

THE UNIVERSITY OF CHICAGO

OMB Circular A-133 Audit Report

Year ended June 30, 2009

(With Independent Auditors' Reports Thereon)

THE UNIVERSITY OF CHICAGO

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KPMG LLP
303 East Wacker Drive
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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, 2009 and 2008, 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 16% and 15% and total revenues constituting 44% and 43% of the related consolidated totals in 2009 and 2008, 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 the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in notes 3 and 4 to the consolidated financial statements, the University adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements*, and Financial Accounting Standards Board 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 our report dated November 5, 2009, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or 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, 2009 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 2009 basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 2009 basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the 2009 basic consolidated financial statements taken as a whole.

KPMG LLP

November 5, 2009

THE UNIVERSITY OF CHICAGO

Consolidated Balance Sheets

June 30, 2009 and 2008

(In thousands of dollars)

| Assets | 2009 | 2008 |
|--|--------------|-------------|
| Cash and cash equivalents | \$ 102,200 | 99,615 |
| Notes and accounts receivable | 320,145 | 376,887 |
| Collateral held for securities loaned | — | 306,223 |
| Prepaid expenses and other assets | 101,642 | 83,777 |
| Pledges receivable | 424,851 | 281,698 |
| Investments | 5,727,858 | 7,176,447 |
| Land, buildings, equipment, and books | 2,707,926 | 2,374,574 |
| Total assets | \$ 9,384,622 | 10,699,221 |
| Liabilities and Net Assets | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | \$ 492,659 | 518,298 |
| Deferred revenue | 88,509 | 82,079 |
| Payable under securities loan agreements | — | 306,223 |
| Assets held in custody for others | 44,771 | 47,908 |
| Self-insurance liability | 228,469 | 201,748 |
| Pension and other postretirement benefit obligations | 392,309 | 220,173 |
| Asset retirement obligation | 65,547 | 66,254 |
| Notes and bonds payable | 2,415,371 | 1,937,130 |
| Refundable U.S. government student loan funds | 37,853 | 37,418 |
| Total liabilities | 3,765,488 | 3,417,231 |
| Net assets: | | |
| Unrestricted | 1,864,211 | 5,636,216 |
| Temporarily restricted | 2,554,784 | 475,752 |
| Permanently restricted | 1,200,139 | 1,170,022 |
| Total net assets | 5,619,134 | 7,281,990 |
| Total liabilities and net assets | \$ 9,384,622 | 10,699,221 |

See accompanying notes to consolidated financial statements.

THE UNIVERSITY OF CHICAGO

Consolidated Statements of Activities

Years ended June 30, 2009 and 2008

(In thousands of dollars)

| | <u>2009</u> | <u>2008</u> |
|---|------------------|------------------|
| Changes in unrestricted net assets: | | |
| Operating: | | |
| Revenue: | | |
| Tuition and fees – gross | \$ 542,103 | 513,015 |
| Less student aid | (243,664) | (219,110) |
| Tuition and fees – net | <u>298,439</u> | <u>293,905</u> |
| Government grants and contracts | 356,822 | 335,834 |
| Private gifts, grants, and contracts | 128,353 | 134,343 |
| Endowment payout | 311,834 | 230,976 |
| Earnings on other investments | 9,445 | 27,965 |
| Patient care | 1,223,946 | 1,221,375 |
| Auxiliaries | 193,009 | 194,037 |
| Other income | 200,070 | 189,193 |
| Net assets released from restrictions | <u>57,991</u> | <u>54,123</u> |
| Total operating revenue | <u>2,779,909</u> | <u>2,681,751</u> |
| Expenses: | | |
| Compensation: | | |
| Academic salaries | 417,986 | 392,667 |
| Staff salaries | 817,819 | 763,474 |
| Benefits | <u>308,505</u> | <u>294,204</u> |
| Total compensation | <u>1,544,310</u> | <u>1,450,345</u> |
| Other operating expenses: | | |
| Utilities, alterations, and repairs | 81,190 | 78,243 |
| Depreciation | 160,181 | 151,750 |
| Interest | 48,809 | 62,900 |
| Supplies, services, and other | 786,105 | 796,260 |
| Insurance | <u>50,270</u> | <u>53,530</u> |
| Total other operating expenses | <u>1,126,555</u> | <u>1,142,683</u> |
| Total operating expenses | <u>2,670,865</u> | <u>2,593,028</u> |
| Excess of operating revenue over expenses | <u>109,044</u> | <u>88,723</u> |

THE UNIVERSITY OF CHICAGO

Consolidated Statements of Activities

Years ended June 30, 2009 and 2008

(In thousands of dollars)

| | <u>2009</u> | <u>2008</u> |
|---|---------------------|------------------|
| Changes in unrestricted net assets: | | |
| Nonoperating: | | |
| Investment losses | \$ (1,685,564) | (85,850) |
| Postretirement benefit changes other than net periodic benefit cost | (152,763) | (16,545) |
| Loss on debt refinancing | — | (4,247) |
| Others, net | <u>(128,321)</u> | <u>(31,737)</u> |
| Change in unrestricted net assets from nonoperating activities | <u>(1,966,648)</u> | <u>(138,379)</u> |
| Decrease in unrestricted net assets before a reclassification of endowment net assets | (1,857,604) | (49,656) |
| Endowment net asset reclassification | <u>(1,914,401)</u> | — |
| Decrease in unrestricted net assets | <u>(3,772,005)</u> | <u>(49,656)</u> |
| Changes in temporarily restricted net assets: | | |
| Private gifts | 221,527 | 129,509 |
| Endowment payout | 63 | 153 |
| Investment gains | 8,064 | 1,174 |
| Others, net | (7,032) | (25,365) |
| Net assets released from restrictions | <u>(57,991)</u> | <u>(54,123)</u> |
| Increase in temporarily restricted net assets before a reclassification of endowment net assets | 164,631 | 51,348 |
| Endowment net asset reclassification | <u>1,914,401</u> | — |
| Increase in temporarily restricted net assets | <u>2,079,032</u> | <u>51,348</u> |
| Changes in permanently restricted net assets: | | |
| Private gifts | 37,728 | 107,508 |
| Endowment payout | 2,856 | 1,979 |
| Investment losses | (12,773) | (417) |
| Others, net | <u>2,306</u> | <u>5,395</u> |
| Increase in permanently restricted net assets | <u>30,117</u> | <u>114,465</u> |
| Increase (decrease) in net assets | (1,662,856) | 116,157 |
| Net assets at beginning of year | <u>7,281,990</u> | <u>7,165,833</u> |
| Net assets at end of year | <u>\$ 5,619,134</u> | <u>7,281,990</u> |

See accompanying notes to consolidated financial statements.

THE UNIVERSITY OF CHICAGO
Consolidated Statements of Cash Flows
Years ended June 30, 2009 and 2008
(In thousands of dollars)

| | <u>2009</u> | <u>2008</u> |
|--|-------------------|------------------|
| Cash flows from operating activities: | | |
| Increase (decrease) in net assets | \$ (1,662,856) | 116,157 |
| Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities: | | |
| Depreciation | 160,181 | 151,750 |
| Loss on debt refinancing | — | 4,247 |
| Loss on disposal of land, buildings, equipment, and books | 2,099 | 4,405 |
| Net (gain) loss on investments | 1,412,662 | (1,450) |
| Private gifts and grants restricted for long-term investment | (259,174) | (237,017) |
| Other nonoperating changes | 204,935 | 23,483 |
| Postretirement benefit changes other than net periodic benefit cost | 152,763 | 16,545 |
| Changes in assets and liabilities: | | |
| Notes and accounts receivable | 10,553 | (33,055) |
| Prepaid expenses and other assets | (18,539) | 36,250 |
| Accounts payable and other liabilities | 10,881 | 32,649 |
| Self-insurance liability | 26,721 | 6,832 |
| Total adjustments | <u>1,703,082</u> | <u>4,639</u> |
| Net cash provided by operating activities | <u>40,226</u> | <u>120,796</u> |
| Cash flows from investing activities: | | |
| Purchase of investments | (1,616,691) | (1,670,870) |
| Proceeds from sale of investments | 1,652,908 | 1,837,494 |
| Acquisition of land, buildings, equipment, and books | (523,931) | (476,608) |
| Loans disbursed | (4,204) | (61,255) |
| Principal collected on loans | 50,391 | 42,107 |
| Net cash used in investing activities | <u>(441,527)</u> | <u>(329,132)</u> |
| Cash flows from financing activities: | | |
| Proceeds from issuance of notes and bonds payable | 1,948,093 | 1,124,516 |
| Principal payments on notes and bonds payable | (1,470,552) | (982,334) |
| Proceeds from private gifts and grants restricted for long-term investment | 116,017 | 166,675 |
| Other nonoperating changes | (189,672) | (88,962) |
| Net cash provided by financing activities | <u>403,886</u> | <u>219,895</u> |
| Increase in cash and cash equivalents | 2,585 | 11,559 |
| Cash and cash equivalents at: | | |
| Beginning of year | <u>99,615</u> | <u>88,056</u> |
| End of year | <u>\$ 102,200</u> | <u>99,615</u> |
| Supplemental disclosure of cash flow information: | | |
| Cash paid for interest | \$ 92,310 | 70,376 |

See accompanying notes to consolidated financial statements.

THE UNIVERSITY OF CHICAGO

Notes to Consolidated Financial Statements

June 30, 2009 and 2008

(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 below. 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 requires 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.
- *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

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Notes to Consolidated Financial Statements

June 30, 2009 and 2008

(In thousands of dollars)

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 | 2009 | | 2008 | |
|---------------------------------------|------------------------|------------------------|------------------------|------------------------|
| | Temporarily restricted | Permanently restricted | Temporarily restricted | Permanently restricted |
| University: | | | | |
| Operating | \$ 34,951 | — | 13,692 | — |
| Pledges | 335,996 | 69,510 | 183,683 | 76,020 |
| Student loans | — | 16,982 | — | 16,018 |
| Endowment | 1,891,030 | 1,086,659 | 30,022 | 1,042,939 |
| Annuity and life income | 10,422 | 20,865 | 15,378 | 28,964 |
| Net investment in physical properties | 179,295 | — | 182,700 | — |
| Subtotal | <u>2,451,694</u> | <u>1,194,016</u> | <u>425,475</u> | <u>1,163,941</u> |
| Medical Center: | | | | |
| Operating | 31,475 | — | 28,462 | — |
| Pledges | 19,273 | 77 | 21,815 | 180 |
| Endowment | 52,342 | 6,046 | — | 5,901 |
| Subtotal | <u>103,090</u> | <u>6,123</u> | <u>50,277</u> | <u>6,081</u> |
| Total | <u>\$ 2,554,784</u> | <u>1,200,139</u> | <u>475,752</u> | <u>1,170,022</u> |

(c) Operations

Operating results in the consolidated statements of activities reflect all transactions increasing or decreasing unrestricted net assets except those items associated with long-term investment, actuarial adjustments to self-insurance liabilities, changes in postretirement benefit obligations, and other infrequent gains and losses.

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Notes to Consolidated Financial Statements

June 30, 2009 and 2008

(In thousands of dollars)

(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, 2009 and 2008 are \$52,925 and \$46,994, respectively, of private grant and contract receipts, which have not been expended.

Private gifts, grants, and contracts operating revenue for fiscal years 2009 and 2008 consist of the following:

| | 2009 | | | 2008 |
|---|-------------------|---------------------------|---------------------|---------------------|
| | University | Medical Center | Consolidated | Consolidated |
| Private gifts: | | | | |
| Unrestricted as to use | \$ 20,244 | 915 | 21,159 | 18,778 |
| Temporarily restricted gifts whose restrictions were met during the fiscal year and reported as unrestricted revenue | 41,603 | — | 41,603 | 52,682 |
| Private grants and contracts | 65,591 | — | 65,591 | 62,883 |
| Total | \$ 127,438 | 915 | 128,353 | 134,343 |

(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 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.

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Notes to Consolidated Financial Statements

June 30, 2009 and 2008

(In thousands of dollars)

(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. The estimated fair value of investments is based on quoted market prices, except for certain alternative investments, such as private equity, real assets, and absolute return, for which quoted market prices may not be available. The estimated fair value for absolute return, private equity, and real asset investments is based on net asset values provided by the external investment managers. The net asset values for these alternative investments necessarily involve estimates, appraisals, assumptions, and methods which are reviewed by the University's Investment Office.

