

CASE WESTERN RESERVE UNIVERSITY

**Report on Federal Awards in Accordance
With OMB Circular A-133 for the Year Ended
June 30, 2013**

**Entity Identification
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CASE WESTERN RESERVE UNIVERSITY
REPORT ON FEDERAL AWARDS IN ACCORDANCE
WITH OMB CIRCULAR A-133

June 30, 2013

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FINANCIAL



Independent Auditor's Report

To the Board of Trustees,
Case Western Reserve University:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Case Western Reserve University, which comprise the consolidated statement of financial position as of June 30, 2013, and the related consolidated statements of activities and of cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Case Western Reserve University as of June 30, 2013, and the changes in their net assets



and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

We have previously audited Case Western Reserve University's 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 29, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards for the year ended June 30, 2013 is presented for purposes of additional analysis as required by 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 consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2013 on our consideration of Case Western Reserve 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 for the year ended June 30, 2013. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Case Western Reserve University's internal control over financial reporting and compliance.

PricewaterhouseCoopers LLP

October 5, 2013

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<i>in thousands of dollars</i>	For the year ended	
	June 30	
	2013	2012
ASSETS		
Cash and cash equivalents	\$ 151,100	\$ 133,905
Operating investments, at market	112,618	87,304
Accounts and loans receivable, net	100,734	102,681
Pledges receivable, net	93,423	69,126
Prepaid expenses and other assets	7,448	6,979
Investments, held for long-term purposes	1,266,661	1,229,017
Funds held in trust by others	305,682	285,756
Property, plant, equipment and books, net	724,547	730,637
TOTAL ASSETS	\$ 2,762,213	\$ 2,645,405
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 57,116	\$ 66,376
Deferred income and other liabilities	53,605	61,120
Annuities payable	41,550	41,454
Refundable advances	7,541	5,449
Accrued pension liability	40,778	63,291
Notes and bonds payable	601,980	559,978
Refundable federal student loans	23,735	23,088
TOTAL LIABILITIES	\$ 826,305	\$ 820,756
NET ASSETS		
Unrestricted	\$ 164,526	\$ 146,716
Temporarily restricted	845,028	793,989
Permanently restricted	926,354	883,944
TOTAL NET ASSETS	\$ 1,935,908	\$ 1,824,649
TOTAL LIABILITIES AND NET ASSETS	\$ 2,762,213	\$ 2,645,405

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF ACTIVITIES

with summarized financial information for the year ended June 30, 2012

<i>in thousands of dollars</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	For the year ended June 30	
				2013	2012
OPERATING REVENUES					
Student tuition and fees	\$ 346,792			\$ 346,792	\$ 317,861
Less: Student aid	(137,534)			(137,534)	(118,152)
	209,258			209,258	199,709
Investment returns distributed for operations	60,568			60,568	60,833
FHBO returns distributed	12,870	\$ 1,061		13,931	13,326
Investment returns on operating investments	13,642			13,642	10,006
Grants and contracts	252,854			252,854	265,888
CCLCM grants and contracts	91,316			91,316	92,961
Gifts & Pledges	3,703	55,798	\$ 17,997	77,498	62,165
State of Ohio appropriation	2,758			2,758	2,744
Facilities and administrative cost recovery	76,196			76,196	79,607
Organized activities	13,542			13,542	11,927
Other sources	37,835		527	38,362	40,534
Auxiliary services - students	45,330			45,330	39,788
Auxiliary services - other	12,920			12,920	11,214
Net assets released from restrictions	38,108	(38,240)	132	-	-
TOTAL OPERATING REVENUES	\$ 870,900	\$ 18,619	\$ 18,656	\$ 908,175	\$ 890,702
OPERATING EXPENSES					
Instructional	287,539			287,539	269,966
Sponsored research and training	257,272			257,272	269,865
Other sponsored projects	25,834			25,834	27,153
CCLCM research and training	91,316			91,316	92,961
Libraries	22,466			22,466	22,279
Student services	23,304			23,304	22,780
University services	92,230			92,230	90,404
Auxiliary services - students	50,342			50,342	47,376
Auxiliary services - other	15,661			15,661	11,595
TOTAL OPERATING EXPENSES	\$ 865,964	\$ -	\$ -	\$ 865,964	\$ 854,379
NET OPERATING ACTIVITY	\$ 4,936	\$ 18,619	\$ 18,656	\$ 42,211	\$ 36,323
NON-OPERATING ACTIVITIES					
Long-term investment activities					
Investment income	\$ 4,493	16,246	8,226	\$ 28,965	\$ (15,540)
Net appreciation	(1,619)	62,016	19,926	80,323	(45,393)
Total long-term investment activities	2,874	78,262	28,152	109,288	(60,933)
Long-term investment income and gains distributed for operations	(60,568)			(60,568)	(60,833)
Change in liabilities due under life-income agreements			(3,492)	(3,492)	(4,472)
Loss on disposal of plant assets	(3,144)			(3,144)	(1,680)
Pension plan changes other than periodic benefit costs	26,964			26,964	(55,655)
Other non-operating activity	-			-	(1,642)
Net assets released from restrictions	46,748	(45,842)	(906)	-	-
NET NON-OPERATING ACTIVITY	\$ 12,874	\$ 32,420	\$ 23,754	\$ 69,048	\$ (185,215)
CHANGE IN NET ASSETS	\$ 17,810	\$ 51,039	\$ 42,410	\$ 111,259	\$ (148,892)
Beginning Net Assets	146,716	793,989	883,944	1,824,649	1,973,541
ENDING NET ASSETS	\$ 164,526	\$ 845,028	\$ 926,354	\$ 1,935,908	\$ 1,824,649

