

THE UNIVERSITY OF CHICAGO

OMB Circular A-133 Audit Report

Year ended June 30, 2010

(With Independent Auditors' Reports Thereon)

THE UNIVERSITY OF CHICAGO

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

Independent Auditors' Report

The Board of Trustees
The University of Chicago:

We have audited the accompanying consolidated balance sheets of The University of Chicago (the University) as of June 30, 2010 and 2009, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of The University of Chicago Medical Center (the Medical Center), which statements reflect total assets constituting 18% and 16% and total revenues constituting 35% and 44% of the related consolidated totals in 2010 and 2009, respectively. Our opinion, insofar as it relates to the amounts included for the Medical Center, is based solely on the report of the other auditors.

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

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The University of Chicago as of June 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

As described in notes 3 and 4 to the consolidated financial statements, the University adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures* (formerly Statement of Financial Accounting Standards (FAS) No. 157, *Fair Value Measurements*), and FASB ASC Topic 958, *Not-for-Profit Entities*, (formerly FASB Staff Position FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*), effective July 1, 2008 and June 30, 2009, respectively.



In accordance with *Government Auditing Standards*, we have also issued a report dated October 13, 2010, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audits were performed for the purpose of forming an opinion on the basic consolidated financial statements of the University taken as a whole. The accompanying schedule of expenditures of federal awards for the year ended June 30, 2010 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the 2010 basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 2010 basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the 2010 basic consolidated financial statements taken as a whole.

KPMG LLP

October 13, 2010

THE UNIVERSITY OF CHICAGO

Consolidated Balance Sheets

June 30, 2010 and 2009

(In thousands of dollars)

| Assets | 2010 | 2009 |
|--|---------------|-----------|
| Cash and cash equivalents | \$ 123,758 | 102,200 |
| Notes and accounts receivable | 302,738 | 320,145 |
| Prepaid expenses and other assets | 118,645 | 101,642 |
| Pledges receivable | 387,163 | 424,851 |
| Investments | 6,482,759 | 5,727,858 |
| Land, buildings, equipment, and books | 2,954,669 | 2,707,926 |
| Total assets | \$ 10,369,732 | 9,384,622 |
| Liabilities and Net Assets | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | \$ 564,737 | 492,659 |
| Deferred revenue | 85,365 | 88,509 |
| Assets held in custody for others | 55,269 | 44,771 |
| Self-insurance liability | 254,208 | 228,469 |
| Pension and other postretirement benefit obligations | 514,277 | 392,309 |
| Asset retirement obligation | 65,220 | 65,547 |
| Notes and bonds payable | 2,714,911 | 2,415,371 |
| Refundable U.S. government student loan funds | 37,511 | 37,853 |
| Total liabilities | 4,291,498 | 3,765,488 |
| Net assets: | | |
| Unrestricted | 2,042,652 | 1,864,211 |
| Temporarily restricted | 2,741,835 | 2,554,784 |
| Permanently restricted | 1,293,747 | 1,200,139 |
| Total net assets | 6,078,234 | 5,619,134 |
| Total liabilities and net assets | \$ 10,369,732 | 9,384,622 |

See accompanying notes to consolidated financial statements.

THE UNIVERSITY OF CHICAGO

Consolidated Statements of Activities

Years ended June 30, 2010 and 2009

(In thousands of dollars)

| | <u>2010</u> | <u>2009</u> |
|---|------------------|------------------|
| Changes in unrestricted net assets: | | |
| Operating: | | |
| Revenue: | | |
| Tuition and fees – gross | \$ 573,724 | 542,103 |
| Less student aid | (256,040) | (243,664) |
| Tuition and fees – net | <u>317,684</u> | <u>298,439</u> |
| Government grants and contracts | 394,394 | 356,822 |
| Private gifts, grants, and contracts | 137,823 | 128,353 |
| Endowment payout | 346,165 | 319,040 |
| Earnings on other investments | 1,824 | 2,239 |
| Patient care | 1,266,499 | 1,223,946 |
| Auxiliaries | 199,823 | 193,009 |
| Other income | 184,887 | 177,070 |
| Net assets released from restrictions | <u>69,163</u> | <u>57,991</u> |
| Total operating revenue | <u>2,918,262</u> | <u>2,756,909</u> |
| Expenses: | | |
| Compensation: | | |
| Academic salaries | 426,017 | 417,986 |
| Staff salaries | 800,062 | 817,819 |
| Benefits | <u>331,637</u> | <u>308,505</u> |
| Total compensation | <u>1,557,716</u> | <u>1,544,310</u> |
| Other operating expenses: | | |
| Utilities, alterations, and repairs | 70,928 | 81,190 |
| Depreciation | 193,062 | 160,181 |
| Interest | 44,964 | 48,809 |
| Supplies, services, and other | 832,314 | 786,105 |
| Insurance | <u>61,532</u> | <u>50,270</u> |
| Total other operating expenses | <u>1,202,800</u> | <u>1,126,555</u> |
| Total operating expenses | <u>2,760,516</u> | <u>2,670,865</u> |
| Excess of operating revenue over expenses | <u>157,746</u> | <u>86,044</u> |

THE UNIVERSITY OF CHICAGO

Consolidated Statements of Activities

Years ended June 30, 2010 and 2009

(In thousands of dollars)

| | <u>2010</u> | <u>2009</u> |
|--|---------------------|--------------------|
| Changes in unrestricted net assets: | | |
| Nonoperating: | | |
| Investment gains (losses) | \$ 105,316 | (1,685,564) |
| Postretirement benefit changes other than net periodic benefit cost | (140,065) | (152,763) |
| Other, net | <u>55,444</u> | <u>(105,321)</u> |
| Change in unrestricted net assets from nonoperating activities | <u>20,695</u> | <u>(1,943,648)</u> |
| Increase (decrease) in unrestricted net assets before a reclassification of endowment net assets | 178,441 | (1,857,604) |
| Endowment net asset reclassification | <u>—</u> | <u>(1,914,401)</u> |
| Increase (decrease) in unrestricted net assets | <u>178,441</u> | <u>(3,772,005)</u> |
| Changes in temporarily restricted net assets: | | |
| Private gifts | 67,418 | 221,527 |
| Investment gains | 282,318 | 8,064 |
| Other, net | (93,522) | (6,969) |
| Net assets released from restrictions | <u>(69,163)</u> | <u>(57,991)</u> |
| Increase in temporarily restricted net assets before a reclassification of endowment net assets | 187,051 | 164,631 |
| Endowment net asset reclassification | <u>—</u> | <u>1,914,401</u> |
| Increase in temporarily restricted net assets | <u>187,051</u> | <u>2,079,032</u> |
| Changes in permanently restricted net assets: | | |
| Private gifts | 39,246 | 37,728 |
| Endowment payout | 3,861 | 2,856 |
| Investment gains (losses) | 6,193 | (12,773) |
| Other, net | <u>44,308</u> | <u>2,306</u> |
| Increase in permanently restricted net assets | <u>93,608</u> | <u>30,117</u> |
| Increase (decrease) in net assets | 459,100 | (1,662,856) |
| Net assets at beginning of year | <u>5,619,134</u> | <u>7,281,990</u> |
| Net assets at end of year | <u>\$ 6,078,234</u> | <u>5,619,134</u> |

See accompanying notes to consolidated financial statements.

THE UNIVERSITY OF CHICAGO
Consolidated Statements of Cash Flows
Years ended June 30, 2010 and 2009
(In thousands of dollars)

| | <u>2010</u> | <u>2009</u> |
|--|-------------------|------------------|
| Cash flows from operating activities: | | |
| Increase (decrease) in net assets | \$ 459,100 | (1,662,856) |
| Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation | 193,062 | 160,181 |
| Loss on disposal of land, buildings, equipment, and books | 4,733 | 2,099 |
| Net (gain) loss on investments | (713,615) | 1,412,662 |
| Private gifts and grants restricted for long-term investment | (106,597) | (259,174) |
| Other nonoperating changes | 100,818 | 118,987 |
| Postretirement benefit changes other than net periodic benefit cost | 140,065 | 152,763 |
| Changes in assets and liabilities: | | |
| Notes and accounts receivable | (7,760) | 10,553 |
| Prepaid expenses and other assets | 5,778 | (18,539) |
| Accounts payable and other liabilities | 1,052 | 10,881 |
| Self-insurance liability | 25,739 | 26,721 |
| Total adjustments | <u>(356,725)</u> | <u>1,617,134</u> |
| Net cash provided by (used in) operating activities | <u>102,375</u> | <u>(45,722)</u> |
| Cash flows from investing activities: | | |
| Purchase of investments | (2,521,911) | (1,616,691) |
| Proceeds from sale of investments | 2,480,447 | 1,652,908 |
| Acquisition of land, buildings, equipment, and books | (425,489) | (523,931) |
| Loans disbursed | (4,229) | (4,204) |
| Principal collected on loans | 29,396 | 50,391 |
| Net cash used in investing activities | <u>(441,786)</u> | <u>(441,527)</u> |
| Cash flows from financing activities: | | |
| Proceeds from issuance of notes and bonds payable | 688,053 | 1,948,093 |
| Principal payments on notes and bonds payable | (386,687) | (1,470,552) |
| Proceeds from private gifts and grants restricted for long-term investment | 84,739 | 116,017 |
| Other nonoperating changes | (25,136) | (103,724) |
| Net cash provided by financing activities | <u>360,969</u> | <u>489,834</u> |
| Increase in cash and cash equivalents | 21,558 | 2,585 |
| Cash and cash equivalents at: | | |
| Beginning of year | <u>102,200</u> | <u>99,615</u> |
| End of year | <u>\$ 123,758</u> | <u>102,200</u> |
| Supplemental disclosure of cash flow information: | | |
| Cash paid for interest | \$ 77,798 | 92,310 |

See accompanying notes to consolidated financial statements.

THE UNIVERSITY OF CHICAGO

Notes to Consolidated Financial Statements

June 30, 2010 and 2009

(In thousands of dollars)

(1) Summary of Significant Accounting Policies

(a) Description of Business

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

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

(b) Basis of Presentation

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

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

For reporting purposes, however, the University follows the reporting requirements of the Financial Accounting Standards Board (FASB) and the American Institute of Certified Public Accountants (AICPA), *Audit and Accounting Guide for Not-for-Profit Organizations*, 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 endowment funds, actuarial adjustments to self-insurance liabilities, and certain types of philanthropic support. Such philanthropic support includes unrestricted gifts, including those designated by the Board to function as endowment and restricted gifts whose donor-imposed restrictions were met during the fiscal year, as well as restricted gifts and grants for buildings and equipment that have been amortized over the useful life of the assets acquired or constructed.

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Notes to Consolidated Financial Statements

June 30, 2010 and 2009

(In thousands of dollars)

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

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

| Detail of net assets | 2010 | | 2009 | |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| | Temporarily restricted | Permanently restricted | Temporarily restricted | Permanently restricted |
| University: | | | | |
| Operating | \$ 11,025 | — | 34,951 | — |
| Pledges | 320,461 | 56,788 | 335,996 | 69,510 |
| Student loans | — | 18,078 | — | 16,982 |
| Endowment | 2,144,096 | 1,190,234 | 1,891,030 | 1,086,659 |
| Annuity and life income | 13,092 | 22,544 | 10,422 | 20,865 |
| Net investment in physical properties | 175,785 | — | 179,295 | — |
| Subtotal | <u>2,664,459</u> | <u>1,287,644</u> | <u>2,451,694</u> | <u>1,194,016</u> |
| Medical center: | | | | |
| Operating | 8,660 | — | 31,475 | — |
| Pledges | 9,872 | 42 | 19,273 | 77 |
| Endowment | 58,844 | 6,061 | 52,342 | 6,046 |
| Subtotal | <u>77,376</u> | <u>6,103</u> | <u>103,090</u> | <u>6,123</u> |
| Total | <u>\$ 2,741,835</u> | <u>1,293,747</u> | <u>2,554,784</u> | <u>1,200,139</u> |

(c) Operations

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

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Notes to Consolidated Financial Statements

June 30, 2010 and 2009

(In thousands of dollars)

adjustments to self-insurance liabilities, changes in postretirement benefit obligations, and other infrequent gains and losses.

(d) Tuition and Fees

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

(e) Gifts, Grants, and Contracts

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

Revenue from government and private grant and contract agreements is recognized as it is earned through expenditure in accordance with the agreements. Any funding received in advance of expenditure is recorded as deferred revenue on the consolidated balance sheets. Included in deferred revenue at June 30, 2010 and 2009 are \$46,782 and \$52,925, respectively, of private grant and contract receipts, which have not been expended.

Private gifts, grants, and contracts operating revenue for fiscal years 2010 and 2009 consist of the following:

| | 2010 | | | 2009 |
|---|------------|-------------------|--------------|--------------|
| | University | Medical Center | Consolidated | Consolidated |
| Private gifts: | | | | |
| Unrestricted as to use | \$ 17,886 | 1,105 | 18,991 | 21,159 |
| Temporarily restricted gifts whose restrictions were met during the fiscal year and reported as unrestricted revenue | 48,653 | — | 48,653 | 41,603 |
| Private grants and contracts | 70,179 | — | 70,179 | 65,591 |
| Total | \$ 136,718 | 1,105 | 137,823 | 128,353 |

(f) Patient Care

Net patient service revenue reflects the estimated net realizable amounts due from third-party payors for services rendered. A majority of patient care revenue is derived from contractual agreements with Medicare, Medicaid, Blue Cross/Blue Shield, managed care, and certain other programs. Payments

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June 30, 2010 and 2009

(In thousands of dollars)

under these agreements and programs are based on specific amounts per case or contracted prices. Certain revenue received from third-party payors is subject to audit and retroactive adjustment. Any changes in estimates under these contracts are recorded in operations currently.

(g) 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.

(h) Investments

Investments are recorded in the consolidated financial statements at estimated fair value. If an investment is held directly by the University and an active market with quoted prices exists, the market price of an identical security is used as reported fair value. Reported fair values for shares in mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year. The University's interests in alternative investment funds such as private equity, real assets, 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, 2010 and 2009, the University had no plans to sell investments at amounts different from NAV.

The University does not engage directly in unhedged speculative investments; however, the board of trustees has authorized derivative investments to adjust market exposure within asset class ranges, hedge nondollar investments, and currencies, and provide for defensive portfolio strategies. During fiscal 2010 and 2009 and as of June 30, 2010 and 2009, the University had no directly held derivative investments.