The University does not engage directly in unhedged speculative investments; however, the board of trustees has authorized derivative investments to gain market exposure within asset class ranges, hedge nondollar investments, and currencies, and provide for defensive portfolio strategies. Derivative investments are recorded at fair value and valuation gains and losses are included in the consolidated statements of activities.

To minimize the risk of loss, externally managed hedge fund 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.

(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 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

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Notes to Consolidated Financial Statements

June 30, 2009 and 2008

(In thousands of dollars)

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) 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.

(m) Subsequent Events

The University has performed an evaluation of subsequent events through November 5, 2009, which is the date the financial statements were available to be issued.

(2) The University of Chicago Medical Center

(a) Organization

The University of Chicago 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, including QV, Inc., an affiliated not-for-profit healthcare corporation operating clinics in the Chicago area. The University, as the sole corporate member of the Medical Center, elects the Medical Center's Board of Trustees and approves its By-Laws.

(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 a leasehold interest in the University healthcare facilities and certain land and parking structures.

(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 \$52,140 in fiscal year 2009 and \$46,968 in fiscal year 2008 has been reclassified as a reduction of patient care revenue, (2) investment gains (losses) of (\$192,223) in fiscal year 2009 and \$69,876 in fiscal year 2008 not used for operations have been reclassified as a nonoperating change in

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Notes to Consolidated Financial Statements

June 30, 2009 and 2008

(In thousands of dollars)

unrestricted net assets, and 3) pension expense in excess of cash contributions of \$2,931 has been included in benefit expense in fiscal year 2009.

(3) Investments

Investments at June 30, 2009 and 2008 comprise the following:

| | 2009 | | | 2008 Consolidated |
|---|--------------|-------------------|--------------|----------------------|
| | University | Medical Center | Consolidated | |
| Cash equivalents | \$ 652,239 | 61,353 | 713,592 | 59,172 |
| Domestic public equities | 309,831 | 85,177 | 395,008 | 806,504 |
| International public equities | 249,092 | 39,737 | 288,829 | 1,326,547 |
| Private equity | 830,968 | 87,192 | 918,160 | 970,698 |
| Real assets | 885,704 | 71,214 | 956,918 | 1,096,184 |
| Absolute return | 1,452,498 | 132,626 | 1,585,124 | 2,177,157 |
| High yield bonds | 5,732 | — | 5,732 | 20,092 |
| Fixed income | 451,491 | 118,721 | 570,212 | 635,822 |
| Funds held in trust (primarily cash equivalents and bonds) | 294,283 | — | 294,283 | 84,271 |
| Total | \$ 5,131,838 | 596,020 | 5,727,858 | 7,176,447 |

The University is obligated under certain limited partnership investment fund agreements to advance additional funding periodically up to specified levels. At June 30, 2009, the University had unfunded commitments of \$1,450,000, which are likely to be called through 2014.

Fair Value of Financial Instruments

The University adopted Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (FAS 157), effective July 1, 2008. FAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value instruments. In accordance with FAS 157, fair value is defined as the price that the University would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market of the investment. FAS 157 also prioritizes, within the measurement of fair value, the use of market-based information over entity-specific information. FAS 157 establishes a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs, and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, 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 or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

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Notes to Consolidated Financial Statements

June 30, 2009 and 2008

(In thousands of dollars)

- Level 1 – quoted prices in active markets for identical investments. Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments in Level 1 include listed equities held in the name of the University, and exclude listed equities and other securities held indirectly through commingled funds.
- Level 2 – other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.). Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.
- Level 3 – significant unobservable inputs (including the University’s own assumptions in determining the fair value of investments). Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

To coincide with the adoption of FAS 157, effective in fiscal year 2009, the University adopted FASB Accounting Standards Update No. 2009-12, Fair Value Measurements and Disclosures (Topic 820), *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* (the Update), while deferring the adoption of certain of its disclosure provisions. The Update permits, as a practical expedient, the University to measure the fair value of an investment that is within the scope of the amendments in the Update on the basis of the net asset value per share of the investment or its equivalent determined as of June 30, 2009, the University’s measurement date. 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.

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(In thousands of dollars)

The following is a summary of the inputs used as of June 30, 2009 in valuing the University's financial assets and liabilities carried at fair value:

| | Quoted prices in active markets for identical assets (Level 1) | Significant other observable inputs (Level 2) | Significant unobservable inputs (Level 3) | 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 | — | — | 1,585,124 | 1,585,124 |
| High yield bonds | 5,235 | 497 | — | 5,732 |
| Fixed income | 335,940 | 75,838 | 158,434 | 570,212 |
| Funds held in trust (primarily cash equivalents and bonds) | 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 | \$ <u>1,522,146</u> | <u>223,764</u> | <u>3,981,948</u> | <u>5,727,858</u> |
| Liabilities: | | | | |
| Interest rate swap payable | \$ — | 54,516 | — | 54,516 |
| Total liabilities at fair value | \$ <u>—</u> | <u>54,516</u> | <u>—</u> | <u>54,516</u> |

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The following is a reconciliation of investments in which significant unobservable inputs (Level 3) were used in determining fair value:

| | Equities and fixed income | Alternative Investments | | | 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 | \$ 526,187 | 918,160 | 952,477 | 1,585,124 | 3,981,948 |

Securities Loaned

Through September 2008, the University had an agreement with its investment custodian to lend University securities to brokers in exchange for a fee. This program was ended in September 2008. At June 30, 2008, investment securities with an aggregate market value of \$378,023 were loaned to various brokers and were returnable on demand. In exchange, the University received cash collateral of \$306,223 and noncash collateral of \$81,872. Cash collateral was reported as both an asset and liability of the University at June 30, 2008.

(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.

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(In thousands of dollars)

(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 years ended June 30, 2009 and 2008:

| | 2009 | | | Total |
|--|---------------------|-------------------------------|-------------------------------|--------------------|
| | Unrestricted | Temporarily restricted | Permanently restricted | |
| Investment return: | | | | |
| Endowment yield (interest, dividends, and rents) | \$ 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 | |
| Net assets by type of fund: | | | | |
| Donor-restricted "true" endowment | \$ (37,523) | 1,891,030 | 1,086,659 | 2,940,166 |
| Board-designated "funds functioning as endowment" | <u>1,595,468</u> | <u>—</u> | <u>—</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> |

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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 years ended June 30, 2009 and 2008:

| | 2009 | | | Total |
|--|---------------------|-------------------------------|-------------------------------|------------------|
| | Unrestricted | Temporarily restricted | Permanently restricted | |
| Investment return: | | | | |
| Endowment yield (interest, dividends, and rents) | \$ 9,834 | — | — | 9,834 |
| Net depreciation (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> |
| | | | | |
| | 2009 | | | 2008 |
| | Unrestricted | Temporarily restricted | Permanently restricted | |
| Net assets by type of fund: | | | | |
| Donor-restricted "true" endowment | \$ (52) | 52,342 | 6,046 | 58,336 |
| Board-designated "funds functioning as endowment" | <u>527,883</u> | <u>—</u> | <u>—</u> | <u>527,883</u> |
| Total – as above | <u>\$ 527,831</u> | <u>52,342</u> | <u>6,046</u> | <u>586,219</u> |

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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). The University has interpreted UPMIFA as requiring the preservation of the fair value of the original gift for donor-restricted “true” endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, 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.

(d) *Endowment Net Asset Reclassification for Appreciation of “True” Endowment Funds*

In fiscal 2009, the University adopted FASB Staff Position (FSP) FAS 117-1 (FSP 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*. FSP 117-1 provides guidance on the net asset classification of donor-restricted “true” endowment funds subject to UPMIFA. FSP 117-1 also provides for enhanced endowment related disclosures.

The financial statement effect for the adoption of FSP 117-1 was the reclassification of appreciated value of donor-restricted “true” endowment funds in excess of the fund’s historical value. As of June 30, 2009, the reclassification to reflect this change in classification between unrestricted and temporarily restricted net assets amounted to \$1,862,059 and \$52,342 for the University and Medical Center, respectively.

(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 5.0% for the fiscal years ended June 30, 2009 and 2008. Periodically, the University Board of Trustees will adjust the endowment payout to fund specifically approved strategic initiatives.

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

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Endowment payout related to “funds functioning as endowment” which are managed by the Medical Center is included in earnings on other investments in the consolidated statements of activities.

Endowment payout for fiscal years 2009 and 2008 consists of the following:

| | 2009 | | | 2008 |
|--|-------------------|-----------------------|---------------------|---------------------|
| | University | Medical Center | Consolidated | Consolidated |
| Interest, dividends, and rents | \$ 36,147 | 2,984 | 39,131 | 87,596 |
| Investments gains used to support the endowment payout formula | 255,932 | 19,690 | 275,622 | 145,512 |
| Total | \$ <u>292,079</u> | <u>22,674</u> | <u>314,753</u> | <u>233,108</u> |

Unrestricted operating endowment payout revenue for the fiscal years ended June 30, 2009 and 2008 consists of the following:

| | 2009 | | | 2008 |
|---|-------------------|-----------------------|---------------------|---------------------|
| | University | Medical Center | Consolidated | Consolidated |
| Unrestricted payout | \$ 78,497 | 22,674 | 101,171 | 69,935 |
| Temporarily restricted payout whose restrictions were met during the fiscal year and reported as unrestricted revenue | 210,663 | — | 210,663 | 161,041 |
| Total | \$ <u>289,160</u> | <u>22,674</u> | <u>311,834</u> | <u>230,976</u> |

(f) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted “true” endowment funds may fall below the level that the donor or UPMIFA requires to be retained as a fund of perpetual duration. Deficiencies of this nature are reported in unrestricted net assets which as of June 30, 2009, amounted to \$37,523 and \$52 for the University and Medical Center, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation of endowment payout that was deemed prudent. There were no such deficiencies as of June 30, 2008.

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(5) Notes and Accounts Receivable

Components of notes and accounts receivable at June 30, 2009 and 2008 are shown below:

| | 2009 | | | 2008 Consolidated |
|--|------------|-------------------|--------------|----------------------|
| | University | Medical Center | Consolidated | |
| Patients | \$ 74,212 | 153,580 | 227,792 | 220,165 |
| Students: | | | | |
| Loans | 86,287 | — | 86,287 | 131,806 |
| Tuition and fees | 2,974 | — | 2,974 | 2,590 |
| U.S. government | 29,994 | — | 29,994 | 28,627 |
| All other | 66,404 | — | 66,404 | 92,867 |
| Subtotal | 259,871 | 153,580 | 413,451 | 476,055 |
| Less allowance for doubtful accounts (primarily patient receivables) | (64,398) | (28,908) | (93,306) | (99,168) |
| Total | \$ 195,473 | 124,672 | 320,145 | 376,887 |

(6) Land, Buildings, Equipment, and Books

Components of land, buildings, equipment, and books at June 30, 2009 and 2008 are shown below:

| | 2009 | | | 2008 Consolidated |
|----------------------------------|--------------|-------------------|--------------|----------------------|
| | University | Medical Center | Consolidated | |
| Land | \$ 63,510 | 36,008 | 99,518 | 99,539 |
| Buildings | 1,794,405 | 607,580 | 2,401,985 | 2,234,362 |
| Equipment | 377,199 | 401,180 | 778,379 | 704,677 |
| Books | 237,928 | — | 237,928 | 221,972 |
| Construction in progress | 677,958 | 115,988 | 793,946 | 577,522 |
| Subtotal | 3,151,000 | 1,160,756 | 4,311,756 | 3,838,072 |
| Less accumulated depreciation | (1,031,617) | (572,213) | (1,603,830) | (1,463,498) |
| Total | \$ 2,119,383 | 588,543 | 2,707,926 | 2,374,574 |

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(In thousands of dollars)