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>in thousands of dollars</i>	For the year ended June 30	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 111,259	\$ (148,892)
<i>Adjustments to reconcile change in net assets to net (cash used for) provided by operating activities:</i>		
Depreciation	62,169	63,356
Amortization of bond issuance costs	125	98
Amortization of bond premiums	(1,504)	(755)
Increase in capital appreciation notes	602	1,044
Net unrealized depreciation in the fair market value of investments	(71,968)	34,371
Realized gains on investments	(33,130)	(6,897)
Increase to annuities payable resulting from actuarial adjustments	3,492	4,472
Gifts of property and equipment	(59)	(377)
Receipt of contributed securities	(3,566)	(3,429)
Loss on disposal of plant assets	3,144	1,680
Contributions restricted for long-term investment	(11,733)	(20,729)
Decrease in accounts and loans receivable, net	1,974	19,938
Increase in pledges receivable, net	(24,297)	(6,936)
(Increase) decrease in prepaid expenses and other assets	(593)	1,346
(Increase) decrease in funds held in trust by others	(18,475)	12,012
(Decrease) increase in accounts payable and accrued expenses	(10,356)	8,450
(Decrease) increase in deferred income and other liabilities	(7,515)	11,705
Increase (decrease) in refundable advances	2,093	(1,055)
(Decrease) increase in accrued pension liability	(22,514)	40,709
NET CASH (USED FOR) PROVIDED BY OPERATING ACTIVITIES	\$ (20,852)	\$ 10,111
CASH FLOWS FROM INVESTING ACTIVITIES		
Student loans		
Collected	\$ 6,859	\$ 6,899
Issued	(6,886)	(7,839)
Proceeds from the sale of investments	2,012,876	2,713,818
Purchase of investments	(1,968,622)	(2,654,842)
Proceeds from the sale of plant assets	316	1,005
Purchases of property, plant, equipment and books	(58,383)	(50,948)
NET CASH (USED FOR) PROVIDED BY INVESTING ACTIVITIES	\$ (13,840)	\$ 8,093
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in federal advances for student loans	\$ 646	\$ 3,202
Contributions restricted for long-term investment	11,733	20,729
Proceeds from short-term debt	45,000	15,000
Repayment of short-term debt	(20,000)	(15,000)
Proceeds from commercial paper	27,000	-
Proceeds from notes and bonds payable	7,256	-
Repayment of notes and bonds payable	(16,352)	(10,489)
Increase to annuities payable resulting from new gifts	291	1,147
Decrease to annuities payable resulting from payments	(3,687)	(4,788)
NET CASH PROVIDED BY FINANCING ACTIVITIES	\$ 51,887	\$ 9,801
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 17,195	\$ 28,005
Cash and cash equivalents, beginning of year	133,905	105,900
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 151,100	\$ 133,905
SUPPLEMENTAL DATA:		
Interest paid in cash	\$ 14,657	\$ 16,968
Construction in progress payments included in accounts payable	3,190	2,093

The accompanying notes are an integral part of the consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Case Western Reserve University (“the University”) is an Ohio not-for-profit corporation that operates a private research university in Cleveland, Ohio. The consolidated financial statements of the University as of June 30, 2013, and for the year then ended, as well as summarized information for the year ended June 30, 2012, have been prepared in accordance with accounting principles generally accepted in the United States of America. Accordingly, the accompanying consolidated financial statements have been prepared on the accrual basis of accounting and include the accounts of the University and all wholly-owned subsidiaries.

The University wholly owns two subsidiaries. Triangle Residential LP is a limited partnership formed in 2005 that owns and operates two apartment buildings and a parking garage located in the Ford-Euclid-Mayfield Road area. The University is the sole limited partner. The general partner is Triangle Residential LLC, also a wholly-owned subsidiary of the University, formed in 2005. All material transactions between the University and its subsidiaries have been eliminated.

Net Asset Categories

Standards for external financial reporting by not-for-profit organizations require that resources be classified for reporting purposes into three net asset categories according to donor-imposed restrictions:

UNRESTRICTED net assets are available for any purpose consistent with the University’s mission. Unrestricted net assets and related activity include the following:

- All revenues traditionally classified as unrestricted resources of the University, including tuition and fees, unrestricted gifts, investment returns on unrestricted funds designated to function as endowment, recovery of facility and administrative costs from grants and contracts, and auxiliary services revenues
- Revenues related to sponsored research and other sponsored program agreements which are considered exchange transactions

- Unrestricted funds functioning similar to endowment and related investment returns
- Gifts with donor-imposed restrictions, if the restriction is anticipated to be met within the current fiscal year of the University
- Investments in plant assets
- All expenses of the University

TEMPORARILY RESTRICTED net assets include investment returns from endowments and gifts for which donor-imposed restrictions have not been met. This restriction on temporarily restricted endowment returns (income and realized and unrealized gains and losses) is released when appropriations are distributed for use and the funds have been spent. The category also includes pledges receivable and life-income gifts for which the ultimate purpose of the proceeds is not permanently restricted.

PERMANENTLY RESTRICTED net assets include gifts, trusts and pledges on which donors have imposed the restriction that the corpus is maintained in perpetuity and only the investment returns be made available for program operations. In the case of trusts, gains and losses are added to the gift amount. Gifts restricted by donors to provide loans to students are also included in permanently restricted net assets.

Expirations of temporary restrictions on net assets are reported as reclassifications between the applicable classes of net assets. Donor required matching from University funds and donor release or clarification of restrictions is also included in this category.

The Financial Accounting Standards Board (“FASB”) issued Accounting Standards Codification (“ASC”) 958, “Not for Profit Entities,” in August 2008. The standard provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”), and expanded disclosures about an organization’s endowment (both donor-restricted and board-designated funds).

The University's Board of Trustees ("the Board") has interpreted UPMIFA as requiring the preservation of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulation to the contrary. As a result of this interpretation, the University classifies as permanently restricted net assets, (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated and expended by the University in a manner consistent with the standard of prudence prescribed by UPMIFA.

Contributions

Contributions, including unconditional pledges to give and irrevocable trusts held by others with the University as the beneficiary, are recognized as revenues in the period received or promised. They are classified as unrestricted, temporarily restricted, or permanently restricted net assets depending upon the donor's intent.