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 all external hedge fund managers are regularly reviewed by their independent outside auditors and the University Investment Office. The risk of any derivative exposure associated with an externally managed hedge fund is limited to the amount invested with each manager. Investment managers record derivative investments at fair value and valuation gains and losses are included in the consolidated statements of activities.

(i) 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, 5 to 10 years for equipment, and 10 years for library books.

(j) 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

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Notes to Consolidated Financial Statements

June 30, 2010 and 2009

(In thousands of dollars)

asbestos was estimated using site-specific surveys where available and a per-square-foot estimate where surveys were unavailable.

(k) *Split-Interest Agreements*

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

(l) *Income Taxes*

The University is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, except to the extent the University has unrelated business income, is exempt from federal income taxes. There was no provision for income taxes due on unrelated business income in fiscal years 2010 and 2009. The University concluded there were no material uncertain tax positions.

(m) *Use of Estimates*

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

(n) *Recent Accounting Pronouncements*

In June 2009, FASB Accounting Standards Codification (ASC) Topic 105 was issued, which established the FASB ASC as the source of authoritative U.S. generally accepted accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with GAAP. The University has applied this guidance in the preparation of the University's financial statements as of June 30, 2010.

In September 2009, the FASB issued FASB Accounting Standards Update (ASU) No. 2009-12, *Investments in Certain Entities that Calculate Net Asset Value per Share* (ASU 2009-12). This standard adds disclosures, and provides guidance for estimating the fair value of investments in investment companies that calculate net asset value per share, allowing the net asset value per share (NAV) to be used as a practical expedient for fair value. The University adopted the measurement provisions of this guidance in fiscal 2009 and the disclosure provisions of this guidance in fiscal 2010.

In January 2010, the FASB issued ASU No. 2010-06, *Improving Disclosures About Fair Value Measurements*. This guidance requires entities to disclose transfers of assets in and out of Levels 1 and 2 of the fair value hierarchy and the reasons for those transfers, valuation techniques, and the inputs used in determining fair value for each class of assets and liabilities. This guidance becomes

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Notes to Consolidated Financial Statements

June 30, 2010 and 2009

(In thousands of dollars)

effective July 1, 2010. In addition, the guidance requires the separate presentation of purchases and sales in the Level 3 asset reconciliation. This piece of the guidance becomes effective July 1, 2011.

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

(o) *Reclassifications*

Certain 2009 amounts have been reclassified to conform to the 2010 presentation, including a reclassification of certain actuarial adjustments in the consolidated statement of cash flows from operating activities to financing activities.

(p) *Subsequent Events*

The University has performed an evaluation of subsequent events through October 13, 2010, which is the date the financial statements were issued.

(2) The University of Chicago Medical Center

(a) *Organization*

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

(b) *Agreements with the University*

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

(c) *Basis of Presentation*

The Medical Center maintains its accounts and prepares stand-alone financial statements in conformity with accounting and reporting principles of the AICPA *Audit and Accounting Guide for Health Care Organizations*. For purposes of presentation of the Medical Center financial position and changes in net assets in the consolidated financial statements, several reclassifications have been made as follows: (1) the provision for uncollectible Medical Center's patient accounts receivable of \$35,461 in fiscal year 2010 and \$52,140 in fiscal year 2009 has been reclassified as a reduction of patient care revenue, (2) investment gains (losses) of \$58,067 in fiscal year 2010 and \$(192,223) in fiscal year 2009 not used for operations have been reclassified as a nonoperating change in unrestricted net assets, (3) cash contributions in excess of pension expense of \$18,256 in fiscal year

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June 30, 2010 and 2009

(In thousands of dollars)

2010 and pension expense in excess of cash contributions of \$(2,931) in fiscal year 2009 have been reclassified from (to) benefits expense, and 4) transfers to the University of \$23,000 in fiscal year 2010 and 2009 have been reclassified as a reduction of other income.

(3) Investments

Investments at June 30, 2010 and 2009 comprise the following:

| | 2010 | | | 2009 Consolidated |
|---|--------------|-------------------|--------------|----------------------|
| | University | Medical Center | Consolidated | |
| Cash equivalents | \$ 554,240 | 50,694 | 604,934 | 713,592 |
| Domestic public equities | 378,355 | 115,169 | 493,524 | 395,008 |
| International public equities | 374,306 | 54,462 | 428,768 | 288,829 |
| Private equity | 963,435 | 97,570 | 1,061,005 | 918,160 |
| Real assets | 1,022,667 | 84,838 | 1,107,505 | 956,918 |
| Absolute return | 1,513,608 | 137,397 | 1,651,005 | 1,590,856 |
| Fixed income | 542,028 | 291,447 | 833,475 | 570,212 |
| Funds held in trust (primarily cash equivalents and bonds) | 302,543 | — | 302,543 | 294,283 |
| Total | \$ 5,651,182 | 831,577 | 6,482,759 | 5,727,858 |

(a) Overall Investment Objective

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

(b) Investment Strategies

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

Domestic and international 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.

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

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

Fixed income investments consist of actively traded Treasuries and bond mutual funds which hold securities, the majority of which have maturities greater than one year. These are valued based on quoted market prices in active markets.

The University believes that the carrying amount of its investments is a reasonable estimate of fair value as of June 30, 2010 and 2009. Because of the inherent uncertainties of valuation, these estimated fair values may differ significantly from values that would have been used had a ready market existed.

(c) *Fair Value of Financial Instruments*

Effective July 1, 2008, the University adopted the provisions of the FASB official pronouncement on *Fair Value Measurements* for financial instruments. The pronouncement defines fair value and establishes a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value.

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

The 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

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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.

To coincide with the adoption of the FASB *Fair Value Measurements* pronouncement, the University also adopted the FASB update for *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, which permits, as a practical expedient, the University to measure the fair value of an investment that is within the scope of the update on the basis of the net asset value per share of the investment or its equivalent determined as of the University's fiscal year-end. Under this approach, certain attributes of the investment such as restrictions on redemption and transaction prices from principal-to-principal or brokered transactions are not considered in measuring the fair value of an investment.

Following is a summary of the inputs used as of June 30, 2010 and 2009 in valuing the University's investments carried at fair value:

| | Quoted prices in active markets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) | 2010 Consolidated total |
|--|--|--|--|--|
| Assets: | | | | |
| Cash equivalents | \$ 604,934 | — | — | 604,934 |
| Domestic public equities | 87,000 | 127,974 | 278,550 | 493,524 |
| International public equities | 239,814 | 59,989 | 128,965 | 428,768 |
| Private equity | — | — | 1,061,005 | 1,061,005 |
| Real assets | 7,252 | — | 1,100,253 | 1,107,505 |
| Absolute return | 4,209 | 161,728 | 1,485,068 | 1,651,005 |
| Fixed income | 547,240 | 92,132 | 194,103 | 833,475 |
| Funds held in trust | 300,543 | — | 2,000 | 302,543 |
| | <u>1,790,992</u> | <u>441,823</u> | <u>4,249,944</u> | <u>6,482,759</u> |
| Total assets at fair value as of June 30, 2010 | \$ <u>1,790,992</u> | <u>441,823</u> | <u>4,249,944</u> | <u>6,482,759</u> |

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| | Quoted prices in active markets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) | 2009 Consolidated total |
|--|--|--|--|--|
| Assets: | | | | |
| Cash equivalents | \$ 713,592 | — | — | 713,592 |
| Domestic public equities | 98,600 | 26,127 | 270,281 | 395,008 |
| International public equities | 70,055 | 121,302 | 97,472 | 288,829 |
| Private equity | — | — | 918,160 | 918,160 |
| Real assets | 6,441 | — | 950,477 | 956,918 |
| Absolute return | 5,235 | 497 | 1,585,124 | 1,590,856 |
| Fixed income | 335,940 | 75,838 | 158,434 | 570,212 |
| Funds held in trust | 292,283 | — | 2,000 | 294,283 |
| | <u>1,522,146</u> | <u>223,764</u> | <u>3,981,948</u> | <u>5,727,858</u> |
| Total assets at fair value as of June 30, 2009 | \$ <u>1,522,146</u> | <u>223,764</u> | <u>3,981,948</u> | <u>5,727,858</u> |

Changes to the reported amounts of investments measured at fair value using unobservable inputs (Level 3) for the years ended June 30, 2010 and 2009 are as follows:

| | Equities and fixed income | Alternative investments | 2010 Consolidated total | | |
|---|--|--------------------------------|--|----------------------------|------------------|
| | | Private equity | Real assets | Absolute return | |
| Balance at June 30, 2009 | \$ 526,187 | 918,160 | 952,477 | 1,585,124 | 3,981,948 |
| Total net realized gains or losses | 20,811 | 72,652 | 33,786 | 17,619 | 144,868 |
| Total net unrealized gains or losses | 110,275 | (9,671) | (56,246) | 257,483 | 301,841 |
| Purchases, issuances, and settlements | 2,844 | 137,536 | 212,752 | 91,062 | 444,194 |
| Proceeds from sales, redemptions, and distributions | (125) | (57,672) | (41,326) | (328,855) | (427,978) |
| Transfer in (out) of Level III | (58,374) | — | 810 | (137,365) | (194,929) |
| Balance at June 30, 2010 | \$ <u>601,618</u> | <u>1,061,005</u> | <u>1,102,253</u> | <u>1,485,068</u> | <u>4,249,944</u> |

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| | | Equities and fixed income | Alternative investments | | | 2009 Consolidated total |
|---|----|--|--------------------------------|------------------------|----------------------------|--|
| | | | Private equity | Real assets | Absolute return | |
| Balance at June 30, 2008 | \$ | 910,493 | 969,448 | 1,077,837 | 2,181,631 | 5,139,409 |
| Total net realized gains or losses | | 86,755 | (20,133) | (35,946) | (116,223) | (85,547) |
| Total net unrealized gains or losses | | (253,423) | (136,571) | (287,687) | (324,203) | (1,001,884) |
| Purchases, issuances, and settlements | | 76,943 | 135,492 | 253,951 | 373,990 | 840,376 |
| Proceeds from sales, redemptions, and distributions | | (294,581) | (30,076) | (55,678) | (530,071) | (910,406) |
| Balance at June 30, 2009 | \$ | <u>526,187</u> | <u>918,160</u> | <u>952,477</u> | <u>1,585,124</u> | <u>3,981,948</u> |

A summary of the University's investment returns for the years ended June 30, 2010 and 2009 is presented as follows:

| | | 2010 | | | 2009 Consolidated |
|--|----|-------------------|---------------------------|---------------------|------------------------------|
| | | University | Medical Center | Consolidated | |
| Investment return: | | | | | |
| Interest and dividends | \$ | 53,858 | 13,342 | 67,200 | 41,370 |
| Net realized and unrealized gains and (losses) | | <u>631,378</u> | <u>47,099</u> | <u>678,477</u> | <u>(1,407,508)</u> |
| Investment return | \$ | <u>685,236</u> | <u>60,441</u> | <u>745,677</u> | <u>(1,366,138)</u> |

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

The University is obligated under certain limited partnership investment fund agreements to advance additional funding periodically up to specified levels. At June 30, 2010, the University had unfunded commitments of \$1,136,860, which are likely to be called through 2015. Details of these commitments are as follows:

| | Unfunded commitments |
|-----------------|---------------------------------|
| Public equity | \$ 12,353 |
| Private equity | 389,491 |
| Real assets | 610,488 |
| Absolute return | <u>124,528</u> |
| Total | <u>\$ 1,136,860</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 in Place at June 30, 2010 |
|----------------------------|----------------|---|--|---|
| Cash | N/A | Daily | None | None |
| Equity investments: | | | | |
| Separate accounts | N/A | Daily | None | None |
| Commingled funds | N/A | Daily to monthly with notice periods of 1 to 14 days | None | None |
| Partnerships | N/A | Quarter to annually with notice periods of 30 to 180 days | Lock-up provisions ranging from 0 to 5 years, some investments have a portion of capital in side pockets with no redemptions permitted | None |
| Private equity | 1 to 19 years | Redemptions not permitted | N/A | N/A |
| Real assets | 1 to 18 years | Redemptions not permitted | N/A | N/A |
| Absolute return: | | | | |
| Partnerships | N/A | Quarterly to annually with varying notice periods | Lock-up provisions ranging from 0 to 5 investments have a portion of capital in side pockets with no redemptions permitted | Approximately \$35 million of investments are in gated or liquidating funds |
| Drawdown partnerships | 1 to 9 years | Redemptions not permitted | N/A | N/A |
| Fixed income: | | | | |
| Separate accounts | N/A | Daily | None | None |
| Commingled funds | N/A | Daily | None | None |
| Partnerships | N/A | Quarterly with notice periods of 90 days | Only one-third capital available in any 12-month period | None |
| Funds held in trust | N/A | Daily | None | None |

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(4) Endowments

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

(a) University Endowment

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

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

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(In thousands of dollars)

| | 2010 | | | Total | 2009 |
|---|--------------|---------------------------|---------------------------|-----------|-----------|
| | Unrestricted | Temporarily restricted | Permanently restricted | | |
| Net assets by type of fund: | | | | | |
| Donor-restricted "true" endowment | \$ (25,384) | 2,144,096 | 1,190,234 | 3,308,946 | 2,940,166 |
| Board-designated "funds functioning as endowment" | 1,595,771 | — | — | 1,595,771 | 1,595,468 |
| Total – as above | \$ 1,570,387 | 2,144,096 | 1,190,234 | 4,904,717 | 4,535,634 |