(7) Notes and Bonds Payable

Notes and bonds payable at June 30, 2009 and 2008 are shown below:

| | <u>Fiscal year maturity</u> | <u>Interest rate</u> | <u>2009</u> | <u>2008</u> |
|--|---------------------------------|----------------------|---------------------|------------------|
| University: | | | | |
| Fixed rate: | | | | |
| Illinois Educational Facilities Authority (IEFA): | | | | |
| Series 1993 | 2014 | 6.0% | \$ 2,250 | 2,625 |
| Series 2001A | — | 5.3 | 2,860 | 2,860 |
| Series 2003A | 2042 | 4.0% – 5.3% | 177,905 | 182,145 |
| Illinois Finance Authority (IFA): | | | | |
| Series 2004A | 2034 | 5.0 | 96,490 | 98,290 |
| Series 2004C | 2035 | 3.8 | 78,356 | 78,467 |
| Series 2007 | 2040 | 5.0 | 244,030 | 244,030 |
| Series 2008 | 2047 | 3.2 | 121,841 | 123,604 |
| Series 2008B | 2039 | 5.6 | 500,000 | — |
| Illinois Health Facilities Authority (IHFA) – Series 1985 | | | | |
| Unamortized premium | 2021 | 5.5 | 61,265 | 61,380 |
| | | | <u>11,235</u> | <u>9,210</u> |
| Total fixed rate | | | <u>1,296,232</u> | <u>802,611</u> |
| Variable rate: | | | | |
| Illinois Student Assistance Commission (ISAC) | | | | |
| | 2010 | 0.5% | 39,997 | 86,006 |
| IEFA: | | | | |
| Pooled financing program | | | | |
| Series 1998B | 2011 | 0.4 | 2,268 | 2,268 |
| Series 2001B-1 | 2026 | 4.1 | 90,090 | 90,090 |
| Series 2001B-1 | 2037 | 1.9 | 60,000 | 60,000 |
| Series 2001B-2 | 2037 | 1.9 | 40,000 | 40,000 |
| Series 2001B-3 | 2037 | 0.5 | 72,265 | 72,265 |
| Series 2003B | 2034 | 0.2 | 46,061 | 47,109 |
| IFA – Series 2004B | 2035 | 0.2 | 95,954 | 98,014 |
| Taxable commercial paper (\$200,000) | 2010 | 0.3 | 100,000 | 50,000 |
| Bank line of credit (\$200,000 available) | 2010 | 0.4 | 195,500 | 195,500 |
| Total variable rate | | | <u>742,135</u> | <u>741,252</u> |
| Total University | | | <u>2,038,367</u> | <u>1,543,863</u> |
| Medical Center: | | | | |
| Fixed rate: | | | | |
| IHFA: | | | | |
| Series 2001 Serial bond | 2024 | 5.1% | 30,440 | 32,440 |
| Series 2001 Term bond | 2032 | 5.0 | 28,100 | 28,100 |
| Series 2001 Term bond | 2037 | 5.1 | 24,065 | 24,065 |
| Series 2003 Serial bond | 2015 | 4.0% – 5.0% | 39,535 | 45,380 |
| Unamortized premium | | | <u>1,376</u> | <u>1,794</u> |
| Total fixed rate | | | <u>123,516</u> | <u>131,779</u> |
| Variable rate: | | | | |
| IHFA: | | | | |
| Series 1994C | — | —% | — | 55,400 |
| Series 1998 | — | — | — | 110,600 |
| IEFA pooled financing program | 2038 | 0.4 | 88,488 | 95,488 |
| IFA | | | | |
| Series 2009A | 2027 | 0.3 | 75,000 | — |
| Series 2009B | 2027 | 0.2 | 90,000 | — |
| Bank line of credit (\$15,000 available) | 2010 | — | — | — |
| Total variable rate | | | <u>253,488</u> | <u>261,488</u> |
| Total Medical Center | | | <u>377,004</u> | <u>393,267</u> |
| Total notes and bonds payable | | | <u>\$ 2,415,371</u> | <u>1,937,130</u> |

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(a) Fiscal 2009 Transactions

During fiscal year 2009, the University issued \$500,000 in fixed rate revenue bonds through the IFA. Proceeds from the IFA Series 2008B bonds are being used to finance the construction and renovation of certain educational facilities.

Also during fiscal year 2009, the Medical Center issued \$165,000 in adjustable rate revenue bonds through the IFA which were used to refund the IHFA Series 1994C and 1998 adjustable rate demand bonds.

(b) Defeased Debt

As of June 30, 2009 and 2008, the total principal amount of indebtedness considered to be legally extinguished and, therefore, excluded from the University notes and bonds payable was \$196,980.

(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, 2009 and 2008, the fair value of the interest rate swap agreements was an accrued liability of \$22,069 and \$5,661 and \$32,447 and \$17,531 for the Medical Center, respectively. Changes in the fair value of the interest rate swap agreements during fiscal 2009 are included in unrestricted non-operating 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, 2010 through 2014 are approximately \$14,795; \$14,541; \$15,199; \$15,883; and \$44,014, respectively.

Principal payments required in each of the five years ending June 30, 2010 through 2014 for the Medical Center notes and bonds are approximately \$8,615; \$8,965; \$9,420; \$9,900; and \$10,405 respectively.

(e) Carrying Value

The carrying value of long-term debt does not differ materially from its estimated fair value as of June 30, 2009 and 2008, based on quoted market prices for the same or similar issues.

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(f) Collateral

The University's June 30, 2009 notes and bonds payable are secured by certain physical properties with a carrying value of approximately \$225 and \$7,904 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 \$742,135 and \$253,488, respectively, of variable rate notes and bonds maturing through fiscal year 2038. 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 has three standby bond purchase agreements totaling \$250,000 supporting variable rate debt in the event of a failed remarketing.

(h) Subsequent Event

In August 2009, the Medical Center issued \$85,000 of fixed rate bonds and \$140,000 of variable rate bonds to finance the construction of hospital facilities.

(8) Pledges

Pledges receivable at June 30, 2009 and 2008 are shown below:

| | 2009 | | | 2008 |
|---|-------------------|-----------------------|---------------------|---------------------|
| | University | Medical Center | Consolidated | Consolidated |
| Unconditional promises expected to be collected in: | | | | |
| Less than one year | \$ 105,633 | 6,358 | 111,991 | 93,456 |
| One year to five years | 150,488 | 12,509 | 162,997 | 226,069 |
| More than five years | 230,090 | 3,000 | 233,090 | 59,027 |
| | <u>486,211</u> | <u>21,867</u> | <u>508,078</u> | <u>378,552</u> |
| Less unamortized discount and allowance for uncollectible pledges | <u>(80,705)</u> | <u>(2,522)</u> | <u>(83,227)</u> | <u>(96,854)</u> |
| Total | <u>\$ 405,506</u> | <u>19,345</u> | <u>424,851</u> | <u>281,698</u> |

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Included in pledges expected to be collected in more than five years 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, 2009, the University has received \$284,812 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, 2009 and 2008 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 makes annual contributions to a related trust fund at an actuarially determined rate that is intended to provide adequate funding of the self-insurance liability over a period of years. Actual settlements of medical malpractice claims may be more or less than the liability estimated by the University.

The medical malpractice self-insurance liability is the estimated present value of self-insured claims that will be settled in the future, and considers anticipated payout patterns as well as interest to be earned on available assets prior to payment. If the present value method was not used, the liability for medical malpractice self-insurance claims would be approximately \$57,500 higher than the amount recorded in the consolidated financial statements at June 30, 2009. The interest rate assumed in determining the present value was 5.8%. The University recorded an expense of \$56,200 and \$6,800 during the years ended June 30, 2009 and 2008, respectively, which are included in unrestricted nonoperating – net in the accompanying consolidated statements of activities.

The estimated liability for incurred malpractice, workers' compensation, and other claims (filed and unfilled) as of June 30, 2009 and 2008 is presented below:

| | 2009 | | | 2008 Consolidated |
|-----------------------|------------|-------------------|--------------|----------------------|
| | University | Medical Center | Consolidated | |
| Medical malpractice | \$ 215,631 | — | 215,631 | 189,186 |
| Workers' compensation | 3,778 | 6,486 | 10,264 | 9,656 |
| Others | 2,574 | — | 2,574 | 2,906 |
| Total | \$ 221,983 | 6,486 | 228,469 | 201,748 |

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June 30, 2009 and 2008

(In thousands of dollars)

(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.

THE UNIVERSITY OF CHICAGO

Notes to Consolidated Financial Statements

June 30, 2009 and 2008

(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 below:

| | <u>Defined benefit pension plan</u> | | <u>Other postretirement benefit plans</u> | |
|--|---|------------------------|---|-------------------------|
| | <u>2009</u> | <u>2008</u> | <u>2009</u> | <u>2008</u> |
| Change in benefit obligation: | | | | |
| Benefit obligation at beginning of year | \$ 408,416 | 423,208 | 143,948 | 143,200 |
| Service cost | 23,470 | 25,681 | 5,841 | 6,043 |
| Interest cost | 28,797 | 26,451 | 9,913 | 8,920 |
| Benefits paid | (27,739) | (29,498) | (8,165) | (7,778) |
| Plan amendments | 2,078 | — | — | — |
| Actuarial loss (gain), net | 9,182 | (37,426) | 16,548 | (6,437) |
| Benefit obligation at end of year | <u>444,204</u> | <u>408,416</u> | <u>168,085</u> | <u>143,948</u> |
| Change in fair value of plan assets: | | | | |
| Fair value of plan assets at beginning of year | 319,764 | 363,093 | 20,429 | 26,368 |
| Actual return on plan assets | (86,540) | (38,156) | (948) | (525) |
| Employer contributions | 20,045 | 24,325 | 2,073 | 2,364 |
| Benefits paid | <u>(27,739)</u> | <u>(29,498)</u> | <u>(8,165)</u> | <u>(7,778)</u> |
| Fair value of plan assets at end of year | <u>225,530</u> | <u>319,764</u> | <u>13,389</u> | <u>20,429</u> |
| Funded status – liability | \$ <u><u>(218,674)</u></u> | <u><u>(88,652)</u></u> | <u><u>(154,696)</u></u> | <u><u>(123,519)</u></u> |

The accumulated benefit obligation for the defined benefit pension plan was \$374,195 and \$333,265 at June 30, 2009 and 2008, respectively.

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Notes to Consolidated Financial Statements

June 30, 2009 and 2008

(In thousands of dollars)

(a) Components of Net Periodic Benefit Cost

| | Defined benefit pension plan | | Other postretirement benefit plans | |
|--|---------------------------------|----------|---------------------------------------|---------|
| | 2009 | 2008 | 2009 | 2008 |
| Service cost | \$ 23,470 | 25,681 | 5,841 | 6,043 |
| Interest cost | 28,797 | 26,451 | 9,913 | 8,920 |
| Expected return on plan assets | (27,492) | (25,362) | (1,180) | (1,576) |
| Amortization of prior service cost (benefit) | 1,133 | 1,038 | (2,298) | (2,298) |
| Amortization of transition obligation | — | — | 1,370 | 1,370 |
| Amortization of actuarial loss | — | 4,125 | 3,912 | 4,453 |
| Net periodic benefit cost | \$ 25,908 | 31,933 | 17,558 | 16,912 |
| Amounts included in the consolidated statements of activities: | | | | |
| University | \$ 15,886 | 19,770 | 17,558 | 16,912 |
| Medical Center | 10,022 | 12,163 | — | — |
| Total | \$ 25,908 | 31,933 | 17,558 | 16,912 |

Defined contribution pension plan costs included in the consolidated statements of activities amounted to \$39,004 in fiscal year 2009 and \$35,242 in fiscal year 2008 for the University and \$9,400 in fiscal year 2009 and \$7,100 in fiscal year 2008 for the Medical Center.

(b) Actuarial Assumptions

The weighted average assumptions used in the accounting for the pension and other postretirement benefit plans are shown below:

| | Defined benefit pension plan | | Other postretirement benefit plans | |
|--------------------------------|---------------------------------|------|---------------------------------------|-------------|
| | 2009 | 2008 | 2009 | 2008 |
| Discount rate | 6.8% | 7.1% | 6.8% | 7.1% |
| Expected return on plan assets | 7.6 | 8.0 | 6.5 | 6.5 |
| Rate of compensation increase | 3.5 | 4.2 | 4.1 | 4.2 |
| Healthcare cost trend rates: | | | | |
| Next two fiscal years | — | — | 7.5% – 8.0% | 8.0% – 8.5% |
| Next seven fiscal years | — | — | 5.0 – 7.5 | 5.0 – 7.5 |
| Thereafter | — | — | 5.0 | 5.0 |

THE UNIVERSITY OF CHICAGO

Notes to Consolidated Financial Statements

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(In thousands of dollars)

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.

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>2009</u> | <u>2008</u> |
|---|----|-------------|-------------|
| Effect on total service cost and interest cost: | | | |
| One-percentage point increase | \$ | 2,422 | 2,462 |
| One-percentage point decrease | | (1,900) | (1,911) |
| Effect on year-end postretirement benefit obligation: | | | |
| One-percentage point increase | \$ | 22,874 | 18,387 |
| One-percentage point decrease | | (18,520) | (14,946) |

(c) **Plan Assets**

Weighted average asset allocations by asset category are as follows:

| | Defined benefit pension plan | | Other postretirement benefit plans | |
|-------------------------------|---|-------------|---|-------------|
| | <u>2009</u> | <u>2008</u> | <u>2009</u> | <u>2008</u> |
| Domestic public equities | 40% | 64% | 49% | 49% |
| International public equities | 11 | 21 | — | — |
| Fixed income | 49 | 15 | 51 | 51 |
| | <u>100%</u> | <u>100%</u> | <u>100%</u> | <u>100%</u> |

Plan assets for the defined benefit pension plan are managed through the Teachers Insurance and Annuity Association and College Retirement Equities Fund. The target asset allocation of 40% public equities and 60% fixed income securities are 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 \$68,251 contribution to the defined benefit pension plan in fiscal year 2010.