Contributions restricted for the acquisition of land, buildings and equipment are reported as temporarily restricted revenues. These contributions are reclassified to unrestricted net assets when the assets are placed in service. Promises to give that are subject to donor-imposed stipulations that the corpus be maintained in perpetuity are recognized as increases in permanently restricted net assets.

Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Gifts whose restrictions are met in the same fiscal year in which they are received are reported with unrestricted contribution revenues. Contributions of assets other than cash are reported at their estimated fair value at the date of gift. Contributions scheduled to be received after one year are discounted using a market rate (Note 3).

Grants and Contracts (Government and Private)

Revenues from government and private grants and contracts are recognized as earned in accordance with the terms of the grant or contract. Any government payment received before it has been expended is recorded as a refundable advance. Projects funded by government grants that incur expenses prior to payment receipt are recorded as revenue with a corresponding receivable.

Investment Returns on Operating Investments

The University has invested excess operating funds and certain Board-designated funds with the University's investment pool. The operating funds are invested alongside other funds and receive a pro-rata portion of income, expenses, gains, and losses of the pool.

Cash and Cash Equivalents

The University considers all highly liquid investments with an original maturity of 90 days or fewer when purchased as cash and cash equivalents, except those amounts managed by investment managers as part of the investment pool that do not belong to operations, or unspent bond proceeds, which are classified as investments. The University maintains operating cash and reserves for replacement balances in financial institutions which, from time to time, may exceed federally insured limits. The University periodically assesses the financial condition of these institutions and believes that the risk of loss is minimal.

Operating Investments, at Market

Operating investments include all other current investments with original maturities greater than 90 days that are used to support operations. These investments include obligations of triple A rated banks, various United States Government agencies, and internal operating funds invested in the University's investment pool. Although the pool primarily invests in mid to long term investments, the pool maintains a sufficient investment mix that allows operating assets to be liquidated upon demand.

Investments

Investments are made within guidelines authorized by the Board. Investments are initially recorded at cost at date of acquisition or fair value at date of donation in the case of gifts. Ownership of marketable securities is recognized as of the trade date.

Endowment returns are calculated net of internal and external investment management expenses.

Investments are stated at fair value as defined by ASC 820, "Fair Value Measurements and Disclosures." Fair value is defined under ASC 820 as the exchange price that would be received for an asset or paid to transfer a liability, i.e., an exit price, in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The fair value of all debt and equity securities with readily determinable fair values are based on quotations obtained from national securities exchanges. The alternative investments, which are not readily marketable, are carried at estimated fair values as provided by the investment managers. The University reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments. Those estimated fair values may differ significantly from the values that would have been used had a ready market for these securities existed.

Realized gains and losses on investments are included in investment income. Average cost is generally used to determine gains or losses on securities sold. Unrealized changes in the fair value of investments are shown as net unrealized appreciation or depreciation.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the University for financial instruments measured at fair value on a recurring basis (Note 6). The three levels of inputs are as follows:

Level 1 — Quoted unadjusted prices in active markets for identical assets or liabilities. An active market is one in which transactions occur with sufficient frequency and volume to produce pricing information on an ongoing basis. Market price data are generally obtained from exchange or dealer markets.

Level 2 — Pricing inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices

for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities. Inputs are obtained from various sources including market participants, dealers and brokers.

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Collections

The University's collections of historically significant artifacts, scientific specimens, and art objects are held for education, research, scientific inquiry, and public exhibition. Their value is not reflected in the University's consolidated financial statements.

Funds Held in Trust by Others

Funds held in trust by others are assets held and administered by outside trustees from which the University derives income or residual interest. Funds held in trust by others are reported at their fair value as of June 30, 2013 and 2012, which approximates the present value of the future income flows from these funds.

Income received from funds held in trust by others is classified as temporarily restricted net assets until those amounts are appropriated and expended by the University. Income appropriated within the same year is classified as unrestricted. Unrealized changes in the fair value of investments are shown as net unrealized appreciation or depreciation in permanently restricted net assets.

Fixed Assets

When capital assets are sold or disposed, the carrying value of such assets and any accumulated depreciation are removed from the asset accounts. Any resulting gain or loss on disposal is recognized in the non-operating portion of the statement of activities.

Expenditures for construction in progress are capitalized as incurred and depreciated when placed into service. All identifiable direct costs including other costs incurred to ready

the asset for its intended use are included in the cost of the project. The University capitalizes interest on borrowings to finance facilities, net of any investment income earned through the temporary investment of project borrowings, during construction until the project has been substantially completed.

Asset Retirement Obligations

The University accounts for asset retirement obligations in accordance with ASC 410, "Asset Retirement Environmental Obligations." The University accrues for asset retirement obligations in the period in which they are incurred if sufficient information is available to reasonably estimate the fair value of the obligation. Over time, the liability is accreted to its settlement value. Upon settlement of the liability, the University will recognize a gain or loss for any difference between the settlement amount and liability recorded.

Allocation of Certain Expenses

The consolidated statement of activities presents expenses by function. Some expenses — such as depreciation, amortization, and expenses related to the operation of the physical plant — are allocated by square footage. Interest expense is allocated to the functions that derive the greatest benefit from the facilities financed.

Retirement Plans

The University accounts for its defined benefit postretirement plan in accordance with ASC 715 "Compensation - Retirement Plans." The University recognizes the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in its consolidated statement of financial position in the year in which the change occurs, with an offsetting impact to unrestricted net assets.

Use of Estimates

Financial statements using accounting principles generally accepted in the United States of America rely on estimates. At

June 30, management makes certain estimates and assumptions, which affect assets and liabilities, disclosures of contingent assets and liabilities, and reported revenues and expenses during the period. Actual results may differ from these estimates.

Comparative Information

The consolidated statement of activities includes prior year summarized comparative information in total, but not by net asset category. Such information does not include enough detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the University's consolidated financial statements for the year ending June 30, 2012, from which it was derived.