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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, 2009:

| | 2009 | | | Total |
|--|---------------------|-------------------------------|-------------------------------|---------------------|
| | Unrestricted | Temporarily restricted | Permanently restricted | |
| Investment return: | | | | |
| Endowment yield (interest and dividends) | \$ 35,713 | 63 | 371 | 36,147 |
| Net depreciation (realized and unrealized) on investments | <u>(1,241,508)</u> | <u>(422)</u> | <u>(10,480)</u> | <u>(1,252,410)</u> |
| Total investment return | <u>(1,205,795)</u> | <u>(359)</u> | <u>(10,109)</u> | <u>(1,216,263)</u> |
| Endowment payout | <u>(289,160)</u> | <u>(63)</u> | <u>(2,856)</u> | <u>(292,079)</u> |
| Net investment return | <u>(1,494,955)</u> | <u>(422)</u> | <u>(12,965)</u> | <u>(1,508,342)</u> |
| Other changes in endowment investments: | | | | |
| Gifts and pledge payments received in cash | — | 233 | 53,669 | 53,902 |
| Transfers to create funds functioning as endowment and other changes | <u>54,159</u> | <u>(862)</u> | <u>3,016</u> | <u>56,313</u> |
| Total other changes in endowment investments | <u>54,159</u> | <u>(629)</u> | <u>56,685</u> | <u>110,215</u> |
| Net change in endowment investments | <u>(1,440,796)</u> | <u>(1,051)</u> | <u>43,720</u> | <u>(1,398,127)</u> |
| Endowment net asset reclassification | <u>(1,862,059)</u> | <u>1,862,059</u> | — | — |
| Endowment investments at: | | | | |
| Beginning of year | <u>4,860,800</u> | <u>30,022</u> | <u>1,042,939</u> | <u>5,933,761</u> |
| End of year | \$ <u>1,557,945</u> | \$ <u>1,891,030</u> | \$ <u>1,086,659</u> | \$ <u>4,535,634</u> |

| | 2009 | | | | 2008 |
|---|---------------------|-------------------------------|-------------------------------|---------------------|---------------------|
| | Unrestricted | Temporarily restricted | Permanently restricted | Total | |
| Net assets by type of fund: | | | | | |
| Donor-restricted "true" endowment | \$ (37,523) | 1,891,030 | 1,086,659 | 2,940,166 | 4,349,766 |
| Board-designated "funds functioning as endowment" | <u>1,595,468</u> | — | — | <u>1,595,468</u> | <u>1,583,995</u> |
| Total – as above | \$ <u>1,557,945</u> | \$ <u>1,891,030</u> | \$ <u>1,086,659</u> | \$ <u>4,535,634</u> | \$ <u>5,933,761</u> |

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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, 2010:

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

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| | 2010 | | | Total | 2009 |
|---|--------------------------|---------------------------|---------------------------|-----------------------|-----------------------|
| | Unrestricted | Temporarily restricted | Permanently restricted | | |
| Net assets by type of fund: | | | | | |
| Donor-restricted "true" endowment | \$ (5) | 58,844 | 6,061 | 64,900 | 58,336 |
| Board-designated "funds functioning as endowment" | <u>696,071</u> | <u>—</u> | <u>—</u> | <u>696,071</u> | <u>527,883</u> |
| Total – as above | \$ <u><u>696,066</u></u> | <u><u>58,844</u></u> | <u><u>6,061</u></u> | <u><u>760,971</u></u> | <u><u>586,219</u></u> |

Included in board-designated "funds functioning as endowment" are \$298,456 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, 2009:

| | 2009 | | | Total |
|--|---------------------|-----------------------------------|-----------------------------------|------------------|
| | Unrestricted | Temporarily restricted | Permanently restricted | |
| Investment return: | | | | |
| Endowment yield (interest and dividends, and rents) | \$ 9,834 | — | — | 9,834 |
| Net appreciation (realized and unrealized) on investments | <u>(155,579)</u> | <u>—</u> | <u>—</u> | <u>(155,579)</u> |
| Total investment return | <u>(145,745)</u> | <u>—</u> | <u>—</u> | <u>(145,745)</u> |
| Endowment payout | <u>(31,991)</u> | <u>—</u> | <u>—</u> | <u>(31,991)</u> |
| Net investment return | <u>(177,736)</u> | <u>—</u> | <u>—</u> | <u>(177,736)</u> |
| Other changes in endowment investments: | | | | |
| Gifts and pledge payments received in cash | — | — | 83 | 83 |
| Transfers to create funds functioning as endowment and other changes | <u>(61)</u> | <u>—</u> | <u>61</u> | <u>—</u> |
| Total other changes in endowment investments | <u>(61)</u> | <u>—</u> | <u>144</u> | <u>83</u> |
| Net change in endowment investments | <u>(177,797)</u> | <u>—</u> | <u>144</u> | <u>(177,653)</u> |
| Endowment net asset reclassification | <u>(52,342)</u> | <u>52,342</u> | <u>—</u> | <u>—</u> |
| Endowment investments at: | | | | |
| Beginning of year | <u>757,970</u> | <u>—</u> | <u>5,902</u> | <u>763,872</u> |
| End of year | <u>\$ 527,831</u> | <u>52,342</u> | <u>6,046</u> | <u>586,219</u> |

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| | 2009 | | | Total | 2008 |
|---|--------------|---------------------------|---------------------------|---------|---------|
| | Unrestricted | Temporarily restricted | Permanently restricted | | |
| Net assets by type of fund: | | | | | |
| Donor-restricted "true" endowments | \$ (52) | 52,342 | 6,046 | 58,336 | 78,029 |
| Board-designated "funds functioning as endowment" | 527,883 | — | — | 527,883 | 685,843 |
| Total – as above | \$ 527,831 | 52,342 | 6,046 | 586,219 | 763,872 |

Included in board-designated "funds functioning as endowment" are \$164,808 of net assets that are separately invested by the Medical Center.

(c) Interpretation of Relevant Law

Effective June 30, 2009, Illinois passed the "Uniform Prudent Management of Institutional Funds Act" (UPMIFA). 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 classifies as permanently restricted net assets the historical value of donor-restricted "true" endowment funds, which includes (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) changes to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. The remaining portion of the donor-restricted "true" endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

(d) Endowment Net Asset Reclassification for Appreciation of "True" Endowment Funds

In fiscal 2009, the University adopted the FASB Staff Position related to *Endowments of Not-for-Profit Organizations; Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*. This pronouncement provides guidance on the net asset classification of donor-restricted "true" endowment funds and also provides for enhanced endowment-related disclosures.

The financial statement effect for the adoption of FSP 117-1 is the reclassification of appreciated value of donor-restricted "true" endowment funds in excess of the fund's historical value from unrestricted to temporarily restricted net assets.

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(e) Endowment Payout

The University utilizes the total return concept in allocating endowment income. In accordance with the University’s return objective, between 4.5% and 5.5% of a 12-quarter moving average of the fair value of endowment investments lagged by one year, is available each year for expenditure in the form of endowment payout. The payout percentage, which is set each year by the Board of Trustees with the objective of a 5.0% average payout over time, was 5.25% and 5.00% for the fiscal years ended June 30, 2010 and 2009, respectively. Periodically, the University Board of Trustees will adjust the endowment payout to fund specifically approved strategic initiatives.

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

(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, 2010 and 2009, amounted to \$25,384 and \$5 and \$37,523 and \$52 for the University and Medical Center, respectively.

(5) Notes and Accounts Receivable

Components of notes and accounts receivable at June 30, 2010 and 2009 are shown as follows:

| | 2010 | | | 2009 |
|--|-------------------|-----------------------|---------------------|---------------------|
| | University | Medical Center | Consolidated | Consolidated |
| Patients | \$ 74,956 | 156,538 | 231,494 | 227,792 |
| Students: | | | | |
| Loans | 61,651 | — | 61,651 | 86,287 |
| Tuition and fees | 3,164 | — | 3,164 | 2,974 |
| U.S. government | 33,197 | — | 33,197 | 29,994 |
| All other | 68,420 | — | 68,420 | 66,404 |
| Subtotal | 241,388 | 156,538 | 397,926 | 413,451 |
| Less allowance for doubtful accounts (primarily patient receivables) | (65,624) | (29,564) | (95,188) | (93,306) |
| Total | \$ 175,764 | 126,974 | 302,738 | 320,145 |

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Notes to Consolidated Financial Statements

June 30, 2010 and 2009

(In thousands of dollars)

(6) Land, Buildings, Equipment, and Books

Components of land, buildings, equipment, and books at June 30, 2010 and 2009 are shown as follows:

| | 2010 | | | 2009 |
|-------------------------------|---------------------|-----------------------|---------------------|---------------------|
| | University | Medical Center | Consolidated | Consolidated |
| Land | \$ 63,510 | 36,008 | 99,518 | 99,518 |
| Buildings | 2,455,233 | 638,151 | 3,093,384 | 2,401,985 |
| Equipment | 410,727 | 425,705 | 836,432 | 778,379 |
| Books | 253,643 | — | 253,643 | 237,928 |
| Construction in progress | 215,519 | 221,108 | 436,627 | 793,946 |
| Subtotal | 3,398,632 | 1,320,972 | 4,719,604 | 4,311,756 |
| Less accumulated depreciation | (1,150,430) | (614,505) | (1,764,935) | (1,603,830) |
| Total | \$ <u>2,248,202</u> | <u>706,467</u> | <u>2,954,669</u> | <u>2,707,926</u> |

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Notes to Consolidated Financial Statements
June 30, 2010 and 2009
(In thousands of dollars)

(7) Notes and Bonds Payable

Notes and bonds payable at June 30, 2010 and 2009 are shown as follows:

| | <u>Fiscal year maturity</u> | <u>Interest rate</u> | <u>2010</u> | <u>2009</u> |
|--|---------------------------------|----------------------|---------------------|------------------|
| University: | | | | |
| Fixed rate: | | | | |
| Illinois Educational Facilities Authority (IEFA) | | | | |
| Series 1993 | 2014 | 6.0% | \$ 1,850 | 2,250 |
| Series 2001A | 2042 | 5.3 | 2,860 | 2,860 |
| Series 2003A | 2034 | 4.0% – 5.3% | 173,475 | 177,905 |
| Illinois Finance Authority (IFA): | | | | |
| Series 2004A | 2035 | 5% | 94,600 | 96,490 |
| Series 2004C | 2040 | 3.8 | 78,241 | 78,356 |
| Series 2007 | 2047 | 5.0 | 244,030 | 244,030 |
| Series 2008 | 2039 | 3.2 | 119,477 | 121,841 |
| Series 2008B | 2039 | 5.6 | 500,000 | 500,000 |
| Illinois Health Facilities Authority (IHFA) – Series 1985 | 2021 | 5.5 | 61,145 | 61,265 |
| Taxable Bonds – Series 2010 | 2031 | 5.3 | 300,000 | — |
| Unamortized premium | | | 10,625 | 11,235 |
| Total fixed rate | | | <u>1,586,303</u> | <u>1,296,232</u> |
| Variable rate: | | | | |
| Illinois Student Assistance Commission (ISAC) | 2011 | 0.2% – 0.5% | 15,639 | 39,997 |
| IEFA: | | | | |
| Pooled financing program | — | —% | — | 2,268 |
| Series 1998B | 2026 | 3.4 | 90,090 | 90,090 |
| Series 2001B-1 | 2037 | 0.5 | 60,000 | 60,000 |
| Series 2001B-2 | 2037 | 0.5 | 40,000 | 40,000 |
| Series 2001B-3 | 2037 | 0.5 | 72,265 | 72,265 |
| Series 2003B | 2034 | 0.2 | 45,009 | 46,061 |
| IFA – Series 2004B | 2035 | 0.2 | 93,798 | 95,954 |
| Taxable commercial paper (\$200,000 available) | 2011 | 0.3 | 100,000 | 100,000 |
| Bank lines of credit (\$250,000 available) | 2011 | 0.4 | 21,000 | 195,500 |
| Total variable rate | | | <u>537,801</u> | <u>742,135</u> |
| Total University | | | <u>2,124,104</u> | <u>2,038,367</u> |
| Medical Center: | | | | |
| Fixed rate: | | | | |
| IHFA: | | | | |
| Series 2001 | 2024 | 5.1% | 29,040 | 30,440 |
| Series 2001 | 2032 | 5.0 | 28,100 | 28,100 |
| Series 2001 | 2037 | 5.1 | 24,065 | 24,065 |
| Series 2003 | 2015 | 4.0% – 5.0% | 33,920 | 39,535 |
| IFA: | | | | |
| Series 2009C | 2037 | 5.3 – 5.5 | 85,000 | — |
| Series 2009A and B | 2027 | 3.0 – 5.0 | 154,830 | — |
| Unamortized premium | | | 9,049 | 1,376 |
| Total fixed rate | | | <u>364,004</u> | <u>123,516</u> |
| Variable rate: | | | | |
| IEFA pooled financing program | 2038 | 0.4% | 86,803 | 88,488 |
| IFA: | | | | |
| Series 2009A-1 and 2 | — | — | — | 75,000 |
| Series 2009B-1 and 2 | — | — | — | 90,000 |
| Series 2009D-1 and 2 | 2044 | 3.1 | 70,000 | — |
| Series 2009E-1 and 2 | 2044 | 3.1 | 70,000 | — |
| Bank line of credit (\$15,000 available) | 2011 | — | — | — |
| Total variable rate | | | <u>226,803</u> | <u>253,488</u> |
| Total Medical Center | | | <u>590,807</u> | <u>377,004</u> |
| Total notes and bonds payable | | | <u>\$ 2,714,911</u> | <u>2,415,371</u> |

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Notes to Consolidated Financial Statements

June 30, 2010 and 2009

(In thousands of dollars)

(a) Fiscal 2010 Transactions

During fiscal year 2010, the University issued \$300,000 in taxable fixed rate bonds. Proceeds from the Series 2010 bonds are being used to fund capital expenditures not qualifying for tax-exempt debt financing and provide longer-term financing for capital projects funded in recent years using short-term borrowing facilities.

During fiscal year 2010, the Medical Center issued \$154,830 in fixed rate revenue bonds through the IFA, which were used to convert the IFA Series 2009A-1 and 2 and 2009B-1 and 2 from variable to fixed rate bonds. Also during fiscal year 2010, the Medical Center issued \$85,000 of fixed rate revenue bonds and \$140,000 of variable rate demand bonds, proceeds from which are being used to finance the construction of a new hospital facility.

(b) Defeased Debt

As of June 30, 2010 and 2009, the total principal amount of indebtedness considered to be legally extinguished and, therefore, excluded from the University notes and bonds payable was \$75,115 and \$196,980, respectively.

(c) Interest Rate Swaps

In order to reduce exposure to adjustable interest rates on variable rate debt, the University and Medical Center have entered into debt-related interest rate swap agreements. These agreements have the effect of fixing the rate of interest for the variable rate debt. The fair value of these swap agreements are the estimated amount that the University and Medical Center would have to pay or receive to terminate the agreements as of the consolidated balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparty. At June 30, 2010 and 2009, the fair value of the interest rate swap agreements was an accrued liability of \$33,122 and \$22,069 and \$61,853 and \$32,447 for the University and Medical Center, respectively. Changes in the fair value of the interest rate swap agreements of \$(40,458) and \$(31,695) during fiscal 2010 and 2009, respectively, are included in unrestricted nonoperating other – net in the accompanying consolidated statement of activities. These financial instruments involve counterparty credit exposure. The counterparties for these swap transactions are major financial institutions that meet the University's criteria for financial stability and creditworthiness.

(d) Debt Payments

Principal payments required for University notes and bonds in each of the five years ending June 30, 2011 through 2015 are approximately \$14,541; \$15,204; \$15,888; \$44,014; and \$33,669, respectively.