THE UNIVERSITY OF CHICAGO

Notes to Consolidated Financial Statements

June 30, 2009 and 2008

(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 |
|--------------------|---|---|
| 2010 | \$ 25,085 | 6,444 |
| 2011 | 25,694 | 6,548 |
| 2012 | 27,448 | 7,313 |
| 2013 | 29,155 | 9,998 |
| 2014 | 30,831 | 9,986 |
| 2015 – 2019 | 185,444 | 54,153 |

(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 \$39,282 and \$34,929 at June 30, 2009 and 2008, 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, 2009 and 2008, the benefit obligation for the plan exceeded the plan’s assets thus creating an unfunded liability of \$18,939 and \$8,002 at June 30, 2009 and 2008, respectively.

THE UNIVERSITY OF CHICAGO

Notes to Consolidated Financial Statements

June 30, 2009 and 2008

(In thousands of dollars)

(11) Functional Classification of Expenses

Expenses by functional classification for the years ended June 30, 2009 and 2008 are shown below:

| | 2009 | 2008 |
|---|--------------|-------------|
| University: | | |
| Academic and research: | | |
| Instruction | \$ 722,405 | 692,172 |
| Research | 263,012 | 245,066 |
| Auxiliary enterprises | 159,675 | 139,776 |
| Library | 16,690 | 18,506 |
| Student services | 40,994 | 42,573 |
| Operation and maintenance of physical plant | 95,994 | 112,041 |
| Depreciation | 87,103 | 81,083 |
| Interest on notes and bonds | 30,032 | 41,826 |
| Total academic and research | 1,415,905 | 1,373,043 |
| Administration: | | |
| Institutional support | 99,074 | 94,409 |
| Informational services | 47,949 | 51,620 |
| Development | 50,021 | 48,901 |
| Operation and maintenance of physical plant | 5,350 | 5,039 |
| Depreciation | 15,807 | 12,578 |
| Interest on notes and bonds | 5,588 | 5,799 |
| Total administration | 223,789 | 218,346 |
| Total University | 1,639,694 | 1,591,389 |
| Medical Center: | | |
| Healthcare service | 927,103 | 912,653 |
| General and administrative | 104,068 | 88,986 |
| | 1,031,171 | 1,001,639 |
| Total | \$ 2,670,865 | 2,593,028 |

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

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Notes to Consolidated Financial Statements

June 30, 2009 and 2008

(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, 2008 and 2007 was \$105,795 and \$86,399, respectively. Unrestricted net assets at December 31, 2008 and 2007 were \$18,873 and \$16,743, respectively. In addition, the University has guaranteed \$267 of NORC's debt. 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 \$534,664 for ANL and \$369,515 for Fermilab in fiscal year 2009, and \$526,455 for ANL and \$334,184 for Fermilab in fiscal year 2008, are not included in the consolidated statements of activities. Net assets relating to ANL and to Fermilab are owned by the U.S. government and, therefore, are not included in the consolidated balance sheets.

(13) Contingencies

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

THE UNIVERSITY OF CHICAGO
Schedule of Expenditures of Federal Awards
Year ended June 30, 2009

| 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 | \$ 378,331 | — | 378,331 |
| Kansas State University | | — | (5,451) | (5,451) |
| University of Washington | | — | 20,129 | 20,129 |
| Agricultural and Rural Economic Research | 10.250 | 169,774 | — | 169,774 |
| University of Wisconsin | | — | 8,539 | 8,539 |
| Food Assistance and Nutrition Research Programs (FANRP) | 10.253 | 149,222 | — | 149,222 |
| Department of Agriculture total | | <u>697,327</u> | <u>23,217</u> | <u>720,544</u> |
| Department of Commerce: | | | | |
| Sea Grant Support | 11.417 | — | — | — |
| University of Southern California | | — | 117,821 | 117,821 |
| Department of Commerce total | | <u>—</u> | <u>117,821</u> | <u>117,821</u> |
| Department of Defense: | | | | |
| Basic and Applied Scientific Research | 12.300 | 1,140,186 | — | 1,140,186 |
| Military Medical Research and Development | 12.420 | 1,773,203 | — | 1,773,203 |
| University of Alabama at Birmingham | | — | 66,826 | 66,826 |
| University of Southern California | | — | 347,494 | 347,494 |
| Basic Scientific Research | 12.431 | 3,056,605 | — | 3,056,605 |
| Cornell University | | — | 260,723 | 260,723 |
| University of Maryland | | — | 235,481 | 235,481 |
| Air Force Defense Research Sciences Program | 12.800 | 404,386 | — | 404,386 |
| Department of Defense | 12.847 | 191,882 | — | 191,882 |
| Mathematical Sciences Grants Program | 12.901 | 25,603 | — | 25,603 |
| Research and Technology Development: | 12.910 | — | — | — |
| Northwestern University | | — | 194,193 | 194,193 |
| University of Illinois at Champaign | | — | 122,358 | 122,358 |
| Department of Defense: | | — | — | — |
| Henry M. Jackson Foundation | 12.RD,153513 | — | (12,591) | (12,591) |
| Henry M. Jackson Foundation | 12.RD,181859 | — | (220,290) | (220,290) |
| Argonne National Laboratory | 12.RD,5J-00023-0038A | — | 64,929 | 64,929 |
| Evanston Northwestern Healthcare Research Inst | 12.RD,W81 XWH-05-1-0467 | — | 1,942 | 1,942 |
| Henry M. Jackson Foundation | 12.RD,187736 | — | 271,731 | 271,731 |
| Henry M. Jackson Foundation | 12.RD,187735 | — | 321,202 | 321,202 |
| Henry M. Jackson Foundation | 12.RD,181754 | — | 22,917 | 22,917 |
| Henry M. Jackson Foundation | 12.RD,119972 | — | 228,313 | 228,313 |
| Department of Defense | 12.RD, W81XWH-07-1-0203 | 173,190 | — | 173,190 |
| Rosalind Franklin University of Medicine and Science | 12.RD,WX1XWH-05-1-0580 | — | 4,770 | 4,770 |
| Department of Defense total | | <u>6,765,055</u> | <u>1,909,998</u> | <u>8,675,053</u> |
| Department of Education: | | | | |
| National Resource Centers Program for Foreign Language and Area Studies | 84.015 | — | 4,500 | 4,500 |
| University of Texas at Austin | | — | — | — |
| International Research and Studies | 84.017 | 94,401 | — | 94,401 |
| National Institute on Disability and Rehabilitation Research | | — | 16,664 | 16,664 |
| Rehabilitation Institute Research Corporation | 84.133 | — | — | — |
| Graduate Assistance in Areas of National Need | 84.200 | 1,042,073 | — | 1,042,073 |
| Fund for the Improvement of Education | 84.215 | — | — | — |
| Chicago Public Schools | | — | 22,281 | 22,281 |
| Language Resource Centers | 84.229 | 65,743 | — | 65,743 |
| Comprehensive Centers | 84.283 | — | — | — |
| American Institutes For Research | | — | 37,327 | 37,327 |
| Education Research, Development, and Dissemination | 84.305 | 1,525,357 | — | 1,525,357 |
| Vanderbilt University | | — | 21,902 | 21,902 |
| Teacher Quality Enhancement Grants | 84.336 | — | — | — |
| Illinois State Board of Education | | — | (1) | (1) |
| Department of Education | 84.RD,227-1001 | — | — | — |
| Illinois Board of Higher Education | | — | (8,195) | (8,195) |
| Teacher Quality Enhancement Grants | | — | — | — |
| Illinois State Board of Education | 84.RD,2008-4936-00-65108821051 | — | 26,742 | 26,742 |
| Safe and Drug-Free Schools and Communities National Programs | 84.184,PO#1671023 | — | — | — |
| Chicago Public Schools | | — | 67,328 | 67,328 |
| Safe and Drug-Free Schools and Communities National Programs | 84.184,PO#1452525 | — | — | — |
| Chicago Public Schools | | — | 103,388 | 103,388 |
| Improving Teacher Quality State Grants | 84.367,PO#1708072G | — | — | — |
| Chicago Public Schools | | — | 171,044 | 171,044 |
| Department of Education total | | <u>2,727,574</u> | <u>462,980</u> | <u>3,190,554</u> |
| Department of Energy: | | | | |
| Department of Energy | 81.019 | — | — | — |
| Argonne National Laboratory | | — | 225,019 | 225,019 |
| Office of Science Financial Assistance Program | 81.049 | 3,271,016 | — | 3,271,016 |
| Argonne National Laboratory | | — | 330,568 | 330,568 |
| Berkeley National Laboratory | | — | 74,153 | 74,153 |
| Brookhaven National Laboratory | | — | 155,365 | 155,365 |
| Carnegie Institution of Washington | | — | 53,619 | 53,619 |
| Fermi National Accelerator Laboratory | | — | 83,957 | 83,957 |
| Krell Institute | | — | 22,594 | 22,594 |
| Lawrence-Livermore | | — | 16,792 | 16,792 |
| Oak Ridge National Laboratory | | — | 8,286 | 8,286 |
| Northwestern University | | — | 127,287 | 127,287 |

THE UNIVERSITY OF CHICAGO
Schedule of Expenditures of Federal Awards
Year ended June 30, 2009