Income Taxes

The University is exempt from federal income tax to the extent provided under section 501(c)(3) of the Internal Revenue Code. The University is classified as an organization that is not a private foundation under section 509(a) of the Internal Revenue Code, and as such, gifts to the University qualify for deduction as charitable contributions. The University is exempt from federal income tax; however, it is required to pay federal income tax on unrelated business income. The University did not have any material income tax liabilities for the years ended June 30, 2013 and 2012. ASC 740, "Income Taxes," prescribes a recognition threshold and measurement requirements for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. In addition, ASC 740 provides guidance on recognition, classification and disclosure requirements for uncertain tax provisions. The University has no financial reporting requirements associated with ASC 740 for the years ended June 30, 2013 and 2012.

Reclassifications

Certain amounts in the 2012 consolidated financial statements have been reclassified to conform to the 2013 presentation.

2. ACCOUNTS AND LOANS RECEIVABLE

Accounts and loans receivable of the University at June 30, 2013 and 2012 were as follows:

	2013	2012
ACCOUNTS RECEIVABLE, NET		
Grants, contracts and others	\$ 46,273	\$ 49,414
Students	2,961	1,934
STUDENT LOANS, NET	51,500	51,333
ACCOUNTS AND LOANS RECEIVABLE, NET	\$ 100,734	\$ 102,681

Allowances for doubtful accounts:

Accounts receivable	\$ 2,969	\$ 3,496
Loans receivable	\$ 2,788	\$ 2,076

Management regularly assesses the adequacy of the allowance for doubtful accounts by performing ongoing evaluations of the various components of the accounts receivable and student loan portfolios, including such factors as the differing economic risks associated with each category, the financial condition of specific borrowers, the economic environment in which the borrowers

3. PLEDGES RECEIVABLE

Unconditional promises to give are included in the consolidated financial statements as pledges receivable and revenue of the appropriate net asset category. Multi-year pledges are recorded after discounting based on the market rate to the present value of expected future cash flows. Unconditional promises to give at June 30, 2013 and 2012, are expected to be realized in the following periods:

	2013	2012
In one year or less	\$ 14,190	\$ 11,173
Between one year and five years	76,374	55,015
More than five years	17,485	13,805
	108,049	79,993
Less: Discount	(8,278)	(6,911)
Less: Allowance	(6,348)	(3,956)
TOTAL PLEDGES RECEIVABLE, NET	\$ 93,423	\$ 69,126

Management follows a similar approach as described in Note 2 for accounts and loans receivable in evaluating the adequacy of the allowance for doubtful accounts for pledges receivable.

Management considers the allowance for doubtful accounts to be prudent and reasonable. Management believes that the

operate, the level of delinquent loans, and the past history of the various borrowers and the University.

Factors also considered by management when performing its assessment, in addition to general economic conditions and the other factors described above, included, but were not limited to, a detailed review of the aging of the various receivables and loans, and a review of the default rate by loan category in comparison to prior years. The level of the allowance is adjusted based on the results of management's analysis.

Management considers the allowance for doubtful accounts losses to be prudent and reasonable. Furthermore, the University's allowance is general in nature and is available to absorb losses from any loan category. Management believes that the allowance for doubtful accounts at June 30, 2013, is adequate to absorb credit losses inherent in the portfolio as of that date.

allowance for doubtful accounts at June 30, 2013, is adequate to absorb any uncollectible pledges as of that date.

Pledges receivable at June 30, 2013 and 2012, had the following restrictions:

	2013	2012
Department programs and activities	\$ 42,522	\$ 32,277
Endowments for scholarships and department programs and activities	21,584	18,270
Building construction	29,317	18,579
TOTAL PLEDGES RECEIVABLE, NET	\$ 93,423	\$ 69,126

Uncollectible pledges totaling \$1,122 (2013) and \$4,042 (2012) were written off against the allowance for uncollectible pledges.

The University had conditional pledge commitments totaling \$54,016 (2013) and \$48,048 (2012).

4. LONG TERM INVESTMENTS

The University holds long term investments for permanently restricted endowment funds, donor-restricted funds, annuity assets, Board-designated funds and excess operating assets that are able to be invested in longer term investments. The

University invests through traditional investments as well as operating an investment pool that works similar to a mutual fund (see Note 5). The University's long term investments at June 30, 2013 and 2012, were as follows

	2013	2012
Cash & cash equivalents	\$ 88,581	\$ 53,799
Domestic stocks	54,307	68,117
International securities	24,580	36,444
Bonds		
Government and municipal	17,079	28,503
Corporate	17,399	26,947
Mutual funds	142,592	183,080
Derivatives	8,318	11,217
Limited partnerships and other		
Venture capital	93,887	78,331
Private equity	252,221	267,556
Hedge funds	477,569	412,188
Other	90,348	48,521
Equity real estate	112,398	101,618
TOTAL INVESTMENTS	\$ 1,379,279	\$ 1,316,321

	2013	2012
Operating investments, at market	\$ 112,618	\$ 87,304
Investments, held for long term purposes	1,266,661	1,229,017
TOTAL INVESTMENTS	\$ 1,379,279	\$ 1,316,321

Investment returns shown on the statement of activities are netted against investment management fees of \$14,419 (2013)

and \$12,492 (2012). The investments were held for the following purposes:

	2013	2012
Endowment	\$ 989,475	\$ 911,980
Donor restricted funds	272,331	247,219
University investments	58,039	97,816
Annuities	51,177	51,450
Funds held for the benefit of others	8,257	7,856
TOTAL INVESTMENTS	\$ 1,379,279	\$ 1,316,321

5. ENDOWMENT AND SIMILAR FUNDS

Endowment Funds

The purpose of endowment funds is to generate in perpetuity revenue to support specific activities or for general institutional use. Endowments represent only those net assets that are under the control of the University. Gift annuities, interests in funds held in trust by others and pledges designated for the endowment but not yet received are not considered components of the endowment.

