinois Department of Human Services		—	60,015	60,015
Total Department of Justice		—	60,015	60,015
Environmental Protection Agency:				
Science To Achieve Results (STAR) Fellowship Program	66.514	34,819	—	34,819
Total Environmental Protection Agency		34,819	—	34,819
Institute of Museum Services:				
Museums for America	45.301	45,248	—	45,248
Total Institute of Museum Services		45,248	—	45,248
National Aeronautics and Space Administration:				
Science:	43.001	212,701	—	212,701
Space Telescope Science Institute		—	367	367
University of Illinois at Champaign		—	84,309	84,309
Total Science		212,701	84,676	297,377
National Endowment for the Arts:				
Promotion of the Arts – Grants to Organizations and Individuals	45.024	1,041	—	1,041
Total National Endowment for the Arts		1,041	—	1,041
National Endowment for the Humanities:				
Promotion of the Humanities Division of Preservation and Access	45.149	186,871	—	186,871
Promotion of the Humanities Research	45.161	2,180	—	2,180
Promotion of the Humanities – Professional Development	45.163	50,590	—	50,590
Total National Endowment for the Humanities		239,641	—	239,641
National Science Foundation:				
Mathematical and Physical Sciences:	47.049			
University of Notre Dame		—	68,751	68,751
Office of Cyberinfrastructure	47.080	48,024	—	48,024
OCI-1239751	47.OTH	259,152	—	259,152
Total National Science Foundation		307,176	68,751	375,927
Total Other Federal Programs		8,868,452	6,081,235	14,949,687
Grand total		\$ 395,512,439	\$ 60,540,823	\$ 456,053,262

THE UNIVERSITY OF CHICAGO

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2015

(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, 2015. 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 2015 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, 2015

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

During fiscal year 2015, the University expended \$2,568,501 of ARRA funds that it received from the following agencies:

Department of Education	\$	2,455,430
Department of Energy		29,363
Department of Health and Human Services		(24,880)
National Science Foundation		108,588
	\$	<u>2,568,501</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, 2015 were as follows:

Research and development	\$	79,451,149
Other		1,352,112
Total	\$	<u>80,803,261</u>

THE UNIVERSITY OF CHICAGO

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2015

(3) Summary of Subrecipient Payments

Subrecipient payments charged to federal awards for the year ended June 30, 2015 were as follows:

Research and Development:	
Department of Commerce	\$ 19,565
Department of Defense	1,544,710
Department of Education	83,033
Department of Energy	34,788
Department of Health and Human Services	22,729,101
Department of Justice	170,654
National Aeronautics and Space Administration	34,081
National Science Foundation	<u>3,063,491</u>
	<u>27,679,423</u>
Education and Human Resources:	
National Science Foundation	<u>33,435</u>
	<u>33,435</u>
Other Federal Programs:	
Department of Health and Human Services	<u>1,260,386</u>
	<u>1,260,386</u>
Total	\$ <u><u>28,973,244</u></u>

THE UNIVERSITY OF CHICAGO

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2015

(4) Federal Loan Programs

Loans made to University students under the various federal loan programs for the year ended June 30, 2015 are summarized below:

University federal loans:		
Perkins: Current year loans	\$	7,262,304
Administrative charge		<u>300,369</u>
Total University federal loans		<u>7,562,673</u>
Non-University federal loans:		
Federal Direct Student Loans		49,103,719
Parent Loans for Undergraduate Students (PLUS) and Graduate PLUS		<u>43,215,739</u>
Total non-University federal loans		<u>92,319,458</u>
Total	\$	<u><u>99,882,131</u></u>

University federal loans outstanding at June 30, 2015 are shown below:

Perkins	\$	36,389,458
Health professions		114,581
Loans to disadvantaged students		<u>39</u>
Total	\$	<u><u>36,504,078</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.

(5) Non-Cash Assistance

The University had no non-cash assistance awarded or expended for the year ended June 30, 2015.

(6) Guaranteed Insurance

The University had no guaranteed insurance in effect for the year ended June 30, 2015.



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

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

The Board of Trustees
The University of Chicago:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of The University of Chicago (the University), which comprise the consolidated balance sheet as of June 30, 2015, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 29, 2015.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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



Purpose of this Report

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

KPMG LLP

Chicago, Illinois
October 29, 2015



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

The Board of Trustees
The University of Chicago:

Report on Compliance for Each Major Federal Program

We have audited The University of Chicago's (the University) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2015. The University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The University's consolidated financial statements include the operations of The University of Chicago Medical Center (the Medical Center) and University Charter Schools, which received federal awards that are not included in the schedule of expenditures of federal awards for the year ended June 30, 2015, and were audited by other auditors.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the University of Chicago complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.