| Federal agency and pass-through entity | CFDA numbers | Direct awards | Pass-through awards | Total expenditures |
|--|-------------------------|------------------|---------------------|--------------------|
| State Energy Program Special Projects | 81.119 | | | |
| Argonne National Laboratory | | \$ — | 244,201 | 244,201 |
| Battelle Memorial Institute | | — | 20,737 | 20,737 |
| Fermi National Accelerator Laboratory | | — | 182,668 | 182,668 |
| University of Wisconsin | | — | 1,038,996 | 1,038,996 |
| Nuclear Energy Research, Development and Demonstration | 81.121 | | | |
| Texas A&M University | | — | 136,247 | 136,247 |
| Department of Energy: | 81.149 | | | |
| Argonne National Laboratory | | — | 20,142 | 20,142 |
| Fermi National Accelerator Laboratory | | — | 176,237 | 176,237 |
| Argonne National Laboratory | 81.RD.11-00322 | — | (2,974) | (2,974) |
| Lawrence-Livermore | 81.RD.B523820 | — | 2,246,258 | 2,246,258 |
| Department of Energy | 81.RD.DE-FG02-05ER64086 | 196,919 | — | 196,919 |
| Department of Energy | 81.RD.DE-FG02-07ER64501 | 455,466 | — | 455,466 |
| Department of Energy total | | <u>3,923,401</u> | <u>5,160,152</u> | <u>9,083,553</u> |
| Department of Health and Human Services: | | | | |
| Innovations in Applied Public Health Research | 93.061 | 156,027 | — | 156,027 |
| Centers for Genomics and Public Health | 93.063 | | | |
| Northwestern University | | — | 1,692,383 | 1,692,383 |
| Food and Drug Administration Research | 93.103 | | | |
| Social & Scientific Systems | | — | 25,000 | 25,000 |
| Maternal and Child Health Federal Consolidated Programs | | | | |
| American Academy of Pediatrics | 93.110 | — | 972 | 972 |
| Northwestern University | | — | 9,179 | 9,179 |
| University of Illinois at Chicago | | — | 4,319 | 4,319 |
| Environmental Health | 93.113 | 1,166,507 | — | 1,166,507 |
| Columbia University | | — | 141,449 | 141,449 |
| Biometry and Risk Estimation Health Risks from Environmental Exposures | 93.115 | | | |
| Columbia University | | — | 23,608 | 23,608 |
| Rush-Presbyterian-St. Luke's Medical Center | | — | 15,788 | 15,788 |
| Oral Diseases and Disorders Research | 93.121 | 1,048,865 | — | 1,048,865 |
| University of California Los Angeles | | — | 4,229 | 4,229 |
| Grants to Increase Organ Donations | 93.134 | | | |
| National Kidney Foundation of Illinois | | — | (16,369) | (16,369) |
| Injury Prevention and Control Research and State and Community | | | | |
| Based Programs | 93.136 | 509,488 | — | 509,488 |
| Human Genome Research | 93.172 | 4,721,599 | — | 4,721,599 |
| Michigan State University | | — | 30,215 | 30,215 |
| Northwestern University | | — | 176,536 | 176,536 |
| Pennsylvania State University | | — | (16,699) | (16,699) |
| Research Related to Deafness and Communication Disorders | 93.173 | 2,928,858 | — | 2,928,858 |
| Northwestern University | | — | 66,492 | 66,492 |
| University of Colorado | | — | 30,880 | 30,880 |
| University of Iowa | | — | 2,984 | 2,984 |
| Allied Health Special Projects | 93.191 | 86,982 | — | 86,982 |
| SAIC-Frederick, Inc. | | — | 395,934 | 395,934 |
| Research and Training in Complementary and Alternative Medicine | 93.213 | 1,006,842 | — | 1,006,842 |
| National Research Service Awards Health Services | | | | |
| Research Training | 93.225 | 211,972 | — | 211,972 |
| Research on Healthcare Costs, Quality, and Outcomes | 93.226 | 1,302,405 | — | 1,302,405 |
| Indiana University | | — | 2,022 | 2,022 |
| University of Pennsylvania | | — | 37,056 | 37,056 |
| National Center on Sleep Disorders Research | 93.233 | 978,436 | — | 978,436 |
| Free University of Brussels | | — | 103,595 | 103,595 |
| Northwestern University | | — | 17,351 | 17,351 |
| Mental Health Research Grants | 93.242 | 5,327,411 | — | 5,327,411 |
| Columbia University | | — | 56,242 | 56,242 |
| Duke University | | — | 64,608 | 64,608 |
| Johns Hopkins University | | — | 136,674 | 136,674 |
| Neuropsychiatric Research Institute | | — | 137,573 | 137,573 |
| Northern California Inst For Research & Education | | — | 50,503 | 50,503 |
| Oregon Health and Science University | | — | 89,691 | 89,691 |
| University of California Los Angeles | | — | 9,621 | 9,621 |
| University of California San Diego | | — | 166,337 | 166,337 |
| University of Florida | | — | 189,795 | 189,795 |
| University of Illinois at Chicago | | — | 219,150 | 219,150 |
| University of Pittsburgh | | — | 36,640 | 36,640 |
| University of Southern California | | — | 40,349 | 40,349 |
| Alcohol Research Programs | 93.273 | 459,088 | — | 459,088 |
| Department of Health and Human Services | 93.278 | (53,401) | — | (53,401) |
| Drug Abuse and Addiction Research Programs | 93.279 | 6,664,477 | — | 6,664,477 |
| Medical College of Wisconsin | | — | 34,897 | 34,897 |
| Rosalind Franklin University of Medicine and Science | | — | 30,163 | 30,163 |
| University of Illinois at Champaign | | — | 20,203 | 20,203 |
| University of Illinois at Chicago | | — | (1) | (1) |
| Mental Health Research Career/Scientist | | | | |
| Development Awards | 93.281 | 665,730 | — | 665,730 |
| Mental Health National Research Service Awards for | | | | |
| Research Training | 93.282 | 254,371 | — | 254,371 |
| Centers for Disease Control and Prevention | | | | |
| Investigations and Technical Assistance | 93.283 | 14,335 | — | 14,335 |
| Medical University of Ohio | | — | 5,830 | 5,830 |
| University of Pittsburgh | | — | 18,005 | 18,005 |

THE UNIVERSITY OF CHICAGO
Schedule of Expenditures of Federal Awards
Year ended June 30, 2009

| Federal agency and pass-through entity | CFDA numbers | Direct awards | Pass-through awards | Total expenditures |
|--|---------------------|---------------|---------------------|--------------------|
| Discovery and Applied Research for Technological Innovations to Improve Human Health | 93.286 | \$ 3,262,391 | — | 3,262,391 |
| University of California-Davis | | — | 96,227 | 96,227 |
| University of Denver | | — | 35,624 | 35,624 |
| University of Illinois at Chicago | | — | 17,622 | 17,622 |
| University of Iowa | | — | 220,056 | 220,056 |
| University of Minnesota | | — | 27,873 | 27,873 |
| University of Tennessee | | — | 80,713 | 80,713 |
| Trans-NIH Research Support | 93.310 | 1,776,702 | — | 1,776,702 |
| University of Virginia | | — | 64,886 | 64,886 |
| NIH Clinical Research | 93.333 | (82,684) | — | (82,684) |
| National Center for Research Resources | 93.389 | 9,075,543 | — | 9,075,543 |
| University of Southern California | | — | 214,562 | 214,562 |
| Academic Research Enhancement Award | 93.390 | 419,883 | — | 419,883 |
| Columbia University | | — | 124,784 | 124,784 |
| Cancer Cause and Prevention Research | 93.393 | 9,426,962 | — | 9,426,962 |
| Aids Research Alliance Chicago | | — | 5,911 | 5,911 |
| H. Lee Moffitt Cancer Center and Research Inst | | — | 114,610 | 114,610 |
| Seattle Children's Hospital and Regional Medical Ctr | | — | 14,081 | 14,081 |
| Seattle Institute of Cardiac Research | | — | 4,521 | 4,521 |
| Translational Genomics Research Institute | | — | 214,445 | 214,445 |
| University of Hawaii | | — | 205,789 | 205,789 |
| University of Illinois at Chicago | | — | 36,062 | 36,062 |
| University of Pennsylvania | | — | 268,663 | 268,663 |
| Cancer Detection and Diagnosis Research | 93.394 | 2,095,869 | — | 2,095,869 |
| Alan Penn and Associates Inc | | — | 31,342 | 31,342 |
| American College of Radiology | | — | 5,329 | 5,329 |
| American College of Radiology Imaging Network | | — | 404 | 404 |
| Northwestern University | | — | 33,564 | 33,564 |
| University of Texas | | — | 69,351 | 69,351 |
| Cancer Treatment Research | 93.395 | 14,470,603 | — | 14,470,603 |
| Albany Medical College | | — | 6,409 | 6,409 |
| Albert Einstein College of Medicine | | — | 22,085 | 22,085 |
| Biochain | | — | 29,713 | 29,713 |
| Duke University | | — | 53,574 | 53,574 |
| Expression Genetics, Inc. | | — | 10,816 | 10,816 |
| Georgetown University | | — | 50,400 | 50,400 |
| Gynecologic Oncology Group | | — | 123,459 | 123,459 |
| LNK Chemsolutions LLC | | — | 33,494 | 33,494 |
| National Childhood Cancer Foundation | | — | 197,917 | 197,917 |
| University of Alabama at Birmingham | | — | 6,476 | 6,476 |
| University of California Riverside | | — | 30,522 | 30,522 |
| University of California San Francisco | | — | (7,903) | (7,903) |
| University of Pittsburgh | | — | 22,332 | 22,332 |
| University of Southern California | | — | 167 | 167 |
| Cancer Biology Research | 93.396 | 6,516,957 | — | 6,516,957 |
| Cincinnati Children's Hospital | | — | 54,475 | 54,475 |
| Dana-Farber Cancer Research Institute | | — | 17,648 | 17,648 |
| Loyola University - Illinois | | — | 281,621 | 281,621 |
| Northwestern University | | — | 131,420 | 131,420 |
| Strang Cancer Prevention Center | | — | (4,520) | (4,520) |
| University of California San Francisco | | — | 251,462 | 251,462 |
| Cancer Centers Support Grants | 93.397 | 6,370,764 | — | 6,370,764 |
| Northwestern University | | — | 1,855 | 1,855 |
| Cancer Research Manpower | 93.398 | 1,768,770 | — | 1,768,770 |
| American College of Radiology | | — | 3,234 | 3,234 |
| Cancer Control | 93.399 | 812,140 | — | 812,140 |
| Georgetown University | | — | 36,189 | 36,189 |
| Johns Hopkins University | | — | 14,476 | 14,476 |
| Mayo Foundation | | — | 4,561 | 4,561 |
| Northwestern University | | — | 86,077 | 86,077 |
| Southwest Oncology Group | | — | 1,679 | 1,679 |
| Abandoned Infants | 93.551 | 233,972 | — | 233,972 |
| Social Services Research and Demonstration | 93.647 | 16,418 | — | 16,418 |
| Child Abuse and Neglect Discretionary Activities | 93.670 | — | — | — |
| Center For The Study of Social Policy | | — | 41,558 | 41,558 |
| City of New York | | — | 23,113 | 23,113 |
| Child Abuse and Neglect Discretionary Activities | 93.670,1923669028 | — | — | — |
| Illinois Department of Children and Family Service | | — | 196,790 | 196,790 |
| Child Abuse and Neglect Discretionary Activities | 93.670,K11 GK514469 | — | — | — |
| Illinois Department of Human Services | | — | 72,369 | 72,369 |
| ARRA -Trans - NIH Recovery Act Research Support | 93.701 | 110,672 | — | 110,672 |
| Department of Health and Human Services | 93.821 | 1 | — | 1 |
| Cardiovascular Diseases Research | 93.837 | 8,329,510 | — | 8,329,510 |
| Duke University | | — | 44,672 | 44,672 |
| Northwestern University | | — | 6,621 | 6,621 |
| University of Alabama at Birmingham | | — | (2) | (2) |
| University of Illinois at Chicago | | — | 67,264 | 67,264 |
| University of Iowa | | — | 19,415 | 19,415 |
| University of Pittsburgh | | — | 19,490 | 19,490 |
| University of Utah | | — | 26,551 | 26,551 |
| Wake Forest University | | — | 463,193 | 463,193 |
| Lung Diseases Research | 93.838 | 11,430,702 | — | 11,430,702 |
| Association For Prevention Teaching and Research | | — | 29,000 | 29,000 |
| Johns Hopkins University | | — | (150,269) | (150,269) |
| Medical College of Georgia | | — | 2,494 | 2,494 |
| Northwestern University | | — | 5,488 | 5,488 |
| University of Arizona | | — | 34,557 | 34,557 |

THE UNIVERSITY OF CHICAGO
Schedule of Expenditures of Federal Awards
Year ended June 30, 2009