The state of Ohio has enacted legislation that incorporates the provisions outlined in the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). UPMIFA stipulates that unless directed otherwise in the gift instrument, donor-restricted assets in an endowment fund are restricted assets until appropriated for expenditure by the institution. Accordingly, the following items are recorded as permanently restricted net assets:

- The original value of initial gifts donated to the permanent endowment
- The original value of subsequent gifts to the permanent endowment
- For those endowment funds with donor-specified reinvestment provisions, accumulations to the permanent

endowment made in accordance with the gift instrument at the time the accumulation is added to the fund.

The remaining portion of donor-restricted endowment funds that are not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated and spent in accordance with the endowment purpose by the University.

Similar Funds

The University has made the decision to co-invest and treat in a similar fashion as endowment funds, certain funds that have been purpose-restricted by donors. These funds were not given to the University with the understanding that the gift amount would be maintained in perpetuity; however, the Board has elected to treat these funds in the same fashion as an endowment fund. Accordingly, the Board, at its option, may elect to change that treatment and spend these funds in accordance with donor wishes without the constraints of the University endowment spending formula. These funds follow the same rules as above; however, no portion is permanently restricted.

The breakdown of these classifications is:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2013	2012
Donor restricted endowment funds	\$ (18,154)	\$ 461,264	\$ 546,365	\$ 989,475	\$ 963,263
Donor purpose restricted funds		266,604		266,604	260,630
TOTAL ENDOWMENT AND SIMILAR FUNDS	\$ (18,154)	\$ 727,868	\$ 546,365	\$ 1,256,079	\$ 1,223,893

Investment Pool

The Board's interpretation of its fiduciary responsibilities for endowment and similar funds is to preserve intergenerational equity to the extent possible. This principle holds that future beneficiaries should receive at least the same level of economic support that the current generation enjoys. To that end, investment goals are formulated to earn returns over the long-term that equal or exceed the Board-approved distribution rates plus the impacts of inflation. The University's endowment and similar funds are invested in a broadly diversified portfolio

designed to produce long-term rates of return that sustain or increase the real spending contribution from endowed and similar assets and to mitigate downturns in a single sector.

Unless otherwise directed in the gift instrument, both endowment and similar funds are pooled for efficient investment purposes.

The pool is accounted for on a dollarized method of accounting similar to a money market fund where each unit is worth \$1 and

accounted for on a per endowment or account basis. The total investment return for the pooled investments, net of external manager fees, approximated 7.52% (2013) and -1.58% (2012).

Spending Policy

The Board has approved an endowment spending policy for pooled investments based on a hybrid formula. The objective of this two-pronged approach is to provide support for operations, preserve intergenerational equity, and insulate programming supported by endowment and similar funds from short-term fluctuations in the investment markets. The two components are:

- A constant growth component which seeks to provide growth in annual spending equal to the rate of academic inflation as measured by the Higher Education Price Index
- A market value component based on 5% of the average of the three previous calendar year-end market values

Specific appropriation for expenditure of funds under the policy occurs each spring when the Board approves the operating budget for the following year. The fiscal 2013 and 2012 pooled endowment and similar funds spending allocation approximated 5.27% and 4.76% respectively of beginning market value. The total amount allocated was \$64,443 and \$63,769 respectively.

While the policy provides guidance for the level of spending permitted (allocation), the actual spending will vary from the spending allocation based on the timing of actual expenditures. Funds are transferred from the investment pool to the

University's operating account after they have been spent in accordance with the endowment and similar funds requirements. The actual movement of cash and investments between the investment pool and operating accounts occurs on a periodic basis as determined by the University and its processes to maintain the proper balance between liquidity and remaining invested.

For years where actual investment return exceeds actual approved spending, the difference remains in temporarily restricted net assets; years in which the actual endowment and similar funds return is less than distributions under the policy, the shortfall is covered by realized returns from prior years. Both fiscal years 2013 and 2012, pooled endowment and similar funds distribution were funded from a combination of current year investment income and prior year accumulated realized gains.

In addition to the general distribution described above, the Board has authorized a temporary supplemental distribution of previously reinvested income and realized appreciation to support certain development-related activities. This distribution, which is slated to phase out by 2015, totaled \$7,200 in 2013 and \$7,900 in 2012.

Changes in endowment and similar funds net assets for fiscal year 2013 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2013	2012
Endowment and similar funds net assets, beginning of year	\$ (20,079)	\$ 712,717	\$ 531,255	\$ 1,223,893	\$ 1,300,019
Investment income		16,246		16,246	12,686
Realized and unrealized gains		63,936		63,936	(32,292)
TOTAL INVESTMENT RETURN		80,182		80,182	(19,606)
Contributions		2,847	15,276	18,123	22,870
Current year withdrawals		(5,758)	(166)	(5,924)	(8,904)
Current year expenditures		(60,195)		(60,195)	(70,486)
Reclassification of deficits in donor-designated funds	1,925	(1,925)		-	-
ENDOWMENT AND SIMILAR FUNDS NET ASSETS, END OF YEAR	\$ (18,154)	\$ 727,868	\$ 546,365	\$ 1,256,079	\$ 1,223,893

Occasionally, the fair market value of assets associated with individual donor-restricted endowment funds falls below the value of the original gift amounts. When deficits exist in these

funds, they are classified as a reduction of unrestricted net assets. Deficits of this nature reported in unrestricted net assets were \$18,154 (2013) and \$20,079 (2012). These deficits resulted

from unfavorable market fluctuations that occurred after the investment of recently established endowments, and authorized appropriation that was deemed prudent.

Of the amount classified as temporarily restricted endowment net assets, \$461,264 (2013) and \$452,087 (2012) represented the portion of perpetual endowment funds subject to time and purpose restrictions under Ohio's enacted version of UPMIFA.