Principal payments required in each of the five years ending June 30, 2011 through 2015 for the Medical Center notes and bonds are approximately \$8,825; \$9,340; \$9,810; \$10,315; and \$10,035, respectively.

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Notes to Consolidated Financial Statements

June 30, 2010 and 2009

(In thousands of dollars)

(e) ***Fair Value***

The carrying value of long-term debt does not differ materially from its estimated fair value as of June 30, 2010 and 2009, based on quoted market prices for the same or similar issues.

(f) ***Collateral***

The University's June 30, 2010 notes and bonds payable are secured by certain physical properties with a carrying value of approximately \$225 and \$7,889 of assets held by trustees for debt service. ISAC bonds payable are fully collateralized by student loans receivable that are fully guaranteed by the federal government.

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

(g) ***Remarketing***

Included in the University and Medical Center's notes and bonds payable are \$537,801 and \$226,803, respectively, of variable rate notes and bonds maturing through fiscal year 2044. In the event the University and Medical Center's remarketing agents are unable to remarket the notes and bonds, they become demand obligations and require immediate payment. To supplement internal liquidity, the University and Medical Center have standby bond purchase agreements totaling \$300,000 and \$226,803, respectively, which support variable rate debt in the event of a failed remarketing.

In addition, the University has a standby bond purchase agreement of \$119,477 in support of its IFA Series 2008 variable rate bonds, which, through an interest rate swap agreement, carry a synthetically fixed interest rate.

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Notes to Consolidated Financial Statements

June 30, 2010 and 2009

(In thousands of dollars)

(8) Pledges

Pledges receivable at June 30, 2010 and 2009 are shown as follows:

| | 2010 | | | 2009 |
|---|------------|----------------|--------------|--------------|
| | University | Medical Center | Consolidated | Consolidated |
| Unconditional promises expected to be collected in: | | | | |
| Less than one year | \$ 99,451 | 3,902 | 103,353 | 111,991 |
| One year to five years | 106,390 | 6,113 | 112,503 | 162,997 |
| More than five years | 247,825 | 669 | 248,494 | 233,090 |
| | 453,666 | 10,684 | 464,350 | 508,078 |
| Less unamortized discount and allowance for uncollectible pledges | (76,417) | (770) | (77,187) | (83,227) |
| Total | \$ 377,249 | 9,914 | 387,163 | 424,851 |

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

In addition, at June 30, 2010, the University has received \$286,908 of promises to give, which are conditional upon the raising of matching gifts from other sources, implementation of academic programs, completion of construction projects, or future income from pledged investments. These amounts will be recognized as revenue in the periods in which the conditions are fulfilled.

(9) Self-Insurance Liability

The University maintains a self-insurance program for medical malpractice liability. This program is supplemented with commercial excess insurance above the University's self-insurance retention, which, for the years ended June 30, 2010 and 2009 was \$10,000 per claim and unlimited in annual aggregate. Claims in excess of \$10,000 are subject to an additional self-insurance retention limited to \$15,000 per claim and \$15,000 in annual aggregate. The Medical Center is included under this insurance program and is charged for its portion of self-insurance costs. The University and Medical Center also maintain a self-insurance program for workers' compensation and certain other liability claims.

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

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Notes to Consolidated Financial Statements

June 30, 2010 and 2009

(In thousands of dollars)

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 \$53,700 higher than the amount recorded in the consolidated financial statements at June 30, 2010. The interest rate assumed in determining the present value was 5.0%. The University recorded unrestricted nonoperating actuarial income (expense) adjustments of \$30,351 and \$(56,200) during the years ended June 30, 2010 and 2009, 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, 2010 and 2009 is presented as follows:

| | 2010 | | | 2009 Consolidated |
|-----------------------|------------|-------------------|--------------|----------------------|
| | University | Medical Center | Consolidated | |
| Medical malpractice | \$ 240,492 | — | 240,492 | 215,631 |
| Workers' compensation | 3,732 | 7,362 | 11,094 | 10,264 |
| Others | 2,622 | — | 2,622 | 2,574 |
| Total | \$ 246,846 | 7,362 | 254,208 | 228,469 |

(10) Pension Plans and Other Postretirement Benefits

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

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

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Notes to Consolidated Financial Statements

June 30, 2010 and 2009

(In thousands of dollars)

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

| | Defined benefit | | Other postretirement | |
|--|-----------------|-----------|----------------------|-----------|
| | pension plan | | benefit plans | |
| | 2010 | 2009 | 2010 | 2009 |
| Change in benefit obligation: | | | | |
| Benefit obligation at beginning of year | \$ 444,204 | 408,416 | 168,085 | 143,948 |
| Service cost | 20,217 | 23,470 | 6,852 | 5,841 |
| Interest cost | 29,325 | 28,797 | 11,289 | 9,913 |
| Benefits paid | (29,764) | (27,739) | (6,918) | (8,165) |
| Plan amendments | 4,572 | 2,078 | — | — |
| Actuarial loss, net | 123,910 | 9,182 | 17,549 | 16,548 |
| Benefit obligation at end of year | 592,464 | 444,204 | 196,857 | 168,085 |
| Change in fair value of plan assets: | | | | |
| Fair value of plan assets at beginning of year | 225,530 | 319,764 | 13,389 | 20,429 |
| Actual return on plan assets | 27,813 | (86,540) | 1,518 | (948) |
| Employer contributions | 62,228 | 20,045 | 1,151 | 2,073 |
| Benefits paid | (29,764) | (27,739) | (6,918) | (8,165) |
| Fair value of plan assets at end of year | 285,807 | 225,530 | 9,140 | 13,389 |
| Funded status – liability | \$ (306,657) | (218,674) | (187,717) | (154,696) |

The accumulated benefit obligation for the defined benefit pension plan was \$499,986 and \$374,195 at June 30, 2010 and 2009, respectively.

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Notes to Consolidated Financial Statements

June 30, 2010 and 2009

(In thousands of dollars)

(a) Components of Net Periodic Benefit Cost

| | Defined benefit pension plan | | Other postretirement benefit plans | |
|--|------------------------------|---------------|------------------------------------|---------------|
| | 2010 | 2009 | 2010 | 2009 |
| Service cost | \$ 20,217 | 23,470 | 6,851 | 5,841 |
| Interest cost | 29,325 | 28,797 | 11,289 | 9,913 |
| Expected return on plan assets | (28,351) | (27,492) | (706) | (1,180) |
| Amortization of prior service cost (benefit) | 716 | 1,133 | (2,105) | (2,298) |
| Amortization of transition obligation | — | — | 1,370 | 1,370 |
| Amortization of actuarial loss | 3,810 | — | 4,734 | 3,912 |
| Net periodic benefit cost | \$ 25,717 | 25,908 | 21,433 | 17,558 |
| Amounts included in the consolidated statements of activities: | | | | |
| University | \$ (5,397) | 15,886 | 21,433 | 17,558 |
| Medical Center | 31,114 | 10,022 | — | — |
| Total | \$ 25,717 | 25,908 | 21,433 | 17,558 |

(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 plan | | Other postretirement benefit plans | |
|--------------------------------|------------------------------|------|------------------------------------|-------------|
| | 2010 | 2009 | 2010 | 2009 |
| Discount rate | 5.5% | 6.8% | 5.5% | 6.8% |
| Expected return on plan assets | 7.6 | 7.6 | 6.5 | 6.5 |
| Rate of compensation increase | 3.5 | 3.5 | 3.6 | 4.1 |
| Healthcare cost trend rates: | | | | |
| Next two fiscal years | — | — | 8.0% – 8.2% | 7.5% – 8.0% |
| Next seven fiscal years | — | — | 6.3 – 7.7 | 5.0 – 7.5 |
| Thereafter | — | — | 4.5 – 6.2 | 5.0 |

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

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Notes to Consolidated Financial Statements

June 30, 2010 and 2009

(In thousands of dollars)

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

| | | <u>2010</u> | <u>2009</u> |
|---|----|-------------|-------------|
| Effect on total service cost and interest cost: | | | |
| One-percentage-point increase | \$ | 3,003 | 2,422 |
| One-percentage-point decrease | | (2,342) | (1,900) |
| Effect on year-end postretirement benefit obligation: | | | |
| One-percentage-point increase | \$ | 28,931 | 22,874 |
| One-percentage-point decrease | | 23,205 | (18,520) |

(c) Plan Assets

Weighted average asset allocations by asset category are as follows:

| | Defined benefit pension plan | | Other postretirement benefit plans | |
|-------------------------------|---|-------------|---|-------------|
| | <u>2010</u> | <u>2009</u> | <u>2010</u> | <u>2009</u> |
| Domestic public equities | 26% | 40% | 58% | 49% |
| International public equities | 13 | 11 | — | — |
| Fixed income | 61 | 49 | 42 | 51 |
| | <u>100%</u> | <u>100%</u> | <u>100%</u> | <u>100%</u> |

As of June 30, 2010 and 2009, substantially all of the plan assets for the defined benefit pension plan and other postretirement benefit plans are managed through the Teachers Insurance and Annuity Association and College Retirement Equities Fund and are valued based on quoted market prices in active markets for identical investments (Level 1). The target asset allocation of 40% public equities and 60% fixed income securities is meant to result in a favorable long-term rate of return from a diversified portfolio of equity and fixed income investments. Plan assets for the other postretirement benefit plans are managed by the University and have a target asset allocation of 50% public equities and 50% fixed income securities. Typical health plans have high and variable cash needs. The asset allocation targets reflect the assumption that cash flow out of plan assets is not expected in the short term.

(d) Contributions

The University expects to make no contribution to its postretirement healthcare plan and, along with the Medical Center, expects to make a \$85,400 contribution to the defined benefit pension plan in fiscal year 2011.

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Notes to Consolidated Financial Statements

June 30, 2010 and 2009

(In thousands of dollars)

(e) Estimated Future Benefits Payments

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

| Fiscal year | Defined benefit pension plan | Other postretirement benefit plans |
|-------------|---------------------------------------|--|
| 2011 | \$ 27,679 | 6,401 |
| 2012 | 29,377 | 6,550 |
| 2013 | 31,149 | 8,923 |
| 2014 | 32,816 | 9,361 |
| 2015 | 35,449 | 9,810 |
| 2016 – 2020 | 212,754 | 57,459 |

(f) Prescription Drug Act

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act) provides for special tax-free subsidies to employers that offer retiree medical benefit plans with qualifying drug coverage. The University's postretirement plan currently meets Medicare's criteria for the tax-free subsidy because the University's plan provides for a higher level of reimbursement than Medicare. The University has recognized the effect of this subsidy in the calculation of its postretirement benefit obligation, the impact of which is to reduce the benefit obligation by \$50,542 and \$39,282 at June 30, 2010 and 2009, respectively.

(g) Curtailed Pension Plan

The Medical Center maintains a separate noncontributory defined benefit pension plan on behalf of a former affiliated organization. Prior to assumption, the benefit plan was curtailed by freezing participation and benefit accruals. At June 30, 2010 and 2009, the benefit obligation for the plan exceeded the plan's assets thus creating an unfunded liability of \$19,903 and \$18,939 at June 30, 2010 and 2009, respectively.

(h) Defined Contribution Pension Plan

Defined contribution pension plan costs included in the consolidated statements of activities amounted to \$41,060 in fiscal year 2010 and \$39,004 in fiscal year 2009 for the University and \$10,632 in fiscal year 2010 and \$9,400 in fiscal year 2009 for the Medical Center.

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Notes to Consolidated Financial Statements

June 30, 2010 and 2009

(In thousands of dollars)

(11) Functional Classification of Expenses

Expenses by functional classification for the years ended June 30, 2010 and 2009 are shown as follows:

| | 2010 | 2009 |
|---|--------------|-------------|
| University: | | |
| Academic and research: | | |
| Instruction | \$ 725,867 | 722,405 |
| Research | 287,144 | 263,012 |
| Auxiliary enterprises | 163,908 | 159,675 |
| Library | 18,126 | 16,690 |
| Student services | 47,827 | 40,994 |
| Operation and maintenance of physical plant | 88,127 | 95,994 |
| Depreciation | 107,458 | 87,103 |
| Interest on notes and bonds | 25,618 | 30,032 |
| Total academic and research | 1,464,075 | 1,415,905 |
| Administration: | | |
| Institutional support | 120,226 | 99,074 |
| Informational services | 46,265 | 47,949 |
| Development | 54,108 | 50,021 |
| Operation and maintenance of physical plant | 7,221 | 5,350 |
| Depreciation | 24,288 | 15,807 |
| Interest on notes and bonds | 9,651 | 5,588 |
| Total administration | 261,759 | 223,789 |
| Total University | 1,725,834 | 1,639,694 |
| Medical Center: | | |
| Healthcare service | 957,618 | 927,103 |
| General and administrative | 77,064 | 104,068 |
| | 1,034,682 | 1,031,171 |
| Total | \$ 2,760,516 | 2,670,865 |

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

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June 30, 2010 and 2009

(In thousands of dollars)

(12) Affiliated Organizations

The University has an ongoing relationship with the National Opinion Research Center (NORC), a not-for-profit organization that conducts research in the public interest primarily for various federal agencies. The majority of NORC's board of trustees are faculty members or officers of the University. Program-related revenue for the years ended December 31, 2009 and 2008 was \$116,220 and \$105,795, respectively. Unrestricted net assets at December 31, 2009 and 2008 were \$20,521 and \$18,873, 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.

Beginning in fiscal year 2008, 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 \$642,671 for ANL and \$403,845 for Fermilab in fiscal year 2010, and \$534,664 for ANL and \$369,515 for Fermilab in fiscal year 2009, are not included in the consolidated statements of activities. Net assets relating to ANL and to Fermilab are owned by the U.S. government and, therefore, are not included in the consolidated balance sheets.

(13) Contingencies

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

(14) Subsequent Event

In August 2010, the Medical Center sold its four chronic dialysis units with annual revenues of approximately \$25,000 to an unrelated public company for approximately \$28,000.