| Federal agency and pass-through entity | CFDA numbers | Direct awards | Pass-through awards | Total expenditures |
|--|--------------|---------------|---------------------|--------------------|
| University of Missouri – Columbia | | \$ — | 57,611 | 57,611 |
| University of Wisconsin | | — | 327,805 | 327,805 |
| Blood Diseases and Resources Research | 93.839 | 839,011 | — | 839,011 |
| Albert Einstein College of Medicine | | — | (16,136) | (16,136) |
| Howard University | | — | 263,704 | 263,704 |
| St Jude Children’s Research Hospital | | — | 450,262 | 450,262 |
| Arthritis, Musculoskeletal, and Skin Diseases Research | 93.846 | 1,092,070 | — | 1,092,070 |
| Cincinnati Children’s Hospital | | — | 18,121 | 18,121 |
| Hospital For Special Surgery | | — | 15,707 | 15,707 |
| Loyola University – Illinois | | — | 66,069 | 66,069 |
| Seattle Children’s Hospital & Regional Medical Ctr | | — | 1,130 | 1,130 |
| Diabetes, Digestive, and Kidney Diseases Extramural Research | 93.847 | 9,939,377 | — | 9,939,377 |
| Chemical Diversity Labs | | — | (894) | (894) |
| Northwestern University | | — | 8,145 | 8,145 |
| Palo Alto Medical Foundation Research Institute | | — | 13,759 | 13,759 |
| University of Texas | | — | 165,201 | 165,201 |
| Washington University | | — | 47,339 | 47,339 |
| Digestive Diseases and Nutrition Research | 93.848 | 3,253,423 | — | 3,253,423 |
| Emory University | | — | 289 | 289 |
| Michigan State University | | — | 36,455 | 36,455 |
| Northwestern University | | — | 11,744 | 11,744 |
| University of California San Francisco | | — | 83 | 83 |
| University of Illinois at Chicago | | — | 79,471 | 79,471 |
| Yale University | | — | 357,088 | 357,088 |
| Kidney Diseases, Urology, and Hematology Research | 93.849 | 4,062,943 | — | 4,062,943 |
| Northwestern University | | — | 14,960 | 14,960 |
| University of Alabama at Birmingham | | — | 552 | 552 |
| University of Rochester | | — | 70,006 | 70,006 |
| Extramural Research Programs in the Neurosciences and Neurological Disorders | 93.853 | 7,475,232 | — | 7,475,232 |
| Brigham and Women’s Hospital | | — | 15,870 | 15,870 |
| Children’s Hospital, Boston | | — | 40,332 | 40,332 |
| Columbia University | | — | 60,953 | 60,953 |
| Cornell University | | — | 385 | 385 |
| Illinois Institute of Technology | | — | (26,446) | (26,446) |
| Massachusetts General Hospital | | — | 18,400 | 18,400 |
| Northwestern University | | — | 169,515 | 169,515 |
| The Children’s Hospital of Philadelphia | | — | 125,606 | 125,606 |
| Tourette Syndrome Association | | — | 27,869 | 27,869 |
| University of California San Diego | | — | 36,648 | 36,648 |
| University of Minnesota | | — | 14,456 | 14,456 |
| University of Rochester | | — | 845 | 845 |
| Allergy, Immunology, and Transplantation Research | 93.855 | 22,809,451 | — | 22,809,451 |
| Albany Medical College | | — | 140,996 | 140,996 |
| Emory University | | — | 59,410 | 59,410 |
| Fred Hutchinson Cancer Research Center | | — | 46,135 | 46,135 |
| Innovative Biologics | | — | 646 | 646 |
| Oklahoma Medical Research Foundation | | — | 93,139 | 93,139 |
| Rhode Island Hospital | | — | 22,002 | 22,002 |
| University of California San Francisco | | — | 65,950 | 65,950 |
| University of Massachusetts | | — | 219,709 | 219,709 |
| University of Miami | | — | 977 | 977 |
| University of Missouri – Columbia | | — | 5,311 | 5,311 |
| University of Wisconsin | | — | 27,913 | 27,913 |
| Microbiology and Infectious Diseases Research | 93.856 | 29,271 | — | 29,271 |
| Children’s Memorial Hospital, Chicago | | — | (1,432) | (1,432) |
| Biomedical Research and Research Training | 93.859 | 27,815,990 | — | 27,815,990 |
| Biostructures, Inc. | | — | 165,264 | 165,264 |
| Brigham and Women’s Hospital | | — | 198,056 | 198,056 |
| Columbia University | | — | 61,717 | 61,717 |
| Cornell University | | — | 91,418 | 91,418 |
| Los Alamos National Laboratory | | — | 362,664 | 362,664 |
| University of Michigan | | — | 93,150 | 93,150 |
| University of Southern California | | — | 22,563 | 22,563 |
| University of Wisconsin | | — | 29,793 | 29,793 |
| NIH Population Research | 93.864 | 1,545,374 | — | 1,545,374 |
| National Bureau of Economic Research | | — | 37,692 | 37,692 |
| University of Illinois at Chicago | | — | 123,059 | 123,059 |
| Child Health and Human Development Extramural Research | 93.865 | 5,505,947 | — | 5,505,947 |
| Children’s Memorial Hospital, Chicago | | — | 1,577 | 1,577 |
| Johns Hopkins University | | — | 67,118 | 67,118 |
| Mount Sinai Medical Center of Miami | | — | 32,597 | 32,597 |
| New York University | | — | (4,201) | (4,201) |
| Ohio State University | | — | 1,205 | 1,205 |
| University of Colorado | | — | 50,208 | 50,208 |
| University of Illinois at Chicago | | — | 79,083 | 79,083 |
| University of Kansas | | — | 281,415 | 281,415 |
| University of Missouri – Kansas City | | — | 9,498 | 9,498 |
| University of Texas, San Antonio | | — | 12,867 | 12,867 |
| University of Washington | | — | 862 | 862 |
| Yale University | | — | (30,615) | (30,615) |
| Aging Research | 93.866 | 3,213,738 | — | 3,213,738 |
| National Bureau of Economic Research | | — | 217,725 | 217,725 |
| National Opinion Research Center | | — | 112,112 | 112,112 |
| University of California San Diego | | — | 143,002 | 143,002 |
| University of Connecticut Health Center | | — | 35,812 | 35,812 |
| University of Michigan | | — | 164,838 | 164,838 |

THE UNIVERSITY OF CHICAGO
Schedule of Expenditures of Federal Awards
Year ended June 30, 2009

| Federal agency and pass-through entity | CFDA numbers | Direct awards | Pass-through awards | Total expenditures |
|---|------------------------------|---------------|---------------------|--------------------|
| Vision Research | 93.867 | \$ 2,520,386 | — | 2,520,386 |
| Jaeb Center for Health Research | | — | (5) | (5) |
| University of Wisconsin | | — | 21,996 | 21,996 |
| Medical Library Assistance | 93.879 | 476,288 | — | 476,288 |
| HIV Demonstration, Research, Public, and Professional Education Projects | 93.941 | 382,950 | — | 382,950 |
| International Research and Research Training | 93.989 | 283,666 | — | 283,666 |
| Bioterrorism Training and Curriculum Development Program | 93.996 | — | — | — |
| Metropolitan Chicago Healthcare Council | | — | 73,951 | 73,951 |
| Department of Health and Human Services | 93.RD | — | — | — |
| Duke University | | — | 11,153 | 11,153 |
| Mathematical Policy Research | | — | 93,009 | 93,009 |
| National Opinion Research Center | | — | 89,776 | 89,776 |
| Vanderbilt University | | — | 2,136 | 2,136 |
| University of Pittsburgh | | — | 8,050 | 8,050 |
| Department of Health and Human Services | | — | — | — |
| Duke University | 93.RD,1 N01 AR22265-01 | — | 17,014 | 17,014 |
| Marine Biological Laboratory | 93.RD,1 R01 LM009725-01A1 | — | 21,088 | 21,088 |
| Duke University | 93.RD,1 U10 CA76001-1 | — | 6,500 | 6,500 |
| Illinois Department of Children and Family Service | 93.RD,1923669028 | — | 48,404 | 48,404 |
| University of California Los Angeles | 93.RD,2000GKK2456 | — | 150,342 | 150,342 |
| Rti International | 93.RD,200-2002-00776 | — | 183,827 | 183,827 |
| Social & Scientific Systems | 93.RD,223-02-6003 | — | 44,654 | 44,654 |
| SAIC-Frederick, Inc. | 93.RD,22XS027 | — | 1,621 | 1,621 |
| Urban Institute | 93.RD,233-02-0059 | — | 262,191 | 262,191 |
| SAIC-Frederick, Inc. | 93.RD,23XS027 T.O. 15 | — | 86 | 86 |
| SAIC-Frederick, Inc. | 93.RD,23XS027 T.O.08 (P6580) | — | (12,190) | (12,190) |
| SAIC-Frederick, Inc. | 93.RD,23XS027 T.O.14 (P7285) | — | 437 | 437 |
| Ohio State University | 93.RD,28X193 | — | 70,577 | 70,577 |
| University of Illinois at Champaign | 93.RD,5 PN2 EY016570-03 | — | 59,221 | 59,221 |
| University of Illinois at Champaign | 93.RD,5 PN2 EY016570-04 | — | 25,323 | 25,323 |
| University of California Riverside | 93.RD,5 R01 AI036959-01 | — | 51,479 | 51,479 |
| Hospital For Special Surgery | 93.RD,5 R01 AR049772-03 | — | 5,281 | 5,281 |
| University of California Los Angeles | 93.RD,5 R01 MH081754 | — | 55,871 | 55,871 |
| University of California San Diego | 93.RD,5 R01 NS037756-09 | — | 14 | 14 |
| University of California Berkeley | 93.RD,5 R21 DK075021-02 | — | (2,632) | (2,632) |
| American Psychiatric Institute Research and Edu | 93.RD,5 T32 MH19126-18 | — | 19 | 19 |
| American Psychiatric Institute Research and Edu | 93.RD,5 T32 MH19126-19 | — | 50,617 | 50,617 |
| Emmes Corporation | 93.RD,5 U01 DK061693-05 | — | 13,500 | 13,500 |
| Duke University | 93.RD,5 U10 CA76008-04 | — | 16,000 | 16,000 |
| Columbia University | 93.RD,5 U54 CA121852-04 | — | 75,209 | 75,209 |
| Duke University | 93.RD,7 U10 CA86004-02 | — | 4,056 | 4,056 |
| Booz Allen Hamilton, Inc. | 93.RD,GC-35F-0306J | — | 119,741 | 119,741 |
| Department of Health and Human Services | 93.RD,HHSN261200555009C | 266,517 | — | 266,517 |
| Department of Health and Human Services | 93.RD,HHSN261200622001C | 1,761,169 | — | 1,761,169 |
| Department of Health and Human Services | 93.RD,HHSN265200423601C | — | — | — |
| Westat | | — | 39,964 | 39,964 |
| Department of Health and Human Services | 93.RD,HHSN266200400042C | 3,559,322 | — | 3,559,322 |
| Northwestern University | 93.RD,HHSN267200700027C | — | 87,901 | 87,901 |
| Department of Health and Human Services | 93.RD,HHSN267200700039C | 184,914 | — | 184,914 |
| University of California San Francisco | 93.RD,HHSN2720070031C | — | 595,394 | 595,394 |
| University of California San Francisco | 93.RD,N01 AI15416 | — | (6,734) | (6,734) |
| SAIC-Frederick, Inc. | 93.RD,N01 CM62201 | — | 7,448 | 7,448 |
| Access Community Health | 93.RD,P20 HS071731-01 | — | 93,601 | 93,601 |
| Children's Hospital Los Angeles | 93.RD,R01 CA90027 | — | 2,532 | 2,532 |
| National Bureau of Economic Research | 93.RD,R01 HD040404 | — | 47,567 | 47,567 |
| Department of Health and Human Services total | | 200,502,206 | 16,251,693 | 216,753,899 |
| Department of Housing and Urban Development: | | — | — | — |
| General Research and Technology Activity | 14.506 | 24,989 | — | 24,989 |
| Doctoral Dissertation Research Grants | 14.516 | 5,761 | — | 5,761 |
| Department of Housing and Urban Development total | | 30,750 | — | 30,750 |
| Department of Justice: | | — | — | — |
| National Institute of Justice Research, Evaluation and Development Project Grants | 16.560 | 35,889 | — | 35,889 |
| Urban Institute | 16.RD,UI-07895-000-000 | — | 72 | 72 |
| University of Washington | 16.RD | — | 365 | 365 |
| Department of Justice total | | 35,889 | 437 | 36,326 |
| Department of State: | | — | — | — |
| Population Council | 19.UNK,CB06.102A | — | 107,013 | 107,013 |
| Department of State total | | — | 107,013 | 107,013 |
| Environmental Protection Agency: | | — | — | — |
| Science to Achieve Results (STAR) Research Program | 66.509 | — | 300,228 | 300,228 |
| Johns Hopkins University | | — | — | — |
| Environmental Protection Agency total | | — | 300,228 | 300,228 |
| National Aeronautics and Space Administration: | | — | — | — |
| Aerospace Education Services Program | 43.001 | 2,449,029 | — | 2,449,029 |
| California Institute of Technology | | — | 89,794 | 89,794 |
| Cornell University | | — | 32,792 | 32,792 |
| Fermi National Accelerator Laboratory | | — | 24,922 | 24,922 |
| Jet Propulsion Laboratory | | — | 292,849 | 292,849 |
| Massachusetts Institute of Technology | | — | 39,048 | 39,048 |
| Smithsonian Institution | | — | 38,645 | 38,645 |