6. FAIR VALUE MEASUREMENTS

Financial instruments carried at fair market value as of June 30, 2013 and 2012 by the ASC 820 valuation hierarchy are as follows:

June 30, 2013	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
INVESTMENTS				
Cash & cash equivalents	\$ 60,193	\$ 28,388		\$ 88,581
Domestic stocks	1,388	18,736	\$ 34,183	54,307
International securities	10	13,334	11,236	24,580
Bonds				
Government and municipal		17,079		17,079
Corporate		17,399		17,399
Mutual funds	140,012	2,580		142,592
Derivatives		8,318		8,318
Limited partnerships and other				
Venture capital			93,887	93,887
Private equity			252,221	252,221
Hedge funds		78,328	399,241	477,569
Other	111	74	90,163	90,348
Equity real estate	124		112,274	112,398
TOTAL INVESTMENTS	\$ 201,838	\$ 184,236	\$ 993,205	\$ 1,379,279
FUNDS HELD IN TRUST BY OTHERS	\$ -	\$ -	\$ 305,682	\$ 305,682
PENSION PLAN ASSETS				
Cash & cash equivalents	\$ 6,859			\$ 6,859
Mutual funds	49,529			49,529
Limited partnerships and Other				
Hedge funds		\$ 66,362	\$ 5,832	72,194
Other			490	490
Equity real estate			6,292	6,292
TOTAL PENSION PLAN ASSETS (Note 9)	\$ 56,388	\$ 66,362	\$ 12,614	\$ 135,364
ASSETS AT FAIR VALUE	\$ 258,226	\$ 250,598	\$ 1,311,501	\$ 1,820,325
Interest rate swaps payable	\$ -	\$ 25,058	\$ -	\$ 25,058
LIABILITIES AT FAIR VALUE	\$ -	\$ 25,058	\$ -	\$ 25,058

June 30, 2012	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
INVESTMENTS				
Cash & cash equivalents	\$ 46,979	\$ 6,820		\$ 53,799
Domestic stocks	27,238	11,355	\$ 29,524	68,117
International securities	10	25,026	11,408	36,444
Bonds				
Government and municipal		28,503		28,503
Corporate		26,947		26,947
Mutual funds	174,413	8,435	232	183,080
Derivatives		11,217		11,217
Limited partnerships and other				
Venture capital			78,331	78,331
Private equity			267,556	267,556
Hedge funds		79,309	332,879	412,188
Other	146	391	47,984	48,521
Equity real estate	213		101,405	101,618
TOTAL INVESTMENTS	\$ 248,999	\$ 198,003	\$ 869,319	\$ 1,316,321
FUNDS HELD IN TRUST BY OTHERS	\$ -	\$ -	\$ 285,756	\$ 285,756
PENSION PLAN ASSETS				
Cash & cash equivalents	\$ 13,448			\$ 13,448
Mutual funds	46,237			46,237
Limited partnerships and Other				
Hedge funds		\$ 55,072	\$ 5,092	60,164
Other			383	383
Equity real estate			4,814	4,814
TOTAL PENSION PLAN ASSETS (Note 9)	\$ 59,685	\$ 55,072	\$ 10,289	\$ 125,046
ASSETS AT FAIR VALUE	\$ 308,684	\$ 253,075	\$ 1,165,364	\$ 1,727,123
Interest rate swaps payable	\$ -	\$ 34,038	\$ -	\$ 34,038
LIABILITIES AT FAIR VALUE	\$ -	\$ 34,038	\$ -	\$ 34,038

Level 3 Investment Information

Investments included in Level 3 consist primarily of the University's ownership in alternative investments (principally limited partnership interests in hedge funds, private equity, real estate, real assets and other similar funds), beneficial interests in funds held in trust by others, and portions of investments in the pension assets. Level 3 investments are more difficult to value due to the following:

- The value of certain alternative investments represents the ownership interest in the net asset value of the respective partnership.
- The fair values of the securities held by limited partnerships that do not have readily determinable fair values are determined by the general partner based on appraisals or other estimates that require varying degrees of judgment.
- If no public market consideration, the fair value is determined by the general partner taking into consideration, among other things, the cost of the securities, prices of recent significant placements of securities of the same issuer, subsequent developments concerning the companies to which the securities relate, or

other estimates requiring varying degrees of judgment. The University regularly reviews, evaluates and performs significant due diligence around these investments to ensure that the values provided by the investment managers are appropriate measures of fair value. The University agrees with the valuations and assumptions

used in determining the fair value of these investments.

A roll forward of the consolidated statement of financial position amounts for financial instruments classified by the University within Level 3 of the fair value hierarchy is as follows:

	Mutual Funds & Domestic Stocks	Int'l Securities	Venture Capital	Private Equity	Hedge Funds	Equity Real Estate	Other & Funds Held by Others	Total
Beginning balance,								
July 1, 2011	\$ 16,681	\$ 10,553	\$ 77,945	\$ 278,205	\$ 311,170	\$ 106,471	\$ 344,007	\$ 1,145,032
Investment income	(1,154)		2,300	17,902	4,291	1,792	661	25,792
Unrealized gains (losses)	11,383	855	387	(12,058)	110	3,188	(15,401)	(11,536)
Purchases	7,355		13,668	36,078	127,000	11,897	8,776	204,774
Settlements	(4,509)		(15,969)	(52,571)	(51,242)	(17,129)	(3,920)	(145,340)
Transfers out of Level 3					(53,358)			(53,358)
June 30, 2012	\$ 29,756	\$ 11,408	\$ 78,331	\$ 267,556	\$ 337,971	\$ 106,219	\$ 334,123	\$ 1,165,364
Investment income	7		6,296	21,829	(3,520)	(4,426)	108	20,294
Unrealized gains (losses)	5,202	(172)	1,579	3,713	38,568	19,772	18,849	87,511
Purchases	753		21,414	25,184	53,457	14,665	52,526	167,999
Settlements	(1,535)		(13,733)	(66,061)	(21,403)	(17,664)	(9,271)	(129,667)
ENDING BALANCE, JUNE 30, 2013	\$ 34,183	\$ 11,236	\$ 93,887	\$ 252,221	\$ 405,073	\$ 118,566	\$ 396,335	\$ 1,311,501

The net realized and unrealized gains and losses in the table above are included in the University's consolidated statement of activities in one of two financial statement lines: *Investment income (loss)* or *Net (depreciation) appreciation*. In the case of pension assets, net realized and unrealized gains and losses are recognized in the financial statement line *Pension plan changes other than periodic benefit costs*.