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Schedule of Expenditures of Federal Awards
Year ended June 30, 2010

| Federal agency and pass-through entity | CFDA numbers | Direct awards | Pass-through awards | Total expenditures |
|--|--------------------------|---------------|---------------------|--------------------|
| Research and Development Cluster: | | | | |
| Department of Agriculture: | | | | |
| Grants for Agricultural Research Competitive Research Grants | 10.206 | \$ 320,713 | — | 320,713 |
| Agricultural and Rural Economic Research | 10.250 | 151,195 | — | 151,195 |
| Food Assistance and Nutrition Research Programs (FANRP) | 10.253 | 4,733 | — | 4,733 |
| Department of Agriculture | 10.RD | 10,008 | — | 10,008 |
| University of Baltimore | 10.RD, 59-4000-0-0028 | — | 5,826 | 5,826 |
| Department of Agriculture total | | 486,649 | 5,826 | 492,475 |
| Department of Commerce: | | | | |
| Sea Grant Support | | | | |
| University of Southern California | 11.417 | — | 31,840 | 31,840 |
| Department of Commerce total | | — | 31,840 | 31,840 |
| Department of Defense: | | | | |
| Basic and Applied Scientific Research | | | | |
| Drexel University | 12.300 | 2,199,334 | — | 2,199,334 |
| Henry M. Jackson Foundation | | — | 184,273 | 184,273 |
| Henry M. Jackson Foundation | | — | 108,623 | 108,623 |
| Military Medical Research and Development | | | | |
| ADME Tech Foundation | 12.420 | 3,069,621 | — | 3,069,621 |
| University of Alabama at Birmingham | | — | 32,491 | 32,491 |
| University of Southern California | | — | 161,118 | 161,118 |
| University of Southern California | | — | 94,695 | 94,695 |
| Basic Scientific Research | | | | |
| Cornell University | 12.431 | 2,422,137 | — | 2,422,137 |
| Rush-Presbyterian-St. Luke's Medical Center | | — | 221,648 | 221,648 |
| University of Maryland | | — | 18,224 | 18,224 |
| University of Maryland | | — | 162,934 | 162,934 |
| University of Utah | | — | 16,470 | 16,470 |
| Air Force Defense Research Sciences Program | | | | |
| University of Maryland, College Park | 12.800 | 502,517 | — | 502,517 |
| University of Maryland, College Park | | — | 464,729 | 464,729 |
| Mathematical Sciences Grants Program | | | | |
| Research and Technology Development | 12.901 | 190,724 | — | 190,724 |
| Research and Technology Development | 12.910 | 300,000 | — | 300,000 |
| Northwestern University | | — | 263,304 | 263,304 |
| University of Illinois at Champaign | | — | 211,384 | 211,384 |
| Department of Defense | | | | |
| Solulink, Inc. (Solulink) | 12.RD | — | — | — |
| Solulink, Inc. (Solulink) | 12.RD, W31P4Q-09-C-0187 | — | 69,039 | 69,039 |
| Solulink, Inc. (Solulink) | 12.RD, W81 XWH-07-1-0203 | 84,002 | — | 84,002 |
| Solulink, Inc. (Solulink) | 12.RD, W81XWH-10-1-0216 | 17,515 | — | 17,515 |
| Henry M. Jackson Foundation | 12.RD, W91 1QY-08-D-0022 | — | 23,770 | 23,770 |
| Electrokinetic Signal Search Inc. | 12.RD, W911QY-08-D-0024 | — | 50,000 | 50,000 |
| Electrokinetic Signal Search Inc. | 12.RD, W91CRB-10-P-0141 | 1,683 | — | 1,683 |
| Department of Defense total | | 8,787,533 | 2,082,702 | 10,870,235 |
| Department of Education: | | | | |
| International Research and Studies | | | | |
| Overseas Programs – Faculty Research Abroad | 84.017 | 114,803 | — | 114,803 |
| Overseas Programs – Faculty Research Abroad | 84.019 | (6,326) | — | (6,326) |
| National Institute on Disability and Rehabilitation Research | | | | |
| Rehabilitation Institute Research Corporation | 84.133 | — | 17,262 | 17,262 |
| Safe and Drug-Free Schools and Communities National Program: | | | | |
| Chicago Public Schools | 84.184 | — | 54,599 | 54,599 |
| Chicago Public Schools | 84.184, PO#1452525 | — | (592) | (592) |
| Chicago Public Schools | 84.184, PO#1671023 | — | — | — |
| Graduate Assistance in Areas of National Need | | | | |
| Fund for the Improvement of Education | 84.200 | 1,426,467 | — | 1,426,467 |
| Chicago Public Schools | 84.215 | — | 2,218 | 2,218 |
| Language Resource Centers | | | | |
| Comprehensive Centers | 84.229 | 246,094 | — | 246,094 |
| American Institutes For Research | 84.283 | — | 15,713 | 15,713 |
| Education Research, Development, and Dissemination | | | | |
| Vanderbilt University | 84.305 | 955,263 | — | 955,263 |
| Vanderbilt University | | — | 2,183 | 2,183 |
| School Leadership | | | | |
| Chicago Board of Education | 84.363 | — | 57,464 | 57,464 |
| Improving Teacher Quality State Grants | | | | |
| Chicago Public Schools | 84.367 | — | 393,016 | 393,016 |
| Chicago Public Schools | 84.367, PO#1708072G | — | — | — |
| Department of Education | | | | |
| Pahoa Elementary School, State of Hawaii | 84.RD | — | 44,688 | 44,688 |
| Chicago Public Schools | 84.RD, 09-0826-PR33-1 | — | 143,594 | 143,594 |
| Department of Education total | | 2,736,301 | 730,145 | 3,466,446 |
| Department of Energy: | | | | |
| Office of Science Financial Assistance Program | | | | |
| Argonne National Laboratory | 81.049 | 4,448,618 | — | 4,448,618 |
| Argonne National Laboratory | | — | 112,325 | 112,325 |
| Berkeley National Laboratory | | — | 18,084 | 18,084 |
| Brookhaven National Laboratory | | — | 46,695 | 46,695 |
| Carnegie Institution of Washington | | — | 40,011 | 40,011 |
| Fermi National Accelerator Laboratory | | — | 5,748 | 5,748 |
| Lawrence-Livermore | | — | 118,176 | 118,176 |
| Northwestern University | | — | 358,716 | 358,716 |
| Oak Ridge National Laboratory | | — | 12,243 | 12,243 |
| Smithsonian Institution | | — | 25 | 25 |

THE UNIVERSITY OF CHICAGO
Schedule of Expenditures of Federal Awards
Year ended June 30, 2010

| Federal agency and pass-through entity | CFDA numbers | Direct awards | Pass-through awards | Total expenditures |
|--|-----------------------|---------------|---------------------|--------------------|
| University of Michigan | | \$ — | 282,087 | 282,087 |
| University of Utah | | — | 168,825 | 168,825 |
| Fossil Energy Research and Development | 81.089 | 152,530 | — | 152,530 |
| State Energy Program Special Projects | 81.119 | | | |
| Argonne National Laboratory | | — | 1,701 | 1,701 |
| Fermi National Accelerator Laboratory | | — | 219,780 | 219,780 |
| University of Wisconsin | | — | 690,549 | 690,549 |
| ARRA – State Energy Program Special Projects | 81.119 | | | |
| Argonne National Laboratory | | — | 293,197 | 293,197 |
| Nuclear Energy Research, Development, and Demonstration | 81.121 | | | |
| Texas A&M University | | — | 109,468 | 109,468 |
| Department of Energy | 81.RD | | | |
| Argonne National Laboratory | 81.RD | — | 12,942 | 12,942 |
| Fermi National Accelerator Laboratory | | — | 187,434 | 187,434 |
| Argonne National Laboratory | 81.RD, 0J-30381-0002A | — | 1,701 | 1,701 |
| Oak Ridge National Laboratory | 81.RD, 40000085953 | — | 29,999 | 29,999 |
| Argonne National Laboratory | 81.RD, 5J-00023-00031 | — | 94,856 | 94,856 |
| Argonne National Laboratory | 81.RD, 5J-00023-0005E | — | 12,561 | 12,561 |
| Argonne National Laboratory | 81.RD, 5J-00023-0026B | — | 23,108 | 23,108 |
| Argonne National Laboratory | 81.RD, 5J-00023-0037D | — | 70,270 | 70,270 |
| Argonne National Laboratory | 81.RD, 5J-00023-0039A | — | 13,612 | 13,612 |
| Argonne National Laboratory | 81.RD, 5J-00023-0041A | — | 13,225 | 13,225 |
| Argonne National Laboratory | 81.RD, 5J-00023-0042A | — | 14,712 | 14,712 |
| Argonne National Laboratory | 81.RD, 5J-00023-0047C | — | 12,556 | 12,556 |
| Argonne National Laboratory | 81.RD, 5J-00023-0049A | — | (21) | (21) |
| Argonne National Laboratory | 81.RD, 5J-00023-0050A | — | 11,098 | 11,098 |
| Argonne National Laboratory | 81.RD, 5J-00023-0051A | — | 25,547 | 25,547 |
| Argonne National Laboratory | 81.RD, 5J-00023-0052A | — | 26,858 | 26,858 |
| Argonne National Laboratory | 81.RD, 5J-00023-0053A | — | 30,916 | 30,916 |
| Argonne National Laboratory | 81.RD, 5J-00023-0054A | — | 15,240 | 15,240 |
| Argonne National Laboratory | 81.RD, 5J-00023-0055A | — | 66,557 | 66,557 |
| Argonne National Laboratory | 81.RD, 5J-00023-0056 | — | 33,000 | 33,000 |
| Argonne National Laboratory | 81.RD, 5J-00023-0057B | — | 45,968 | 45,968 |
| Argonne National Laboratory | 81.RD, 5J-00023-0058A | — | 22,395 | 22,395 |
| Argonne National Laboratory | 81.RD, 5J-00023-0059A | — | 41,870 | 41,870 |
| Argonne National Laboratory | 81.RD, 5J-00023-0060A | — | 118,584 | 118,584 |
| Argonne National Laboratory | 81.RD, 5J-00023-033F | — | 12,191 | 12,191 |
| Battelle Memorial Institute | 81.RD, 81038 | — | 4,263 | 4,263 |
| Argonne National Laboratory | 81.RD, B523820 | — | 433,572 | 433,572 |
| Lawrence-Livermore | 81.RD, B523820 | — | 891,160 | 891,160 |
| Learning Point Associates | 81.RD, ED-06-CO-0019 | — | 94,361 | 94,361 |
| Fermi National Accelerator Laboratory | 81.RD, PO587801 | — | 12,461 | 12,461 |
| Department of Energy total | | 4,601,148 | 4,850,626 | 9,451,774 |
| Department of Health and Human Services: | | | | |
| Innovations in Applied Public Health Research | 93.061 | 193,072 | — | 193,072 |
| Centers for Genomics and Public Health | 93.063 | | | |
| Northwestern University | | — | 1,754,217 | 1,754,217 |
| Maternal and Child Health Federal Consolidated Program: | 93.110 | | | |
| American Academy of Pediatrics | | — | 1,351 | 1,351 |
| University of Illinois at Chicago | | — | 103,681 | 103,681 |
| Environmental Health | 93.113 | 514,219 | — | 514,219 |
| Columbia University | | — | (940) | (940) |
| New York University | | — | 95,497 | 95,497 |
| Biometry and Risk Estimation Health Risks from Environ. Exposure | 93.115 | | | |
| Rush-Presbyterian-St. Luke's Medical Center | | — | 19,433 | 19,433 |
| Oral Diseases and Disorders Research | 93.121 | 501,836 | — | 501,836 |
| University of California Los Angeles: | | — | 7,617 | 7,617 |
| University of Miami | | — | 46,314 | 46,314 |
| Injury Prevention and Control Research Program: | 93.136 | 1,014,645 | — | 1,014,645 |
| NIEHS Superfund Hazardous Substances Basic Research and Ed. | 93.143 | | | |
| Columbia University | | — | 122,916 | 122,916 |
| Human Genome Research | 93.172 | 4,206,601 | — | 4,206,601 |
| Michigan State University | | — | 50,241 | 50,241 |
| Northwestern University | | — | 21,545 | 21,545 |
| Research Related to Deafness and Communication Disorders | 93.173 | 3,163,014 | — | 3,163,014 |
| Northwestern University | | — | 65,570 | 65,570 |
| University of Colorado | | — | 11,181 | 11,181 |
| University of Iowa | | — | 64,408 | 64,408 |
| Patient Navigator and Chronic Disease Prevention Program | 93.191 | | | |
| SAIC-Frederick, Inc. | | — | 373,777 | 373,777 |
| Research and Training in Complementary and Alternative Med | 93.213 | 1,922,497 | — | 1,922,497 |
| NRSA-Health Services Research Training | 93.225 | 377,620 | — | 377,620 |
| Research on Healthcare Costs, Quality, and Outcomes | 93.226 | 1,388,981 | — | 1,388,981 |
| University of Pennsylvania | | — | 10,985 | 10,985 |
| University of Texas Md Anderson Cancer Center | | — | 24,230 | 24,230 |
| National Center on Sleep Disorders Research | 93.233 | 991,461 | — | 991,461 |
| University of Brussels | | — | (70,681) | (70,681) |