Other Matters

The results of our auditing procedures disclosed instances of noncompliance, 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 2015-001, 2015-002, 2015-003, and 2015-004. Our opinion on the major federal program is not modified with respect to these matters.

The University's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The University's responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2015-001, 2015-002, 2015-003, and 2015-004, that we consider to be significant deficiencies.

The University's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The University's responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the responses.

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



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

We have audited the consolidated financial statements of the University as of and for the year ended June 30, 2015, and have issued our report thereon dated October 29, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Chicago, Illinois
March 25, 2016

THE UNIVERSITY OF CHICAGO
Schedule of Findings and Questioned Costs
Year ended June 30, 2015

(1) Summary of Auditors' Results

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

Material weaknesses: **No**

- (c) Noncompliance, which is material to the consolidated financial statements: **No**
- (d) Significant deficiencies in internal control over major programs: **Yes – See Findings 2015-001, 2015-002, 2015-003, and 2015-004**

Material weaknesses: **No**

- (e) The type of report issued on compliance for major programs: **Unmodified opinions**
- (f) Any audit findings that are required to be reported under Section 510(a) of OMB Circular A-133: **Yes – See Findings 2015-001, 2015-002, 2015-003, and 2015-004**
- (g) Major programs:

Research and Development Cluster – Various CFDA numbers (see Schedule of Expenditures of Federal Awards)

Student Financial Assistance Cluster:

Federal Supplemental Educational Opportunity Grant Program – 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
Teacher Education Assistance for College and Higher Education (TEACH) Grants – 84.379
Health Professions Student Loans, Including Primary Care Loans and Loans for Disadvantaged Students – 93.342

Education and Human Resources Cluster – 47.076

- (h) Dollar threshold used to distinguish between Type A and Type B programs: **\$3,000,000**
- (i) Auditee qualified as a low-risk auditee under Section 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, 2015

(3) Findings and Questioned Costs Relating to Federal Awards

Finding 2015-001 Failure to Report Pell Grant Payment Data in a Timely and Accurate Manner

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

Program Name: Student Financial Assistance Cluster

CFDA # and Program Expenditures: 84.063 (\$2,707,616)

Federal Award Numbers: P063P141389; P063P131389

Questioned Costs: None

Criteria

According to OMB Circular A-133 No. 1845-0039, an institution must submit Pell Grant origination records and disbursements records to the Common Origination and Disbursement (COD) system. Origination records may be sent 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 reporting once every 30 days, biweekly, weekly, or may set up their own system to ensure changes are reported in a timely manner. Additionally, OMB Circular A-110, *Uniform Administrative Requirements for Grant and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations* (OMB Circular A-110), requires nonfederal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements.

Condition Found and Cause

During our testwork over 25 students who were awarded and disbursed funds under the Pell Grant program, we noted the autumn Pell disbursements for 10 students were credited to their student account (Gargoyle) on September 22, 2014. However, these disbursements were not reported to COD until October 24, 2014.

Further, we noted the University has implemented controls to ensure Pell payment data is submitted to COD in an accurate and timely manner. However, the controls did not identify that these disbursements were not submitted timely and, therefore, were not operating effectively.

Effect

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

THE UNIVERSITY OF CHICAGO
Schedule of Findings and Questioned Costs
Year ended June 30, 2015

Recommendation

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

Management's Response

University of Chicago concurs with the finding above. Our financial aid system now requires that we complete COD reporting before funds are disbursed to students.

THE UNIVERSITY OF CHICAGO
Schedule of Findings and Questioned Costs
Year ended June 30, 2015

Finding 2015-002 Failure to Properly Complete Required Verification Procedures

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

Program Name: Student Financial Assistance Cluster

CFDA # and Program

Expenditures: 84.007 (\$1,422,040)
84.033 (\$1,149,972)
84.038 (\$44,128,024)
84.063 (\$2,707,616)
84.268 (\$92,319,458)

Federal Award Numbers: P007A141305; P007A131305
P033A141305; P034A131305
P038A021305
P063P141389; P063P131389
P268K141389; P268K147030; P268K147038; P268K147041

Questioned Costs: \$100

Criteria

Under subsidized student financial assistance programs (programs for which eligibility is determined on the basis of an applicant's expected family contribution (EFC)), an institution shall require each applicant whose application is selected by the central processor, based on edits specified by the ED, to verify the items specified in 34 CFR Section 668.56. Additionally, an institution must verify the accuracy of information if it has reason to believe an applicant's FAFSA information is inaccurate. Finally, OMB Circular A-110, *Uniform Administrative Requirements for Grant and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations* (OMB Circular A-110), requires nonfederal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements.