The pricing inputs and methods described above could produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the University believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

As a practical matter, the University is permitted under U.S. generally accepted accounting principles ("US GAAP") to estimate the fair value of an investment at the measurement date using

the reported net asset value ("NAV") without further adjustment unless the entity expects to sell the investment at a value other than NAV or if the NAV is not calculated in accordance with US GAAP. The University's investments in private equity, real estate and certain hedge funds in the absolute return portfolio are fair valued based on the most current NAV.

The University performs additional procedures including due diligence reviews on its investments in investment companies and other procedures with respect to the capital account or NAV provided to ensure conformity with US GAAP. The University has assessed factors including, but not limited to, managers' compliance with the Fair Value Measurement standard, price transparency and valuation procedures in place, the ability to redeem at NAV at the measurement date, and existence of certain redemption restrictions at the measurement date.

The guidance also requires additional disclosures to enable users of the financial statements to understand the nature and risk of the University's investments. Furthermore, investments which

can be redeemed at NAV by the University on the measurement date or within 90 days are classified as Level 2. Investments which cannot be redeemed on the measurement date or in the near term are classified as Level 3.

The table below illustrates the fair value of the University's level 3 investments and the commitments that have been made for future purchases:

Category	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Domestic stocks (a)	\$ 34,183		monthly, quarterly, annually	30 - 90 days
International securities (b)	11,236		monthly, quarterly	30 - 90 days
Limited partnerships and other				
Venture capital ©	93,887	\$ 17,943		
Private equity (d)	252,221	57,229		
Hedge funds (e)	399,241		monthly, quarterly, annually	30 - 90 days
Other (f)	90,163	36,846		
Equity real estate (g)	112,274	48,509		
TOTAL	\$ 993,205	\$ 160,527		

(a) **Domestic stocks** include equity securities domiciled in the United States. Fund liquidity is daily, monthly, quarterly, semi-annual, annual, and up to a maximum period of three years. Approximately 87% of domestic equity exposure is accessible within one year or less, with all funds accessible within three years.

(b) **International securities** include equity securities domiciled in countries outside of the United States including developed and emerging markets. Approximately 87% of the net asset value is accessible within one year or less, with all funds accessible within three years.

(c) **Venture capital** includes several private equity funds that invest primarily in technology, health care or clean technology industries. While the portfolio is U.S. centric, there are small allocations to companies in foreign markets. The funds typically provide money and resources to entrepreneurs to finance a start-up company or product, with the hope that the company experiences exceptional growth and therefore would produce a successful investment. The funds invest at different stages of a company's growth, some very early and others at a later stage where the company may already produce revenues. The valuations for these investments have been estimated using the managers' fair market values, which have been vetted to make sure they meet the ASC 820 guidelines. These investments can never be redeemed with the funds. As these investments age in duration, distributions will be received from these funds as the

underlying portfolio companies are sold in the market. It is estimated that the underlying investments within the funds would be fully liquidated over the next 7-12 years.

(d) **Private equity** includes several private equity funds that invest across all industries. While the portfolio is U.S. centric, there has been an increasingly larger allocation to companies in foreign markets. The funds typically invest capital into more mature companies for a minority or majority of ownership and through operational and financial expertise, generate a return of capital greater than the original amount invested. The valuations for these investments have been estimated using the managers' fair market values, which have been vetted to make sure they meet the ASC 820 guidelines. These investments can never be redeemed with the funds. As these investments age in duration, distributions will be received from these funds as the underlying portfolio companies are sold in the market. It is estimated that the underlying investments within the funds would be fully liquidated over the next 7-12 years.

(e) **Hedge funds** include hedge fund investments across a multitude of strategies including long/short equity, long/short commodity, global macro, multi-strategy, event-driven, credit, fund of hedge funds, and emerging markets. The vast majority of these investments are U.S. based, but some may invest internationally. Investment managers may make investment decisions based on top down macroeconomic analysis or bottom up company or theme specific analysis; managers may shift

portfolios from net long to net short positioning but on balance tend to carry a net long exposure within their portfolios. The estimated fair values of the investments are received on a monthly basis from the fund administrators. Final valuations are typically received around mid-month for most funds but in some instances funds will report final valuations on a quarterly basis in accordance with the reporting period specified in the fund legal documents. Fund liquidity varies across the hedge fund category from monthly, quarterly, annually, and up to a maximum period of three years. Approximately 81% of the net asset value in this class is accessible within one year or less, with all funds accessible within three years.

(f) **Other** includes various direct private investments as well as private funds that do not fall within the other categories listed. Examples would include an Eastern Europe agriculture fund, some private U.S. oil and gas partnerships and various stakes in local private organizations. For the funds, the valuations have been estimated using manager's fair market values, which have been vetted to make sure they meet the ASC 820 guidelines. These investments can never be redeemed with the funds. As these investments age in duration, distributions will be received from these funds as the underlying portfolio companies are sold in the market. It is estimated that the underlying investments within the funds would be fully liquidated over the next 7-15 years.

(g) **Equity real estate** includes private real estate funds that invest primarily in the United States. Some of these private partnerships also make investments internationally, primarily in Europe, India and Brazil. The private funds make investments in various real estate types, such as office, industrial, retail and multi-family properties. The valuations for these investments have been estimated using the manager's fair market values, which have been vetted to make sure they meet the ASC 820 guidelines. These investments can never be redeemed with the funds. As these investments age in duration, distributions will be received from these funds as the underlying properties are sold in the market. It is estimated that the underlying investments within the funds would be fully liquidated over the next 5-7 years.