THE UNIVERSITY OF CHICAGO
Schedule of Expenditures of Federal Awards
Year ended June 30, 2010

| Federal agency and pass-through entity | CFDA numbers | Direct awards | Pass-through awards | Total expenditures |
|--|--------------|---------------|---------------------|--------------------|
| Policy Research and Evaluation Grants | 93.239 | | | |
| Bowling Green State University | | \$ — | 16,602 | 16,602 |
| Mental Health Research Grants | 93.242 | 5,990,943 | — | 5,990,943 |
| Columbia University | | — | 55,038 | 55,038 |
| Duke University | | — | 135,224 | 135,224 |
| Johns Hopkins University | | — | 278 | 278 |
| Neuropsychiatric Research Institute | | — | 51,102 | 51,102 |
| Northern California Inst For Research & Education | | — | (269) | (269) |
| Northwestern University | | — | 14,309 | 14,309 |
| Oregon Health and Science University | | — | 50,240 | 50,240 |
| University of California San Diego | | — | 103,868 | 103,868 |
| University of Florida | | — | 86,872 | 86,872 |
| University of Illinois at Chicagc | | — | 142,030 | 142,030 |
| University of Pittsburgh | | — | 41,256 | 41,256 |
| University of Southern California | | — | 67,255 | 67,255 |
| Substance Abuse and Mental Health Services Projects | 93.243 | | | |
| Access Community Health | | — | 9,609 | 9,609 |
| Occupational Safety and Health Program | 93.262 | 352,018 | — | 352,018 |
| Therapy Programs for HIV Under the Plan for AIDS Relief | 93.266 | | | |
| Access Community Health | | — | 31,532 | 31,532 |
| Alcohol Research Programs | 93.273 | 696,501 | — | 696,501 |
| Drug Abuse NRSA Awards for Research Training | 93.278 | (11,037) | — | (11,037) |
| Drug Abuse and Addiction Research Programs | 93.279 | 5,756,648 | — | 5,756,648 |
| Medical College of Wisconsin | | — | 56,879 | 56,879 |
| Rosalind Franklin University of Medicine & Science | | — | (124) | (124) |
| University of Illinois at Champaigr | | — | 21,213 | 21,213 |
| University of Illinois at Chicagc | | — | 16,837 | 16,837 |
| University of Virginia | | — | 181,565 | 181,565 |
| Mental Health Research Career/Scientist Development Awards | 93.281 | 558,482 | — | 558,482 |
| Mental Health NRSA for Research Training | 93.282 | 99,688 | — | 99,688 |
| University of Minnesota | | — | 47,985 | 47,985 |
| CDC-Investigations and Technical Assistance | 93.283 | 190,771 | — | 190,771 |
| Medical University of Ohio | | — | 11,089 | 11,089 |
| University of Pittsburgh | | — | 3,178 | 3,178 |
| Research for Technological Innovations to Improve Human Health | 93.286 | 3,043,026 | — | 3,043,026 |
| Illinois Institute of Technology | | — | 110,148 | 110,148 |
| University of California-Davis | | — | 78,984 | 78,984 |
| University of Denver | | — | 34,859 | 34,859 |
| University of Illinois at Chicagc | | — | 40,997 | 40,997 |
| University of Iowa | | — | 259,442 | 259,442 |
| University of Tennessee | | — | 80,600 | 80,600 |
| Trans-NIH Research Support | 93.310 | 3,110,486 | — | 3,110,486 |
| Cincinnati Children's Hospital | | — | 77,376 | 77,376 |
| University of Michigar | | — | 170,365 | 170,365 |
| University of Virginia | | — | 40,854 | 40,854 |
| Nursing Research | 93.361 | | | |
| Johns Hopkins University | | — | 103,545 | 103,545 |
| University of Illinois at Chicagc | | — | 3,890 | 3,890 |
| University of Rhode Island | | — | 7,110 | 7,110 |
| National Center for Research Resources | 93.389 | 5,709,661 | — | 5,709,661 |
| Duke University | | — | 3,763 | 3,763 |
| Johns Hopkins University | | — | 155,831 | 155,831 |
| University of Southern California | | — | 1,018,839 | 1,018,839 |
| Academic Research Enhancement Award | 93.390 | 364,403 | — | 364,403 |
| Columbia University | | — | 52,652 | 52,652 |
| Cancer Cause and Prevention Research | 93.393 | 9,672,243 | — | 9,672,243 |
| Aids Research Alliance Chicago | | — | 13,004 | 13,004 |
| City of Chicago Department of Health | | — | 29,220 | 29,220 |
| H. Lee Moffitt Cancer Center & Research Inst | | — | 115,170 | 115,170 |
| Seattle Institute of Cardiac Research | | — | (1) | (1) |
| Translational Genomics Research Institute | | — | 3,905 | 3,905 |
| University of Hawaii | | — | 163,426 | 163,426 |
| University of Illinois at Chicagc | | — | 20,988 | 20,988 |
| University of Pennsylvania | | — | 201,191 | 201,191 |
| Cancer Detection and Diagnosis Research | 93.394 | 2,749,603 | — | 2,749,603 |
| Alan Penn and Associates Inc | | — | (1,244) | (1,244) |
| American College of Radiology | | — | 24,442 | 24,442 |
| American College of Radiology Imaging Network | | — | 79,218 | 79,218 |
| Northwestern University | | — | 9,374 | 9,374 |
| University of Illinois at Chicagc | | — | 8,266 | 8,266 |
| University of Texas | | — | 65,006 | 65,006 |
| Cancer Treatment Research | 93.395 | 19,449,617 | — | 19,449,617 |
| Albany Medical College | | — | 56,500 | 56,500 |
| Albert Einstein College of Medicine | | — | 16,005 | 16,005 |
| Beckman Research Institute of The City of Hope | | — | 15,865 | 15,865 |
| Brigham and Women's Hospital | | — | 711,119 | 711,119 |
| Duke University | | — | (1,988) | (1,988) |
| Gynecologic Oncology Group | | — | 130,104 | 130,104 |

THE UNIVERSITY OF CHICAGO
Schedule of Expenditures of Federal Awards
Year ended June 30, 2010

| Federal agency and pass-through entity | CFDA numbers | Direct awards | Pass-through awards | Total expenditures |
|--|----------------------|---------------|---------------------|--------------------|
| LNK Chemsolutions LLC | | \$ — | 78,352 | 78,352 |
| National Childhood Cancer Foundator | | — | 216,117 | 216,117 |
| New York Medical College | | — | 18,153 | 18,153 |
| Northwestern University | | — | 34,321 | 34,321 |
| SAIC-Frederick, Inc. | | — | 12,600 | 12,600 |
| Sloan-Kettering Institute For Cancer Research | | — | 18,731 | 18,731 |
| University of Alabama at Birmingham | | — | 424,245 | 424,245 |
| University of California Riverside | | — | 233,628 | 233,628 |
| University of Pittsburgh | | — | (4,066) | (4,066) |
| Cancer Biology Research | 93.396 | 8,037,566 | — | 8,037,566 |
| Cincinnati Children's Hospital | | — | 73,217 | 73,217 |
| Dana-Farber Cancer Research Institute | | — | 15,836 | 15,836 |
| Genvec, Inc. | | — | 55,260 | 55,260 |
| Loyola University – Illinois | | — | 140,488 | 140,488 |
| Northwestern University | | — | 376,235 | 376,235 |
| University of California San Francisco | | — | (59,716) | (59,716) |
| Cancer Centers Support Grants | 93.397 | 6,898,176 | — | 6,898,176 |
| Northwestern University | | — | 53,681 | 53,681 |
| Cancer Research Manpower | 93.398 | 1,983,236 | — | 1,983,236 |
| American College of Radiology | | — | 36,866 | 36,866 |
| Cancer Control | 93.399 | 3,029,167 | — | 3,029,167 |
| Johns Hopkins University | | — | 387 | 387 |
| Mayo Foundation | | — | 566 | 566 |
| Northwestern University | | — | 44,949 | 44,949 |
| Southwest Oncology Group | | — | 2,095 | 2,095 |
| Abandoned Infants | 93.551 | 91,011 | — | 91,011 |
| Child Abuse and Neglect Discretionary Activities | 93.670 | — | — | — |
| Center For The Study of Social Policy | | — | 38,442 | 38,442 |
| City of New York | | — | 12,835 | 12,835 |
| Illinois Department of Children and Family Services | 93.670, 1923669030 | — | 479,055 | 479,055 |
| Illinois Department of Human Services | 93.670, K11 GK514469 | — | 31,993 | 31,993 |
| Illinois Department of Human Services | 93.670, L11GL514000 | — | 166,923 | 166,923 |
| ARRA – Trans-NIH Recovery Act Research Support | 93.701 | 19,351,482 | — | 19,351,482 |
| Blue Cross Blue Shield Association | | — | 204,599 | 204,599 |
| Brigham and Women's Hospital | | — | 286,273 | 286,273 |
| Children's Hospital Los Angeles | | — | 68,751 | 68,751 |
| Duke University | | — | 29,505 | 29,505 |
| Emory University | | — | 143,772 | 143,772 |
| Johns Hopkins University | | — | 10,892 | 10,892 |
| Massachusetts General Hospital | | — | 7,991 | 7,991 |
| National Childhood Cancer Foundation | | — | 11,771 | 11,771 |
| Northwestern University | | — | 84,303 | 84,303 |
| Radiological Society of North America | | — | 14,022 | 14,022 |
| Tourette Syndrome Association | | — | 44,280 | 44,280 |
| University of Florida | | — | 1,597 | 1,597 |
| University of Illinois at Chicago | | — | 150,520 | 150,520 |
| University of Maryland | | — | 12,435 | 12,435 |
| University of Michigan | | — | 131,453 | 131,453 |
| University of Southern California | | — | 82,347 | 82,347 |
| Vanderbilt University | | — | 603,327 | 603,327 |
| Washington University | | — | 3,491 | 3,491 |
| Cardiovascular Diseases Research | 93.837 | 9,106,546 | — | 9,106,546 |
| AJ Medical Devices, Inc. | | — | 1,900 | 1,900 |
| Northwestern University | | — | 136,461 | 136,461 |
| University of Illinois at Chicago | | — | 1,267 | 1,267 |
| University of Washington | | — | 15,149 | 15,149 |
| Vanderbilt University | | — | 20,334 | 20,334 |
| Wake Forest University | | — | 227,639 | 227,639 |
| Yale University | | — | 30,564 | 30,564 |
| Lung Diseases Research | 93.838 | 10,047,827 | — | 10,047,827 |
| Duke University | | — | 4,164 | 4,164 |
| Medical College of Georgia | | — | 322 | 322 |
| Northwestern University | | — | 169 | 169 |
| University of Arizona | | — | 65,018 | 65,018 |
| University of Missouri – Columbia | | — | 5,563 | 5,563 |
| University of Wisconsin | | — | 322,321 | 322,321 |
| Blood Diseases and Resources Research | 93.839 | 649,516 | — | 649,516 |
| Howard University | | — | 188 | 188 |
| Medical College of Georgia | | — | 18,785 | 18,785 |
| St Jude Children's Research Hospital | | — | 115,681 | 115,681 |
| Arthritis, Musculoskeletal, and Skin Diseases Research | 93.846 | 790,597 | — | 790,597 |
| Cincinnati Children's Hospital | | — | 19,405 | 19,405 |
| Hospital For Special Surgery | | — | 17,012 | 17,012 |
| Loyola University – Illinois | | — | 128,669 | 128,669 |
| Pennsylvania State University | | — | 19,089 | 19,089 |
| Seattle Children's Hospital & Regional Medical Ctr | | — | 4,389 | 4,389 |
| Diabetes, Digestive, and Kidney Diseases Extramural Research | 93.847 | 12,224,327 | — | 12,224,327 |
| Benaroya Research Institute at Virginia Med Ctr | | — | 7,825 | 7,825 |

THE UNIVERSITY OF CHICAGO
Schedule of Expenditures of Federal Awards
Year ended June 30, 2010

| Federal agency and pass-through entity | CFDA numbers | Direct awards | Pass-through awards | Total expenditures |
|--|--------------|---------------|---------------------|--------------------|
| Chemical Diversity Labs | | \$ — | 379 | 379 |
| Columbia University | | — | 48,332 | 48,332 |
| Illinois Institute of Technology | | — | 15,743 | 15,743 |
| Kaiser Foundation Research Institute | | — | 174,314 | 174,314 |
| Palo Alto Medical Foundation Research Institute | | — | 28,172 | 28,172 |
| University of Texas | | — | 260,947 | 260,947 |
| Washington University | | — | 39,756 | 39,756 |
| Yale University | | — | 15,054 | 15,054 |
| Digestive Diseases and Nutrition Research | 93.848 | 1,324,599 | — | 1,324,599 |
| Michigan State University | | — | (845) | (845) |
| Northwestern University | | — | 59,882 | 59,882 |
| University of Illinois at Chicago | | — | 26,633 | 26,633 |
| Yale University | | — | 255,036 | 255,036 |
| Kidney Diseases, Urology, and Hematology Research | 93.849 | 3,290,985 | — | 3,290,985 |
| Northwestern University | | — | 17,682 | 17,682 |
| University of Rochester | | — | 61,077 | 61,077 |
| Research in the Neurosciences and Neurological Disorders | 93.853 | 7,687,500 | — | 7,687,500 |
| Children's Hospital, Boston | | — | 10,673 | 10,673 |
| Columbia University | | — | 71,649 | 71,649 |
| Cornell University | | — | 1,237 | 1,237 |
| Duke University | | — | 94,464 | 94,464 |
| Johns Hopkins University | | — | 112,720 | 112,720 |
| Massachusetts General Hospital | | — | (11,348) | (11,348) |
| Northwestern University | | — | 36,415 | 36,415 |
| The Children's Hospital of Philadelphia | | — | 73,228 | 73,228 |
| Tourette Syndrome Association | | — | 32,704 | 32,704 |
| University of California San Diego | | — | (2,302) | (2,302) |
| University of Minnesota | | — | 11,541 | 11,541 |
| University of Rochester | | — | 786 | 786 |
| Allergy, Immunology, and Transplantation Research | 93.855 | 24,740,329 | — | 24,740,329 |
| Albany Medical College | | — | 153,868 | 153,868 |
| Columbia University | | — | 10,559 | 10,559 |
| Duke University | | — | 141,598 | 141,598 |
| Emory University | | — | 248,260 | 248,260 |
| Fred Hutchinson Cancer Research Center | | — | 808 | 808 |
| Innovative Biologics | | — | 98,611 | 98,611 |
| Oklahoma Medical Research Foundation | | — | 118,803 | 118,803 |
| Rhode Island Hospital | | — | (3,981) | (3,981) |
| Snowdon, Inc. | | — | 34,372 | 34,372 |
| The Miriam Hospital | | — | 4,694 | 4,694 |
| University of California San Francisco | | — | 51,438 | 51,438 |
| University of Massachusetts | | — | 199,135 | 199,135 |
| University of Wisconsin | | — | 57,659 | 57,659 |
| Biomedical Research and Research Training | 93.859 | 31,228,388 | — | 31,228,388 |
| Biostructures, Inc. | | — | 189,009 | 189,009 |
| Brigham and Women's Hospital | | — | 123,857 | 123,857 |
| Cornell University | | — | 67,495 | 67,495 |
| Los Alamos National Laboratory | | — | 520,244 | 520,244 |
| University of Michigan | | — | 207,874 | 207,874 |
| University of Southern California | | — | 2,418 | 2,418 |
| University of Wisconsin | | — | 145,851 | 145,851 |
| NIH Population Research | 93.864 | 1,698,820 | — | 1,698,820 |
| National Bureau of Economic Research | | — | (7,007) | (7,007) |
| University of Illinois at Chicago | | — | 90,115 | 90,115 |
| Child Health and Human Development Extramural Research | 93.865 | 5,315,680 | — | 5,315,680 |
| Children's Memorial Hospital, Chicago | | — | 615 | 615 |
| Cornell University | | — | 151,283 | 151,283 |
| Johns Hopkins University | | — | 15,861 | 15,861 |
| Mount Sinai Medical Center of Miami | | — | 94,056 | 94,056 |
| University of California San Francisco | | — | 109,589 | 109,589 |
| University of Colorado | | — | 40,739 | 40,739 |
| University of Illinois at Chicago | | — | 37,385 | 37,385 |
| University of Kansas | | — | 273,509 | 273,509 |
| University of Missouri – Kansas City | | — | 5,927 | 5,927 |
| University of Texas, San Antonio | | — | 36,543 | 36,543 |
| University of Utah | | — | 81,163 | 81,163 |
| Aging Research | 93.866 | 4,342,472 | — | 4,342,472 |
| Duke University | | — | 71,722 | 71,722 |
| National Bureau of Economic Research | | — | 432,809 | 432,809 |
| National Opinion Research Center | | — | 53,359 | 53,359 |
| Stanford University | | — | 13,811 | 13,811 |
| University of California San Diego | | — | 138,275 | 138,275 |
| University of Connecticut Health Center | | — | 1 | 1 |
| University of Michigan | | — | (13,343) | (13,343) |
| University of Pennsylvania | | — | 6,383 | 6,383 |
| Vision Research | 93.867 | 2,585,509 | — | 2,585,509 |
| Medical Library Assistance | 93.879 | 256,887 | — | 256,887 |
| Grants for Training in Primary Care Medicine and Dentistry | 93.884 | 64,855 | — | 64,855 |