THE UNIVERSITY OF CHICAGO
Schedule of Expenditures of Federal Awards
Year ended June 30, 2009

| Federal agency and pass-through entity | CFDA numbers | Direct awards | Pass-through awards | Total expenditures |
|--|-----------------------|---------------|---------------------|--------------------|
| Southwest Research Institute | | \$ — | 70,775 | 70,775 |
| Space Telescope Science Institute | | — | 55,579 | 55,579 |
| University Space Research Association | | — | 1,191,249 | 1,191,249 |
| University of Illinois at Champaign | 43.RD,NNG05GE81H | — | 70,687 | 70,687 |
| Aerospace Education Services Program | 43.RD,NNH08ZDA001N | 6,465 | — | 6,465 |
| University of Maryland | 43.RD,NNJ05HE73G | — | 95,319 | 95,319 |
| Cornell University | 43.RD,NNM08AA26C | — | 3,097 | 3,097 |
| Jet Propulsion Laboratory | 43.RD,RSA NO. 1307783 | — | 52,626 | 52,626 |
| National Aeronautics and Space Administration total | | 2,455,494 | 2,057,382 | 4,512,876 |
| National Endowment for the Humanities: | | | | |
| Promotion of the Humanities Division of Preservation and Access | 45.149 | 269,520 | — | 269,520 |
| University of Michigan | | — | (1,853) | (1,853) |
| Promotion of the Humanities Research | 45.161 | 72,038 | — | 72,038 |
| Promotion of the Humanities Office of Digital Humanities | 45.169 | 18,555 | — | 18,555 |
| National Endowment for the Humanities total | | 360,113 | (1,853) | 358,260 |
| National Science Foundation: | | | | |
| Engineering Grants | 47.041 | 76,536 | — | 76,536 |
| Northwestern University | | — | 12,877 | 12,877 |
| University of Nevada | | — | 2,460 | 2,460 |
| Mathematical and Physical Sciences | 47.049 | 18,881,815 | — | 18,881,815 |
| Columbia University | | — | 865,786 | 865,786 |
| Fermi National Accelerator Laboratory | | — | 77,273 | 77,273 |
| Johns Hopkins University | | — | 113,363 | 113,363 |
| Smithsonian Institution | | — | 75 | 75 |
| University of Florida | | — | 104 | 104 |
| University of Illinois at Champaign | | — | 2 | 2 |
| University of Illinois at Chicago | | — | (7,281) | (7,281) |
| University of Minnesota | | — | 123,511 | 123,511 |
| University of Notre Dame | | — | 397,533 | 397,533 |
| University of Wisconsin | | 223,665 | (235,643) | (11,978) |
| Geosciences | 47.050 | 3,360,064 | — | 3,360,064 |
| California Institute of Technology | | — | 87,150 | 87,150 |
| State University of New York | | — | 131,752 | 131,752 |
| University of California San Diego | | — | 38,762 | 38,762 |
| Computer and Information Science and Engineering | 47.070 | 16,699,081 | — | 16,699,081 |
| DePaul University | | — | 13,888 | 13,888 |
| University of Delaware | | — | 50,383 | 50,383 |
| University of Illinois at Chicago | | — | 81,653 | 81,653 |
| Virginia Tech | | — | 6,290 | 6,290 |
| Biological Sciences | 47.074 | 2,025,179 | — | 2,025,179 |
| University of California San Diego | | — | 71,217 | 71,217 |
| University of California Santa Barbara | | — | 109,143 | 109,143 |
| University of Illinois at Chicago | | — | 17,764 | 17,764 |
| University of Southern California | | — | 131,157 | 131,157 |
| Social, Behavioral, and Economic Sciences | 47.075 | 1,921,382 | — | 1,921,382 |
| Purdue University | | — | 3,008 | 3,008 |
| Temple University | | — | 1,041,711 | 1,041,711 |
| Education and Human Resources | 47.076 | 1,167,377 | — | 1,167,377 |
| Northwestern University | | — | (59,577) | (59,577) |
| University of Missouri – Columbia | | — | 39,224 | 39,224 |
| Polar Programs | 47.078 | 3,001,075 | — | 3,001,075 |
| International Science and Engineering (OISE) | 47.079 | 404,909 | — | 404,909 |
| Office of Cyberinfrastructure | 47.080 | 1,436,679 | — | 1,436,679 |
| Boston University | | — | 16,379 | 16,379 |
| Northwestern University | | — | 103,542 | 103,542 |
| University of Florida | | — | 114,214 | 114,214 |
| University of Illinois at Champaign | | — | 30,942 | 30,942 |
| National Science Foundation total | | 49,197,762 | 3,378,662 | 52,576,424 |
| Research and Development Cluster total | | 266,695,571 | 29,767,730 | 296,463,301 |
| Student Financial Assistance Cluster: | | | | |
| Department of Education: | | | | |
| Federal Supplemental Educational Opportunity Grants | 84.007 | 713,730 | — | 713,730 |
| Federal Family Education Loans | 84.032 | 112,887,144 | — | 112,887,144 |
| Federal Work-Study Program | 84.033 | 2,980,646 | — | 2,980,646 |
| Federal Perkins Loan Program Federal Capital Contributions | 84.038 | 3,371,265 | — | 3,371,265 |
| Federal Pell Grant Program | 84.063 | 2,166,806 | — | 2,166,806 |
| Academic Competitiveness Grants | 84.375 | 184,617 | — | 184,617 |
| National Science and Mathematics Access to Retain Talent (SMART) | 84.376 | 102,669 | — | 102,669 |
| Department of Education total | | 122,406,877 | — | 122,406,877 |
| Student Financial Assistance Cluster total | | 122,406,877 | — | 122,406,877 |
| Other Federal Programs: | | | | |
| Department of Defense: | | | | |
| Chicago Public Schools | 12.RD,1865301G | — | 266 | 266 |
| Chicago Public Schools | 12.RD,1610196G | — | 130,564 | 130,564 |
| Department of Defense total | | — | 130,830 | 130,830 |

THE UNIVERSITY OF CHICAGO
Schedule of Expenditures of Federal Awards
Year ended June 30, 2009

| Federal agency and pass-through entity | CFDA numbers | Direct awards | Pass-through awards | Total expenditures |
|--|------------------------------|------------------|---------------------|--------------------|
| Department of Education: | | | | |
| National Resource Centers Program for Foreign Language and Area Studies or Foreign Language and International Studies Program and Foreign Language and Area Studies Fellowship Program | 84.015 | 2,247,148 | — | 2,247,148 |
| Northeastern Illinois University | | — | 399,387 | 399,387 |
| University of Illinois at Champaign | | \$ — | 253,926 | 253,926 |
| International Research and Studies | 84.017 | 204,719 | — | 204,719 |
| Overseas Programs – Faculty Research Abroad | 84.019 | 190,618 | — | 190,618 |
| Overseas Programs – Group Projects Abroad | 84.021 | 23,442 | — | 23,442 |
| Overseas Programs – Doctoral Dissertation Research Abroad | 84.022 | 486,125 | — | 486,125 |
| Javits Fellowships | 84.170 | 551,631 | — | 551,631 |
| Language Resource Centers | 84.229 | 365 | — | 365 |
| Education Research, Development and Dissemination | 84.305 | 1,022,954 | — | 1,022,954 |
| Improving Teacher Quality State Grants: | | | | |
| Illinois Board of Higher Education | 84.367 | — | 225,245 | 225,245 |
| Department of Education: | | | | |
| Illinois Board of Higher Education | 84.UNK | — | 148,067 | 148,067 |
| Title I Grants to Local Educational Agencies | | | | |
| Chicago Public Schools | 84.010,PO#1725238G | — | 853,786 | 853,786 |
| Title I Grants to Local Educational Agencies | | | | |
| Chicago Public Schools | 84.010,PO#1695361G | 105,329 | — | 105,329 |
| Department of Education total | | <u>4,832,331</u> | <u>1,880,411</u> | <u>6,712,742</u> |
| Department of Energy: | | | | |
| Department of Energy: | | | | |
| Argonne National Laboratory | 81.019 | — | 3,638 | 3,638 |
| State Energy Program Special Projects: | | | | |
| Argonne National Laboratory | 81.119 | — | 38,633 | 38,633 |
| Department of Energy: | | | | |
| Argonne National Laboratory | 81.149 | — | 67,786 | 67,786 |
| Fermi National Accelerator Laboratory | | — | 260,415 | 260,415 |
| Department of Energy total | | <u>—</u> | <u>370,472</u> | <u>370,472</u> |
| Department of Health and Human Services: | | | | |
| HIV Emergency Relief Project Grants: | | | | |
| AIDS Foundation of Chicago | 93.914 | — | 7,577 | 7,577 |
| Innovations in Applied Public Health Research | 93.061 | 39,436 | — | 39,436 |
| National Research Service Awards Health Services Research Training | 93.225 | 9,401 | — | 9,401 |
| Research on Healthcare Costs, Quality and Outcomes | 93.226 | 50,921 | — | 50,921 |
| Mental Health Research Grants | 93.242 | (1) | — | (1) |
| Drug Abuse and Addiction Research Programs | 93.279 | 209,858 | — | 209,858 |
| Trans-NIH Research Support | 93.310 | 652 | — | 652 |
| National Center for Research Resources | 93.389 | 20,054 | — | 20,054 |
| Cancer Cause and Prevention Research | 93.393 | 14,766 | — | 14,766 |
| Diabetes, Digestive, and Kidney Diseases Extramural Research | 93.847 | 65,440 | — | 65,440 |
| Kidney Diseases, Urology, and Hematology Research | 93.849 | 95,057 | — | 95,057 |
| Extramural Research Programs in the Neurosciences and Neurological Disorders | | | | |
| University of Rochester | 93.853 | — | 12,917 | 12,917 |
| Grants for Training in Primary Care Medicine and Dentistry | 93.884 | 208,060 | — | 208,060 |
| HIV Emergency Relief Project Grants: | | | | |
| Aids Foundation of Chicago | 93.914 | — | 68,225 | 68,225 |
| City of Chicago Department of Health | 93.914,H89 HA00008 | — | 191,999 | 191,999 |
| City of Chicago Department of Health | 93.914,H89 HA00008-15-00 | — | (6,381) | (6,381) |
| City of Chicago Department of Health | 93.914,PO#17199-2 | — | 91,052 | 91,052 |
| City of Chicago Department of Health | 93.914,PO#5259 | — | (5,803) | (5,803) |
| City of Chicago Department of Health | 93.914,PO#8479-01 | — | (97) | (97) |
| City of Chicago Department of Health | 93.914,PO#8479-03 | — | 60,814 | 60,814 |
| Healthy Start Initiative | | | | |
| Illinois Department of Human Services | 93.926,11GK514330 | — | 26,189 | 26,189 |
| Illinois Department of Human Services | 93.926,811G8514000 | — | 711 | 711 |
| Maternal and Child Health Services Block Grant to the States | | | | |
| Illinois Department of Human Services | 93.994,11GK514330 | — | 111,648 | 111,648 |
| Illinois Department of Public Health | 93.994,83789001 | — | 41,298 | 41,298 |
| Illinois Department of Public Health | 93.994,93789001 | — | 374,208 | 374,208 |
| Department of Health and Human Services total | | <u>713,644</u> | <u>974,357</u> | <u>1,688,001</u> |
| Department of State: | | | | |
| Department of State | | | | |
| American Research Center in Egypt | 19.UNK | — | 36 | 36 |
| Department of State | 19.UNK,263-G-00-05-00005-00 | 115,465 | — | 115,465 |
| Department of State | 19.UNK,S-ECAAE-07-CA-033(JY) | 2,415 | — | 2,415 |
| Department of State | 19.UNK,S-ECAAE-08-CA-030(SS) | 2,520 | — | 2,520 |
| Department of State | 19.UNK,S-ECAAE-09-CA-030(SJ) | 214,374 | — | 214,374 |
| Department of State total | | <u>334,774</u> | <u>36</u> | <u>334,810</u> |
| Environmental Protection Agency Total: | | | | |
| Science to Achieve Results (STAR) Fellowship Program | 66.509 | — | — | — |
| Environmental Protection Agency total | 66.514 | <u>49,774</u> | <u>—</u> | <u>49,774</u> |
| Institute of Museum Services: | | | | |
| Conservation Project Support | | | | |
| Grants to States | 45.303 | 81,441 | — | 81,441 |
| Illinois State Library | | — | 22,344 | 22,344 |
| National Leadership Grants | 45.312 | 51,659 | — | 51,659 |
| Institute of Museum Services total | | <u>133,100</u> | <u>22,344</u> | <u>155,444</u> |