Condition Found and Cause

During our testwork over 25 students who were awarded and disbursed funds under the subsidized student financial assistance (SFA) programs, we noted the following:

- For one student tested (who received subsidized SFA awards totaling \$8,180), we noted the verification documentation provided by the student to support the student's adjusted gross family income (AGI) was not consistent with the Institutional Student Information Record (ISIR) used to package the student's financial aid awards. Specifically, we noted the supporting documentation provided to verify the parent's AGI noted an amount of \$17,752, while the ISIR reported \$17,843. As a result of this error, there was no effect on the student's EFC. As such, the error did not affect the amounts awarded to this student under each federal program.
- For one student tested (who received subsidized SFA awards totaling \$5,517), we noted the verification documentation provided by the student to support the student's adjusted gross family income (AGI) was

THE UNIVERSITY OF CHICAGO

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

not consistent with the Institutional Student Information Record (ISIR) used to package the student's financial aid awards. Specifically, we noted the supporting documentation provided to verify the parent's AGI noted an amount of \$36,660, while the ISIR reported \$36,000. As a result of this error, the student's EFC was understated by \$139. Upon further review of the student's award package, the error resulted in the student receiving a Pell Grant that exceeded the maximum allowable amount by \$100.

- For one student tested (who received subsidized SFA awards totaling \$7,785), we noted the verification documentation provided by the student to support the family household size and number of household members in college was not consistent with the Institutional Student Information Record (ISIR) used to package the student's financial aid awards. Specifically, we noted the supporting documentation provided to verify the family household size and number of household members in college identified one additional household member in college than reported on the ISIR. As a result of this error, there was no effect on the student's EFC. As such, the error did not affect the amounts awarded to this student under each federal program.

Further, we noted the University has implemented controls to ensure verification procedures are properly performed in a timely manner. However, the controls did not identify the inaccurate ISIR information and, therefore, were not operating effectively.

Effect

Failure to properly perform verification procedures and ensure correct ISIR information in accordance with federal regulations may result in students receiving awards for which they are not eligible and unallowable costs being charged to the federal programs.

Recommendation

We recommend the University review its process to ensure all corrections required as the result of verification procedures are properly reported to the ED in a timely manner and awards are adjusted for changes in the EFC as appropriate.

Management's Response

We agree with the condition found. Staff have undergone additional training about proper verification procedures. New controls are being designed in conjunction with the implementation of a new student information system.

THE UNIVERSITY OF CHICAGO
Schedule of Findings and Questioned Costs
Year ended June 30, 2015

Finding 2015-003 Untimely and Inaccurate Enrollment Reporting

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

Program Name: Student Financial Assistance Cluster

CFDA # and Program

Expenditures: 84.038 (\$44,128,024)
 84.268 (\$92,319,458)

Federal Award Numbers: P038A021305
 P268K151389; P268K157030; P268K157038; P268K157041

Questioned Costs: None

Criteria

According to 34 CFR sections 690.83(b)(2) and 685.309, under the Pell Grant and loan programs, institutions must complete and return the Enrollment Reporting roster file via the National Student Loan Data System (NSLDS) within 15 days of receipt. Enrollment information must be reported within 30 days whenever attendance changes for students, unless such changes will be reported on an enrollment roster to be received by the NSLDS within 60 days of the enrollment change. An institution must notify the Secretary if it discovers that a loan under Title IV of the Act was made to or on behalf of a student who was enrolled or accepted for enrollment at the school, and the student has ceased to be enrolled on at least a half-time basis or failed to enroll on at least a half-time basis for the period for which the loan was intended. Additionally, OMB Circular A-110, *Uniform Administrative Requirements for Grant and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations* (OMB Circular A-110), requires nonfederal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements.

Condition Found and Cause

The University did not accurately report student enrollment status changes to the NSLDS. Additionally, the University failed to report certain student enrollment status information on a timely basis.

A student's enrollment status determines eligibility for in-school status, deferment, and grace periods, as well as for the payment of interest subsidies to FFEL Program loan holders by the ED. Enrollment reporting in a timely and accurate manner is critical for effective management of the programs.

The University uses the services of the National Student Clearinghouse (NSC) to report status changes to the NSLDS. Under this arrangement, the University reports all students enrolled and their status to NSC. NSC completes the roster file on behalf of the University and communicates status changes to the NSLDS. Although the University uses the services of NSC, it is still ultimately the University's responsibility to submit timely, accurate, and complete records to the NSLDS.