THE UNIVERSITY OF CHICAGO
Schedule of Expenditures of Federal Awards
Year ended June 30, 2010

| Federal agency and pass-through entity | CFDA numbers | Direct awards | Pass-through awards | Total expenditures |
|--|------------------------------|---------------|---------------------|--------------------|
| Grants for Faculty Development in Family Medicine | 93.895 | \$ 517,253 | — | 517,253 |
| Healthy Start Initiative | 93.926 | | | |
| Illinois Department of Human Services | 93.926, 11GL514000 | — | 92,631 | 92,631 |
| HIV Emergency Relief Project Grants | 93.941 | 419,019 | — | 419,019 |
| International Research and Research Training | 93.989 | 258,774 | — | 258,774 |
| Department of Health and Human Services | 93.RD | | | |
| Access Community Health | | — | 25,009 | 25,009 |
| American College of Radiology | | — | 82,150 | 82,150 |
| City of Chicago Department of Health | | — | 10,774 | 10,774 |
| University of Pittsburgh | | — | 2,204 | 2,204 |
| Mathematica Policy Research | | — | (113,791) | (113,791) |
| National Opinion Research Center | | — | 35,530 | 35,530 |
| Marine Biological Laboratory | 93.RD, R01 LM009725-02 | — | 14,856 | 14,856 |
| Duke University | 93.RD, 1 N01 AR22265-01 | — | 17,305 | 17,305 |
| Access Community Health | 93.RD, 1 U01 79T1020284-01 | — | 12,405 | 12,405 |
| University of California San Diego | 93.RD, 10303630-SUB | — | 3,436 | 3,436 |
| Illinois Department of Children and Family Services | 93.RD, 1923669028 | — | (69,046) | (69,046) |
| Columbia University | 93.RD, 2 U54 AI057158-06 | — | 67,225 | 67,225 |
| Columbia University | 93.RD, 2 U54 AI057158-06 | — | 17,567 | 17,567 |
| RTI International | 93.RD, 200-2002-00776 | — | (569) | (569) |
| SAIC-Frederick, Inc. | 93.RD, 22XS027 | — | (1,121) | (1,121) |
| Urban Institute | 93.RD, 233-02-0059 | — | 163,890 | 163,890 |
| SAIC-Frederick, Inc. | 93.RD, 23XS027 | — | 11,123 | 11,123 |
| Ohio State University | 93.RD, 28X193 | — | 63,631 | 63,631 |
| University of Illinois at Champaign | 93.RD, 5 PN2 EY016570-04 | — | 9,371 | 9,371 |
| Hospital For Special Surgery | 93.RD, 5 R01 AR049772-03 | — | (2,927) | (2,927) |
| University of California Los Angeles | 93.RD, 5 R01 MH081754 | — | 145,204 | 145,204 |
| National Opinion Research Center | 93.RD, 5 R37 AG030481-02 | — | 22,785 | 22,785 |
| Columbia University | 93.RD, 5 U54 CA121852-04 | — | 5,458 | 5,458 |
| Duke University | 93.RD, 7 U10 CA86004-02 | — | 269 | 269 |
| Booz Allen Hamilton, Inc. | 93.RD, GS-35F-0306J | — | 79,699 | 79,699 |
| University of Illinois at Chicago | 93.RD, HA H4A00062-08 | — | 16,363 | 16,363 |
| University of Illinois at Chicago | 93.RD, HHS A-290-2005-0038-I | — | 45,352 | 45,352 |
| | 93.RD, HHSN261200555009C | 256,132 | — | 256,132 |
| | 93.RD, HHSN261200622001C | 770,217 | — | 770,217 |
| SAIC-Frederick, Inc. | 93.RD, HHSN261200800001E | — | 15,544 | 15,544 |
| JB Management Solutions LLC | 93.RD, HHSN263200500063293B | — | 12,000 | 12,000 |
| Westat | 93.RD, HHSN265200423601C | — | (16,851) | (16,851) |
| | 93.RD, HHSN266200400042C | 954,501 | — | 954,501 |
| Oklahoma Medical Research Foundation | 93.RD, HHSN266200500026C | — | 63,959 | 63,959 |
| Emory University | 93.RD, HHSN266200700006C | — | 260,540 | 260,540 |
| Northwestern University | 93.RD, HHSN267200700027C | — | 61,945 | 61,945 |
| | 93.RD, HHSN267200700039C | 54,120 | — | 54,120 |
| University of California San Francisco | 93.RD, HHSN27220070031C | — | 666,618 | 666,618 |
| Virginia Tech | 93.RD, HHSN272200900040C | — | 793,073 | 793,073 |
| Northwestern University | 93.RD, HHSN275200800016C | — | 11,605 | 11,605 |
| Mathematica Policy Research | 93.RD, HSSP2330095642WC | — | 43,164 | 43,164 |
| | 93.RD, N01 A195380 | (1,323) | — | (1,323) |
| University of California San Francisco | 93.RD, N01 AI15416 | — | 63,805 | 63,805 |
| National Bureau of Economic Research | 93.RD, P01 AG005842-22S1 | — | (5) | (5) |
| University of Illinois at Chicago | 93.RD, P01 HD055751 | — | 83,631 | 83,631 |
| | 93.RD, P01 NS39404 | (329) | — | (329) |
| National Opinion Research Center | 93.RD, R01 AG030481-01A1 | — | 41,119 | 41,119 |
| American College of Radiology | 93.RD, R01 CA021661 | — | 50,275 | 50,275 |
| Duke University | 93.RD, U10 CA076001-13 | — | 6,595 | 6,595 |
| Duke University | 93.RD, U10 CA076001-13 | — | 6,923 | 6,923 |
| Duke University | 93.RD, U10 CA076001-14 | — | 9,221 | 9,221 |
| Duke University | 93.RD, Z6051 | — | 7,159 | 7,159 |
| Department of Health and Human Services total | | 229,980,838 | 21,674,570 | 251,655,408 |
| Department of Housing and Urban Development | 14.516 | | | |
| Doctoral Dissertation Research Grants | | 7,173 | — | 7,173 |
| Department of Housing and Urban Development total | | 7,173 | — | 7,173 |
| Department of Justice: | | | | |
| National Institute of Justice Research, Evaluation, and Development Project Grants | 16.560 | | | |
| University of Washington | | — | 44,429 | 44,429 |
| Department of Justice total | | — | 44,429 | 44,429 |
| Department of State: | | | | |
| Population Council | 19.RD, CB06.102A | — | 65,520 | 65,520 |
| Department of State total | | — | 65,520 | 65,520 |
| Environmental Protection Agency: | | | | |
| Science To Achieve Results (STAR) Research Program | 66.509 | | | |
| Johns Hopkins University | | — | 195,825 | 195,825 |
| Science To Achieve Results (STAR) Fellowship Program | 66.514 | 99,440 | — | 99,440 |

THE UNIVERSITY OF CHICAGO
Schedule of Expenditures of Federal Awards
Year ended June 30, 2010

| Federal agency and pass-through entity | CFDA numbers | Direct awards | Pass-through awards | Total expenditures |
|--|--------------------|---------------|---------------------|--------------------|
| EP-Consolidated Grants for the Insular Areas – Program Support | 66.600 | \$ (1) | — | (1) |
| Environmental Protection Agency total | | 99,439 | 195,825 | 295,264 |
| National Aeronautics and Space Administration: | | | | |
| National Aeronautics and Space Administration: | 43.000 | | | |
| Cornell University | | — | 75,466 | 75,466 |
| University of Illinois at Champaign | | — | 28,191 | 28,191 |
| Science | 43.001 | 3,354,477 | — | 3,354,477 |
| California Institute of Technology | | — | 10,010 | 10,010 |
| Cornell University | | — | 43,691 | 43,691 |
| Fermi National Accelerator Laboratory | | — | 50,144 | 50,144 |
| Jet Propulsion Laboratory | | — | 326,198 | 326,198 |
| Massachusetts Institute of Technology | | — | 58,794 | 58,794 |
| Smithsonian Institution | | — | 246,543 | 246,543 |
| Southwest Research Institute | | — | 88,790 | 88,790 |
| Space Telescope Science Institute | | — | 150,303 | 150,303 |
| University of Texas at Austin | | — | 165,163 | 165,163 |
| University Space Research Association | | — | 1,007,159 | 1,007,159 |
| National Aeronautics and Space Administration: | 43.RD | | | |
| California Institute of Technology | 43.RD, ANT-0638937 | — | 23,278 | 23,278 |
| Smithsonian Institution | 43.RD, GO9-0149C | — | 10,035 | 10,035 |
| National Aeronautics and Space Administration total | | 3,354,477 | 2,283,765 | 5,638,242 |
| National Endowment for the Humanities: | | | | |
| Promotion of the Humanities Division of Preservation and Access: | 45.149 | 184,389 | — | 184,389 |
| Promotion of the Humanities Research: | 45.161 | 309,912 | — | 309,912 |
| Promotion of the Humanities Office of Digital Humanities: | 45.169 | 28,185 | — | 28,185 |
| National Endowment for the Humanities total | | 522,486 | — | 522,486 |
| National Science Foundation: | | | | |
| Engineering Grants | 47.041 | 57,496 | — | 57,496 |
| Northwestern University | | — | 70,424 | 70,424 |
| University of Alaska Fairbanks | | — | 69,539 | 69,539 |
| Mathematical and Physical Sciences | 47.049 | 18,394,091 | — | 18,394,091 |
| Columbia University | | — | 1,012,911 | 1,012,911 |
| Fermi National Accelerator Laboratory | | — | 136,123 | 136,123 |
| University of California Irvine | | — | 23,626 | 23,626 |
| University of Minnesota | | — | (27,184) | (27,184) |
| University of Notre Dame | | — | 286,453 | 286,453 |
| University of Wisconsin | | — | 348,004 | 348,004 |
| Geosciences | 47.050 | 3,364,242 | — | 3,364,242 |
| California Institute of Technology | | — | 77,285 | 77,285 |
| State University of New York | | — | 92 | 92 |
| University of California San Diego | | — | 101,916 | 101,916 |
| Computer and Information Science and Engineering | 47.070 | 19,533,968 | — | 19,533,968 |
| DePaul University | | — | 17,954 | 17,954 |
| University of Delaware | | — | 18,629 | 18,629 |
| University of Illinois at Chicago | | — | 13,347 | 13,347 |
| Biological Sciences | 47.074 | 2,429,282 | — | 2,429,282 |
| University of California Santa Barbara | | — | 46,325 | 46,325 |
| University of California-Davis | | — | 206,672 | 206,672 |
| University of Illinois at Chicago | | — | 23,708 | 23,708 |
| University of Michigan | | — | 49,121 | 49,121 |
| University of Southern California | | — | 73,490 | 73,490 |
| Social, Behavioral, and Economic Sciences | 47.075 | 2,615,467 | — | 2,615,467 |
| Purdue University | | — | 2,997 | 2,997 |
| Temple University | | — | 1,337,175 | 1,337,175 |
| Education and Human Resources | 47.076 | 1,510,571 | — | 1,510,571 |
| American Educational Research Association | | — | 14,299 | 14,299 |
| University of Missouri – Columbia | | — | 123,898 | 123,898 |
| Polar Programs | 47.078 | 3,409,780 | — | 3,409,780 |
| International Science and Engineering (OISE) | 47.079 | 4,029 | — | 4,029 |
| Office of Cyberinfrastructure | 47.080 | 2,443,412 | — | 2,443,412 |
| Boston University | | — | 21,752 | 21,752 |
| Indiana University | | — | 133,625 | 133,625 |
| Northwestern University | | — | 223,031 | 223,031 |
| University of California San Diego | | — | 247,112 | 247,112 |
| University of Florida | | — | 98,674 | 98,674 |
| University of Illinois at Champaign | | — | 101,879 | 101,879 |
| ARRA – Trans-NSF Recovery Act Research Support | 47.082 | 1,725,287 | — | 1,725,287 |
| University of California Berkeley | | — | 55,396 | 55,396 |
| National Science Foundation | 47.RD | | | |
| University of California San Diego | | — | 102,269 | 102,269 |
| Johns Hopkins University | 47.RD, DMS-0427223 | — | 37,108 | 37,108 |
| National Science Foundation total | | 55,487,625 | 5,047,650 | 60,535,275 |
| Research and Development Cluster total | | 306,063,669 | 37,012,898 | 343,076,567 |