THE UNIVERSITY OF CHICAGO
Schedule of Expenditures of Federal Awards
Year ended June 30, 2009

| Federal agency and pass-through entity | CFDA numbers | Direct awards | Pass-through awards | Total expenditures |
|---|---------------------------|-----------------------|---------------------|--------------------|
| National Aeronautics and Space Administration: | | | | |
| Aerospace Education Services Program | 43.001 | \$ 63,676 | — | 63,676 |
| Space Telescope Science Institute | | — | 8,972 | 8,972 |
| National Aeronautics and Space Administration total | | <u>63,676</u> | <u>8,972</u> | <u>72,648</u> |
| National Endowment for the Arts: | | | | |
| Promotion of the Arts Grants to Organizations and Individuals | 45.024 | 61,461 | — | 61,461 |
| Promotion of the Arts Partnership Agreements: | | | | |
| Arts Midwest | 45.025 | — | 5,001 | 5,001 |
| National Endowment for the Arts total | | <u>61,461</u> | <u>5,001</u> | <u>66,462</u> |
| National Endowment for the Humanities: | | | | |
| Promotion of the Humanities Division of Preservation and Access | 45.149 | 287,785 | — | 287,785 |
| National Endowment for the Humanities total | | <u>287,785</u> | <u>—</u> | <u>287,785</u> |
| National Science Foundation: | | | | |
| Mathematical and Physical Sciences | 47.049 | 685,962 | — | 685,962 |
| Geosciences | 47.050 | 9,178 | — | 9,178 |
| Social, Behavioral, and Economic Sciences | 47.075 | 43,046 | — | 43,046 |
| Education and Human Resources | 47.076 | 1,780,366 | — | 1,780,366 |
| National Science Foundation total | | <u>2,518,552</u> | <u>—</u> | <u>2,518,552</u> |
| Other Federal Programs total | | <u>8,995,097</u> | <u>3,392,423</u> | <u>12,387,520</u> |
| Trio Cluster: | | | | |
| Department of Education: | | | | |
| Trio Upward Bound | 84.047 | 655,233 | — | 655,233 |
| Department of Education | | <u>655,233</u> | <u>—</u> | <u>655,233</u> |
| Trio Cluster total | | <u>655,233</u> | <u>—</u> | <u>655,233</u> |
| Immunization Cluster: | | | | |
| Department of Health and Human Services: | | | | |
| Immunization Grants: | | | | |
| City of Chicago Department of Health | 93.268,PO#8594 | — | (853) | (853) |
| City of Chicago Department of Health | 93.268,PO#11298 | — | (2,352) | (2,352) |
| City of Chicago Department of Health | 93.268,PO#16193 Release 2 | — | 93,263 | 93,263 |
| City of Chicago Department of Health | 93.268,PO#16193 Release 1 | — | 37,424 | 37,424 |
| City of Chicago Department of Health | 93.268,PO#16193 Release 3 | — | 67,745 | 67,745 |
| Department of Health and Human Services total | | <u>—</u> | <u>195,227</u> | <u>195,227</u> |
| Immunization Cluster total | | <u>—</u> | <u>195,227</u> | <u>195,227</u> |
| Head Start Cluster: | | | | |
| Department of Health and Human Services | | — | — | — |
| Head Start Cluster: | | | | |
| Chicago Department of Children and Youth | 93.600,884037N | — | 253,610 | 253,610 |
| Department of Health and Human Services | | <u>—</u> | <u>253,610</u> | <u>253,610</u> |
| Head Start Cluster total | | <u>—</u> | <u>253,610</u> | <u>253,610</u> |
| Total federal expenditures | | <u>\$ 398,752,778</u> | <u>33,608,990</u> | <u>432,361,768</u> |

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, 2009

(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, 2009. The Schedule excludes expenditures incurred for operating Argonne National Laboratory (ANL) and the Fermi National Accelerator (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. 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 2009 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, 2009

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

During fiscal year 2009, the University expended \$110,672 of ARRA funds that it received from the National Institutes of Health.

(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, 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 used, 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, 2009 were as follows:

| | | |
|--------------------------|----|-------------------|
| Research and development | \$ | 75,144,540 |
| Other | | 719,185 |
| | | <hr/> |
| Total | \$ | <u>75,863,725</u> |

THE UNIVERSITY OF CHICAGO

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

(3) Summary of Subrecipient Payments

Subrecipient payments charged to federal awards for the year ended June 30, 2009 were as follows:

| | |
|---|-----------------------------|
| Research and development: | |
| Department of Agriculture | \$ 265,270 |
| Department of Defense | 2,332,319 |
| National Endowment for the Humanities | 49,981 |
| National Aeronautics and Space Administration | 87,076 |
| National Science Foundation | 13,684,170 |
| Department of Energy | 36,592 |
| Department of Education | 189,568 |
| Department of Health and Human Services | 21,699,546 |
| | <u>38,344,522</u> |
| Other: | |
| National Endowment for the Humanities | 101,065 |
| National Science Foundation | 80,771 |
| Department of Education | 241,455 |
| | <u>423,291</u> |
| Total | \$ <u><u>38,767,813</u></u> |

(4) Federal Loan Programs

Loans made to University students under the various federal loan programs for the year ended June 30, 2009 are summarized below:

| | |
|---|------------------------------|
| University federal loans: | |
| Stafford | \$ 1,713,120 |
| Perkins | 3,371,265 |
| Total University federal loans | <u>5,084,385</u> |
| Non-University federal loans: | |
| Stafford | 69,355,011 |
| Parent Loans for Undergraduate Students | 41,819,013 |
| Total non-University federal loans | <u>111,174,024</u> |
| Total | \$ <u><u>116,258,409</u></u> |

THE UNIVERSITY OF CHICAGO

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2009

University federal loans outstanding at June 30, 2009 are shown below:

| | | |
|---------------------------------|----|--------------------------|
| Stafford | \$ | 39,997,477 |
| Perkins | | 36,717,056 |
| Health professions | | 282,916 |
| Loans to disadvantaged students | | <u>8,423</u> |
| Total | \$ | <u><u>77,005,872</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

**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, 2009, and have issued our report thereon dated November 5, 2009. Our report was modified to include an emphasis paragraph stating that the University adopted provisions of Statement of Financial Accounting Standards No. 157, *Fair Value Measurements*, and Financial Accounting Standards Board 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 Endowments Funds*, effective July 1, 2008 and June 30, 2009, respectively. 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. The financial statements of the University of Chicago Medical Center were not audited in the accordance with *Government Auditing Standards*.

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 an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the University'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 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 management of the University in a separate letter dated November 5, 2009.

This report is intended solely for the information and use of management, the 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

November 5, 2009



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

**Independent Auditors' Report on Compliance with Requirements
Applicable to 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 compliance of The University of Chicago (the University) 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 are applicable to its major federal program for the year ended June 30, 2009. The University's major federal program is 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 program 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), which received federal awards that are not included in the schedule of expenditures of federal awards for the year ended June 30, 2009. Our audit, described below, did not include the operations of the Medical Center because the Medical Center is 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 described in the Compliance Supplement 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 requirements referred to above that are applicable to its major federal program for the year ended June 30, 2009.



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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

This report is intended solely for the information and use of the Board of Trustees, University management, 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 19, 2010

THE UNIVERSITY OF CHICAGO
Schedule of Findings and Questioned Costs
Year ended June 30, 2009

(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.510(a) of OMB Circular A-133: **No**

- (g) Major program:

Research and Development Cluster – Various CFDA numbers

- (h) Dollar threshold used to distinguish between Type A and Type B programs: **\$3,000,000**
- (i) Auditee qualified as a low-risk auditee under section.530 of OMB Circular A-133: **Yes**

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

None

(3) Findings and Questioned Costs Relating to Federal Awards

None

The University of Chicago
OMB Circular No. A-133 Audit
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2009

Finding 08-01 Activities Allowed/Allowable Costs – Annual Effort Certifications

Federal Agency: US Department of Defense (DOD)
 US Department of Health and Human Services (HHS)

Program Name: Research and Development Cluster

CFDA # and Program Expenditures: Various (\$277,704,820)

Award Numbers: Various

Questioned Costs: None

Requirement

OMB Circular A-21, *Cost Principles for Higher Education Institutions*, establishes principles and standards for determining costs for federal awards carried out through grants, cost reimbursements contracts, and other agreements with higher education institutions. To be allowable under federal awards, costs must meet certain general criteria. Those criteria, among other things, require that the expenditures must be allocable, reasonable, and supported by adequate documentation. OMB Circular A-21 requires that the distribution of salaries and wages for professorial and professional personnel be supported by annual effort certifications under the plan confirmation method.

Additionally, OMB Circular A-110, *Uniform Administrative Requirements for Grant and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*, requires nonfederal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure payroll expenditures are properly supported in accordance with OMB Circular A-21.

Condition Found

During our testwork over 60 payroll expenditures (totaling \$105,741), we noted two expenditures aggregating \$4,890, for which signed annual effort certifications were not on file. Upon further inquiries of University management, it was determined that annual effort certifications had not been signed for several personnel in the Pediatrics department. As Pediatrics department personnel had not updated planned effort allocations for changes throughout the year in accordance with the University's established policies and procedures, the annual effort certifications were believed to be inaccurate and could not be completed in a timely manner. Payroll, fringe benefit, and indirect costs charged to Research and Development cluster projects administered by the Pediatrics department approximated \$4,194,000, \$841,000, and \$2,347,000, respectively, during the year ended June 30, 2008. Total expenditures charged to the Research and Development Cluster projects administered by the Pediatrics department were \$8,746,000 for the year ended June 30, 2008.

Prior to the issuance of our report, University management represented that all missing annual effort certifications were completed for the Pediatrics department and corrections were made for any inaccurate payroll and fringe benefit charges to the federal programs and indirect costs were recomputed for each grant. These corrections resulted in \$2,017,170 of

The University of Chicago
OMB Circular No. A-133 Audit
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2009

expenditures being reclassified into the federal ledger and \$1,930,275 of expenditures being reclassified out of the federal ledger for fiscal year 2008. Our expanded testwork identified no additional exceptions.

Payroll, fringe benefit, and indirect costs charged to the Research and Development Cluster program approximated \$90,625,000, \$16,617,000, and \$70,136,000, respectively, during the year ended June 30, 2008. Total expenditures charged to the Research and Development Cluster program were \$277,704,820 for the year ended June 30, 2008.

Effect

Failure to properly process changes to effort allocations and complete annual effort certifications in a timely manner may result in unallowable costs being charged to federal programs.

Recommendation

We recommend the University implement additional monitoring procedures to ensure effort certifications are properly completed by all departments in a timely manner in accordance with federal regulations and University policies and procedures.

The University of Chicago Corrective Action Plan

The University agrees with the recommendation and has taken the following steps. The University's Biological Science Division, Office of Finance has implemented monitoring and follow-up procedures for all of its effort certification statements. The University is distributing its preliminary certification statements one month earlier in order to give departments additional time to review salary expense distributions and to submit necessary corrections prior to the production of final Certification Statements.

The University completed its corrective action plan, which included increased monitoring and follow-up procedures on the Biological Sciences Division effort certification statements and a one-month earlier distribution of preliminary certification statements.

The University of Chicago
OMB Circular No. A-133 Audit
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2009

Finding 08-02 Activities Allowed/Allowable Costs – Equipment Expenditures

Federal Agency: US Department of Agriculture (USDA)
US Department of Defense (DOD)
US Department of Housing and Urban Development (USHUD)
US Department of Justice (USDOJ)
US Department of State (USDOS)
National Aeronautics and Space Administration (NASA)
National Endowments for the Humanities (NEH)
National Science Foundation (NSF)
US Department of Veterans Administration (USDVA)
US Environmental Protection Agency (USEPA)
US Department of Energy (USDOE)
US Department of Education (USDE)
US Department of Health and Human Services (USDHHS)

Program Name: Research and Development Cluster

CFDA # and Program Expenditures: Various (\$277,704,820)

Award Numbers: 5 U54 CA121852
5 P01 MH060970
3 P30 CA014599
HHSN226200400042C

Questioned Costs: \$44,238

Requirement

OMB Circular A-21, *Cost Principles for Higher Education Institutions*, establishes principles and standards for determining costs for federal awards carried out through grants, cost reimbursements contracts, and other agreements with higher education institutions. To be allowable under federal awards, costs must meet certain general criteria. Those criteria, among other things, require that the expenditures must be allocable, reasonable, and supported by adequate documentation.

Additionally, OMB Circular A-110, *Uniform Administrative Requirements for Grant and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*, requires nonfederal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. Effective internal controls should include procedures to ensure expenditures are reported in the appropriate general ledger accounts.

Condition Found

During our testwork over 60 nonpayroll expenditures (totaling \$1,615,982), we noted four expenditures in the amount of \$82,687, which were incorrectly classified in the grant project ledger as supplies expense instead of as equipment expense. As a result of this misclassification, these expenditures were improperly included in the indirect cost base for these research projects and the projects were over-charged indirect costs in the amount of

The University of Chicago
OMB Circular No. A-133 Audit
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2009

\$44,238. Total indirect costs charged to the Research and Development Cluster program totaled \$70,136,000 during the year ended June 30, 2008.

Effect

Failure to properly classify expenditures within project account ledgers may result in unallowable costs being charged to federal programs.

Recommendation

We recommend the University reinforces its established procedures to ensure expenditures are properly classified in project account ledgers.

The University of Chicago Corrective Action Plan

The University agrees with the recommendation. The University has brought the errors to the attention of the departmental administrators involved in the transaction, reclassified \$82,687 of supply expenditures to equipment, and removed \$44,238 of indirect cost charges from the affected awards. In addition, the University will reinforce to sponsored award administrators the importance of classifying award expenditures to correct object codes.

The University completed the corrective actions before June 20, 2009.