THE UNIVERSITY OF CHICAGO
 Schedule of Findings and Questioned Costs
 Year ended June 30, 2015

During our testwork over 25 borrowers under the Direct Loan program that graduated or withdrew during the fiscal year, we noted the following:

- One status change for an unofficially withdrawn student was reported to the NSLDS 73 days after the University became aware of the status change.
- One status change for an officially withdrawn student was reported to the NSLDS 89 days after the University became aware of the status change. Additionally, the status change was not accurately reported to the NSLDS as follows:

<u>Status Change</u>	<u>Effective Withdrawal Date per University's Records</u>	<u>Effective Withdrawal Date per the NSLDS</u>
Official withdrawal	11/17/2014	12/13/2014

- One status change for an officially withdrawn student was not accurately reported to the NSLDS as follows:

<u>Status Change</u>	<u>Effective Withdrawal Date per University's Records</u>	<u>Effective Withdrawal Date per the NSLDS</u>
Official withdrawal	10/17/2014	9/29/2014

- Five status changes for graduated students were not reported to the NSLDS.

Further, we noted the University has implemented controls to verify the University data is properly sent to the NSC and NSLDS to ensure the records are complete and accurate, however, the controls did not identify these errors and, therefore, were not operating effectively.

Effect

Delayed and inaccurate submission of student enrollment status information affects the determinations that lenders and servicers of student loans make related to in-school status, deferments, grace periods, and repayment schedules, as well as the federal government's payment of interest subsidies.

Recommendation

We recommend the University review its procedures to ensure timely and accurate reporting of student enrollment status information to the NSLDS.

Management's Response

We agree with the condition found and have reviewed procedures with staff. All procedures are being reviewed in conjunction with the implementation of a new student information system.

THE UNIVERSITY OF CHICAGO
Schedule of Findings and Questioned Costs
Year ended June 30, 2015

Finding 2015-004 Reporting – Fiscal Operations Report and Application to Participate (FISAP)

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

Program Name: Student Financial Assistance Cluster

CFDA # and Program Expenditures:

84.007	(\$1,422,040)
84.033	(\$1,149,972)
84.038	(\$44,128,024)

Federal Award Numbers: P007A141305; P007A131305
P033A141305; P034A131305
P038A021305

Questioned Costs: None

Criteria

According to 34 CFR Section 674.19(d)(2) over the Federal Perkins Loan program, 675.19(b)(3) over the Federal Work Study program, and 34 CFR Section 676.19(b)(3) over the Federal SEOG program, an institution shall submit a Fiscal Operations Report and Application to Participate plus other information the Secretary requires every year. The institution shall ensure that the information reported is accurate. Additionally, OMB Circular A-110, *Uniform Administrative Requirements for Grant and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations* (OMB Circular A-110), requires nonfederal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements.

Condition Found and Cause

The University did not accurately report information submitted on the Fiscal Operations Report and Application to Participate (FISAP).

In order to participate in the campus-based programs (Federal Perkins Loan, Federal Work Study, and Federal SEOG) within the Student Financial Assistance Cluster, the U.S. Department of Education (ED) requires institutions to file an annual FISAP. Additionally, federal regulations state that if an institution spent campus-based funding in the prior award year or if the institution has a Federal Perkins Loan Fund, a FISAP must be submitted. Allocation or reallocation of campus-based funding by the ED is subsequently determined using the FISAP submitted by the institution.

THE UNIVERSITY OF CHICAGO
 Schedule of Findings and Questioned Costs
 Year ended June 30, 2015

During our testwork over the 2013-14 FISAP submitted during the year ended June 30, 2015, we noted the following differences:

FISAP Line Item	Amount Reported	Actual Amount	Difference
Total Federal Pell Grants expenditures for the 2013-14 award year	\$2,956,822	\$2,957,756	(\$934)
Number of students for whom jobs were located or developed	110	107	3
Total earnings of the students in Field 22 above	\$214,033	\$140,136	\$73,897
Number of FWS students employed as mathematics tutors of children	46	45	1

Further, we noted the University has implemented a control requiring multiple levels of review of the FISAP report, however, this control did not identify these errors and, therefore, was not operating effectively.

Effect

Failure to accurately report FISAP information decreases the reliability of the information provided to the federal government.

Recommendation

We recommend the University review its procedures to ensure the information reported in the FISAP is accurate and adequately supported.

Management's Response

We agree with the condition found and have changed our structure so that all FISAP reporting is conducted by one office and the completion will be audited internally before submission.