THE UNIVERSITY OF CHICAGO
Schedule of Expenditures of Federal Awards
Year ended June 30, 2010

| Federal agency and pass-through entity | CFDA numbers | Direct awards | Pass-through awards | Total expenditures |
|---|-----------------------------------|---------------|---------------------|--------------------|
| Student Financial Assistance Cluster: | | | | |
| Department of Education: | | | | |
| Federal Supplemental Educational Opportunity Grant: | 84.007 | \$ 737,584 | — | 737,584 |
| Federal Family Education Loans | 84.032 | 126,995,016 | — | 126,995,016 |
| Federal Work-Study Program | 84.033 | 2,497,960 | — | 2,497,960 |
| ARRA – Federal Work-Study Program | 84.033 | 480,267 | — | 480,267 |
| Federal Perkins Loan Program Federal Capital Contribution: | 84.038 | 4,425,727 | — | 4,425,727 |
| Federal Pell Grant Program | 84.063 | 3,449,834 | — | 3,449,834 |
| Academic Competitiveness Grants | 84.375 | 357,637 | — | 357,637 |
| SMART Grants | 84.376 | 221,335 | — | 221,335 |
| TEACH Grants | 84.379 | 34,000 | — | 34,000 |
| Department of Education total | | 139,199,360 | — | 139,199,360 |
| Student Financial Assistance Cluster total | | 139,199,360 | — | 139,199,360 |
| Other federal programs: | | | | |
| Department of Defense: | | | | |
| Air Force Defense Research Sciences Program | 12.800 | 41,500 | — | 41,500 |
| Department of Defense | | | | |
| Chicago Public Schools | 12.UNK, 1610104G/196G/198G/200G | — | 2,546 | 2,546 |
| Chicago Public Schools | 12.UNK, 1865301G | — | 98,746 | 98,746 |
| Department of Defense total | | 41,500 | 101,292 | 142,792 |
| Department of Education: | | | | |
| Title I Grants to Local Educational Agencies | 84.010 | (5,559) | — | (5,559) |
| Chicago Public Schools | 84.010, PO#1725238G-0 | — | (5,405) | (5,405) |
| National Resource Centers Program for FLAS or FLIS and FLASFS | 84.015 | 2,707,961 | — | 2,707,961 |
| Northeastern Illinois University | | — | 333,737 | 333,737 |
| University of Illinois at Champaign | | — | 377,573 | 377,573 |
| Overseas Programs – Doctoral Dissertation Research Abroad | 84.022 | 721,640 | — | 721,640 |
| TRIO Upward Bound | 84.047 | 1,102 | — | 1,102 |
| Javits Fellowships | 84.170 | 609,386 | — | 609,386 |
| Education Research, Development, and Dissemination: | 84.305 | 964,510 | — | 964,510 |
| Intl. Ed. Tech Innovation and Cooperation for Foreign Info. Access: | 84.337 | 117,715 | — | 117,715 |
| Improving Teacher Quality State Grants | 84.367 | — | — | — |
| Illinois Board of Higher Education | | — | 300,558 | 300,558 |
| Chicago Board of Education | 84.367, 09-0826-PR30/09-1028-PR17 | — | 263,203 | 263,203 |
| Department of Education | | | | |
| Chicago Public Schools | 84.UNK, 09-0826-PR29-1 | — | 294,000 | 294,000 |
| Department of Education total | | 5,116,755 | 1,563,666 | 6,680,421 |
| Department of Energy: | | | | |
| Office of Science Financial Assistance Program | 81.049 | — | — | — |
| Krell Institute | | — | 22,554 | 22,554 |
| State Energy Program Special Projects | 81.119 | — | — | — |
| Krell Institute | | — | 2,888 | 2,888 |
| Department of Energy | | | | |
| Fermi National Accelerator Laboratory | 81.UNK | — | 292,610 | 292,610 |
| Department of Energy total | | — | 318,052 | 318,052 |
| Department of Health and Human Services: | | | | |
| Patient Navigator and Chronic Disease Prevention Program | 93.191 | 43,771 | — | 43,771 |
| Research on Healthcare Costs, Quality, and Outcomes | 93.226 | 83,255 | — | 83,255 |
| Immunization Grants | 93.268 | — | — | — |
| City of Chicago Department of Health: | 93.268, HC23/CCH522565-05 | — | 311 | 311 |
| Drug Abuse and Addiction Research Programs | 93.279 | 160,726 | — | 160,726 |
| Research for Technological Innovations to Improve Human Health | 93.286 | 13,748 | — | 13,748 |
| Cancer Cause and Prevention Research | 93.393 | 23,736 | — | 23,736 |
| Diabetes, Digestive, and Kidney Diseases Extramural Research | 93.847 | 5,996 | — | 5,996 |
| Kidney Diseases, Urology, and Hematology Research | 93.849 | 34,418 | — | 34,418 |
| Research in the Neurosciences and Neurological Disorders | 93.853 | 118,020 | — | 118,020 |
| University of Rochester | | — | (5,415) | (5,415) |
| Biomedical Research and Research Training | 93.859 | 268,602 | — | 268,602 |
| Grants for Training in Primary Care Medicine and Dentistry | 93.884 | 8,738 | — | 8,738 |
| HIV Emergency Relief Project Grants | 93.914 | — | — | — |
| Aids Foundation of Chicago | | — | 166,348 | 166,348 |
| City of Chicago Department of Health: | 93.914, PO#17199-2 | — | 200,636 | 200,636 |
| City of Chicago Department of Health: | 93.914, PO#17199-2 | — | 14,056 | 14,056 |
| City of Chicago Department of Health: | 93.914, PO#17199-3 | — | 86,175 | 86,175 |
| City of Chicago Department of Health: | 93.914, PO#8479-03 | — | (62,809) | (62,809) |
| Healthy Start Initiative | 93.926 | — | — | — |
| Illinois Department of Human Services | 93.926, 11GK514330 | — | 2,086 | 2,086 |
| Illinois Department of Human Services | 93.926, 11GL514000 | — | 152,529 | 152,529 |
| Maternal and Child Health Services Block Grant to the States | 93.994 | — | — | — |
| Illinois Department of Public Health: | 93.994, 93789001 | — | 404,799 | 404,799 |
| Department of Health and Human Services | 93.UNK | (2,581) | — | (2,581) |

THE UNIVERSITY OF CHICAGO
Schedule of Expenditures of Federal Awards
Year ended June 30, 2010

| Federal agency and pass-through entity | CFDA numbers | Direct awards | Pass-through awards | Total expenditures |
|---|--|---------------|---------------------|--------------------|
| Children's Hospital Los Angeles | 93.UNK, R01 CA90027 | \$ — | 6,165 | 6,165 |
| Department of Health and Human Services total | | 758,429 | 964,881 | 1,723,310 |
| Department of State: | | | | |
| Department of State | | | | |
| American Research Center in Egypt | 19.UNK 19.UNK, 263-G-00-05-00005-00 | — | 6 | 6 |
| The Field Museum | 19.UNK, IRD-FIELD-001 19.UNK, S-ECAAE-09-CA-030(SJ) | 569,162 — | — 67,425 | 569,162 67,425 |
| Department of State total | | 574,708 | 67,431 | 642,139 |
| Institute of Museum Services: | | | | |
| Conservation Project Support | 45.303 | 70,931 | — | 70,931 |
| Grants to States | 45.310 | | | |
| Illinois State Library | | — | 2,656 | 2,656 |
| National Leadership Grants | 45.312 | 20,858 | — | 20,858 |
| Institute of Museum Services total | | 91,789 | 2,656 | 94,445 |
| National Aeronautics and Space Administration: | | | | |
| Science | 43.001 | 118,892 | — | 118,892 |
| Chicago Public Schools | | — | 2,622 | 2,622 |
| Space Telescope Science Institute | | — | 10,597 | 10,597 |
| National Aeronautics and Space Administration total | | 118,892 | 13,219 | 132,111 |
| National Endowment for the Arts: | | | | |
| Promotion of the Arts Grants to Organizations and Individuals: | | | | |
| ARRA – Promotion of the Arts Grants to Orgs. and Individuals: | 45.024 | 36,363 | — | 36,363 |
| Promotion of the Arts Partnership Agreements: | 45.024 | 25,000 | — | 25,000 |
| Arts Midwest | 45.025 | — | 5,000 | 5,000 |
| National Endowment for the Arts total | | 61,363 | 5,000 | 66,363 |
| National Endowment for the Humanities: | | | | |
| Promotion of the Humanities-Division of Preservation and Acces: | 45.149 | 176,563 | — | 176,563 |
| | | 176,563 | — | 176,563 |
| National Science Foundation: | | | | |
| Mathematical and Physical Sciences | 47.049 | 496,221 | — | 496,221 |
| Geosciences | 47.050 | 21,941 | — | 21,941 |
| Social, Behavioral, and Economic Sciences | 47.075 | 14,384 | — | 14,384 |
| Education and Human Resources | 47.076 | 1,061,350 | — | 1,061,350 |
| ARRA – Trans-NSF Recovery Act Research Support | 47.082 | 666,666 | — | 666,666 |
| National Science Foundation total | | 2,260,562 | — | 2,260,562 |
| Other Federal Programs total | | 9,200,561 | 3,036,197 | 12,236,758 |
| Trio Cluster: | | | | |
| Department of Education: | | | | |
| TRIO-Upward Bound | 84.047 | 519,439 | — | 519,439 |
| Department of Education total | | 519,439 | — | 519,439 |
| Trio Cluster total | | 519,439 | — | 519,439 |
| Immunization Cluster: | | | | |
| Department of Health and Human Services | | | | |
| Immunization Grants | 93.268 | | | |
| City of Chicago Department of Health: | 93.268, HC23/CCH522565-05 | — | 67,422 | 67,422 |
| City of Chicago Department of Health: | 93.268, PO#16193-3 | — | 82,251 | 82,251 |
| Department of Health and Human Services total | | — | 149,673 | 149,673 |
| Immunization Cluster total | | — | 149,673 | 149,673 |
| State Fiscal Stabilization Fund Cluster: | | | | |
| Department of Education: | | | | |
| ARRA – State Fiscal Stabilization Fund – Govt. Services, Recovery Act | 84.397 | | | |
| Chicago Public Schools | 84.397, PO#1756272 | — | 157,632 | 157,632 |
| Department of Education total | | — | 157,632 | 157,632 |
| State Fiscal Stabilization Fund Cluster total | | — | 157,632 | 157,632 |
| Other Clusters: | | | | |
| Department of Education: | | | | |
| ARRA – Teacher Quality Partnerships, Recovery Act | 84.405 | 60,138 | — | 60,138 |
| Department of Education total | | 60,138 | — | 60,138 |
| Other Clusters total | | 60,138 | — | 60,138 |

THE UNIVERSITY OF CHICAGO
Schedule of Expenditures of Federal Awards
Year ended June 30, 2010

| <u>Federal agency and pass-through entity</u> | <u>CFDA numbers</u> | <u>Direct awards</u> | <u>Pass-through awards</u> | <u>Total expenditures</u> |
|---|---------------------|----------------------|----------------------------|---------------------------|
| Head Start Cluster: | | | | |
| Department of Health and Human Services | | | | |
| Head Start | 93.600 | | | |
| Chicago Department of Children and Youth | 93.600, 884037N | \$ — | 100,497 | 100,497 |
| Illinois Department of Children and Family Services | 93.600, PO#23439 | — | 77,053 | 77,053 |
| Department of Health and Human Services total | | — | 177,550 | 177,550 |
| Head Start Cluster total | | — | 177,550 | 177,550 |
| Total federal expenditures | | \$ 455,043,167 | 40,533,950 | 495,577,117 |

See accompanying independent auditors' report and notes to schedule of expenditures of federal awards.

THE UNIVERSITY OF CHICAGO

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

(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, 2010. 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 Family Education 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 2010 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, 2010

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

During fiscal year 2010, the University expended \$24,706,394 of ARRA funds that it received from the following agencies:

| | | |
|---|----|------------|
| Department of Education | \$ | 698,037 |
| Department of Energy | | 293,197 |
| Department of Health and Human Services | | 21,242,811 |
| National Endowment for the Arts | | 25,000 |
| National Science Foundation | | 2,447,349 |
| | \$ | 24,706,394 |

(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, 2010 were as follows:

| | | |
|--------------------------|----|------------|
| Research and development | \$ | 86,744,140 |
| Other | | 507,117 |
| Total | \$ | 87,251,257 |

THE UNIVERSITY OF CHICAGO

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

(3) Summary of Subrecipient Payments

Subrecipient payments charged to federal awards for the year ended June 30, 2010 were as follows:

| | |
|---|-----------------------------|
| Research and development: | |
| Department of Agriculture | \$ 126,450 |
| Department of Defense | 1,763,808 |
| Department of Education | 259,803 |
| Department of Energy | 65,199 |
| Department of Health and Human Services | 28,457,334 |
| National Aeronautics and Space Administration | 105,490 |
| National Endowment for the Humanities | 65,910 |
| National Science Foundation | 16,132,840 |
| | <u>46,976,834</u> |
| Other: | |
| Department of Education | 120,314 |
| National Aeronautics and Space Administration | 10,597 |
| National Endowment for the Humanities | 47,628 |
| National Science Foundation | 33,518 |
| | <u>212,057</u> |
| Total | \$ <u><u>47,188,891</u></u> |

(4) Federal Loan Programs

Loans made to University students under the various federal loan programs for the year ended June 30, 2010 are summarized below:

| | |
|---|------------------------------|
| University federal loans: | |
| Perkins | \$ <u>4,229,065</u> |
| Total University federal loans | <u>4,229,065</u> |
| Non-University federal loans: | |
| Stafford | 74,455,874 |
| Parent Loans for Undergraduate Students (PLUS) & Graduate PLUS | <u>52,539,142</u> |
| Total non-University federal loans | <u>126,995,016</u> |
| Total | \$ <u><u>131,224,081</u></u> |

THE UNIVERSITY OF CHICAGO

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

University federal loans outstanding at June 30, 2010 are shown below:

| | | |
|---------------------------------|----|--------------------------|
| Stafford | \$ | 15,638,704 |
| Perkins | | 35,787,866 |
| Health professions | | 205,814 |
| Loans to disadvantaged students | | <u>2,674</u> |
| Total | \$ | <u><u>51,635,058</u></u> |

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



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

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

The Board of Trustees
The University of Chicago

We have audited the consolidated financial statements of The University of Chicago (the University) as of and for the year ended June 30, 2010, and have issued our report thereon dated October 13, 2010. Our report is based on the report of other auditors insofar as it relates to the amounts included in the consolidated financial statements for The University of Chicago Medical Center. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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



We noted certain matters that we reported to the University in a separate letter dated October 13, 2010.

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

KPMG LLP

October 13, 2010



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

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

The Board of Trustees
The University of Chicago:

Compliance

We have audited The University of Chicago's (the University) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* (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, 2010. The University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

The University's consolidated financial statements include the operations of The University of Chicago Medical Center (the Medical Center) and University Charter Schools, which received federal awards that are not included in the schedule of expenditures of federal awards for the year ended June 30, 2010, and were audited by other auditors.

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

In our opinion, the University complied, in all material respects, with the compliance requirements referred to above that could have direct and material effect on each of its major federal programs for the year ended June 30, 2010.



Internal Control over Compliance

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

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

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

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

KPMG LLP

March 23, 2011

THE UNIVERSITY OF CHICAGO
Schedule of Findings and Questioned Costs
Year ended June 30, 2010

(1) Summary of Auditors' Results

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

Material weaknesses: **No**

- (c) Noncompliance which is material to the consolidated financial statements: **No**
- (d) Significant deficiencies in internal control over major programs: **None Reported**

Material weaknesses: **No**

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

Research and Development Cluster – Various CFDA numbers

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 – CFDA 84.015

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

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

None

(3) Findings and Questioned Costs Relating to Federal Awards

None