Derivative Information

The use of financial derivative instruments is governed by the University's Investment Policy Statement, which is approved and overseen by the Investment Committee of the Board of Trustees. The University assumes many risks as a result of its investment decisions and investment holdings. Many risks are discussed in the Investment Policy Statement:

Manager risk – the risk that a manager underperforms similar managers, benchmarks, or appropriate indices.

Benchmark risk – the risk of harm caused by constructing, selecting, or managing to an inappropriate benchmark.

Peer risk – the risk that one's peers generate better investment performance, thereby boosting the relative size of their endowments and enhancing their competitive advantage.

Market risk – the risk that the value of an investment will decrease due to market moves.

Interest rate risk – the risk that an investment's value will change due to a change in the absolute level of interest rates, the spread between two rates, the shape of the yield curve, or any other interest rate relationship.

Concentration – the risk of being too concentrated in one particular security, manager, strategy, sector or asset class, thus being vulnerable to poor performance stemming from lack of diversification.

Absolute return risk – the ability to generate positive absolute returns, not just in favorable markets, but also in uncertain and negative phases measured over a business cycle.

Currency risk – the risk that currency fluctuations or trends reduce the value of investments in non-U.S. markets.

Commodity risk – refers to the uncertainties of future market values and the size of future income caused by fluctuation in the prices of commodities (energy, agricultural, precious and industrial metals) due to demand/supply imbalances.

Leverage – the risk that significant volatility or losses will be generated by the use of debt designed to magnify returns.

Counterparty risk – the risk that one party to a transaction does not make complete or timely payment of margin, swap cash flow, bond proceeds, or other similar payments.

Credit risk – the possibility that a bond issuer will default by failing to pay interest or repay principal in a timely manner.

Tail risk – a form of portfolio risk that arises when the possibility that an investment will move more than three standard

deviations from the mean is greater than what is shown by a normal distribution.

Liquidity risk – the inability to sell or trade securities at fair market value within a short period of time; also, the risk that sufficient cash is not maintained, or cannot be accessed, to meet short-term obligations.

Inflation risk – the risk that rising prices significantly erode the effective purchasing power of the portfolio, as measured by the University's cost inflation.

Shortfall risk – the risk that investment returns will be lower than expected, causing a failure to accomplish investment or financial objectives.

The University seeks to mitigate these risks by using derivative transactions. At the macro level of the investment portfolio, derivative transactions also create cost-effective beta exposure that may replace a fund or investment manager, add alpha, support liquidity management, and reduce the impact of extreme negative market conditions. The derivative instruments used include futures, total return swaps, and over-the-counter options.

Futures: An Equity Index Future is a standardized obligation to buy or sell a market index, at a certain date in the future (settlement date), at a specified price (futures price). Equity Index Futures are typically cash-settled. Trading Medium: Exchange A single clearing house (e.g., Options Clearing Corporation, for the Chicago Board Options Exchange) is the counterparty to both parties involved in the contract. Futures trade a premium or discount to the cash index level based on the following theoretical formula: $\text{Futures Fair Value} = \text{Cash Index Value} + \text{Expected Interest Income prior to contract expiry} - \text{Expected Dividend Income prior to contract expiry} - \text{Expected Lending Income prior to contract expiration}$. The value of a futures contract converges to that of the underlying index at expiration. The investor posts an initial margin and a maintenance margin which represents a small portion of the overall notional value (usually 12%-18% of the notional value). Collateral between the counterparties is exchanged daily based on the mark to market performance of the futures contract. Used to gain beta exposure to an index on the long side and to hedge out beta exposure on the short side. Used primarily as a manager replacement strategy.

Total Return Swaps (TRS): A TRS is a non-standardized agreement whereby one party makes periodic cash payments based on a set rate (e.g., London Interbank Offered Rate ("LIBOR")) while another party makes periodic cash payments based on the total return of an underlying index. The total return payer agrees to pay the total return of the underlying index to the total return receiver. The total return receiver agrees to receive future total return, and pay periodic payments to the total return payer. Trading Medium: Over-The-Counter ("OTC"). Total Return Swaps offer synthetic exposure to beta returns while avoiding the transaction and administrative costs of owning the actual underlying equity shares. Subject to counterparty credit risk; if collateral is posted between parties, counterparty credit risk can be mitigated. Transacted via agreement between counterparties. There is no initial or maintenance margin posting. Collateral between the counterparties is exchanged daily based on the mark to market performance of the swap. Used to gain beta exposure to an index on the long side and to hedge out beta exposure on the short side. The swap resets on a periodic basis (monthly or quarterly), at which point the LIBOR rate is reset and the gains/losses cash settled. A new notional value reflecting the settled gains/losses is established at this point. The next measurement begins with the new notional value. There may be a breakup fee if the swap is terminated earlier than its expiration date. Used primarily as a manager replacement strategy.

Options: Options or Option Structures are non-standardized agreements whereby one party makes or receives one payment at the time of initial transaction to/from a counterparty and may make or receive a second payment to/from the counterparty at the expiration date of the agreement based on an individual option or a combination of individual options. Trading Medium: OTC. Transacted via ISDA/CSA agreement between counterparties. Subject to counterparty credit risk; if collateral is posted between parties, counterparty credit risk can be mitigated. Options/Option Structures allow investors to customize the risk/return profile of existing portfolios. For example: Investors who are underweight equities and have a moderately positive outlook can obtain enhanced equity exposure by capping returns with or without a leveraged payoff. More bearish investors can opt for downside protection to reduce risk. Collateral between the counterparties is exchanged daily based on the mark to market performance of the Option or Option

Structure. At maturity the Option or Option Structure is cash settled. Prior to maturity, Options/Option Structures may trade above or below their intrinsic value due to various factors such as time, volatility, interest rates, skew, delta, gamma etc. The value eventually converges to intrinsic value at maturity. Used for beta replacement strategies, alpha strategies or hedging strategies.

Forward contracts: A forward contract is an agreement to buy or sell an asset at a certain future time for a certain price. A forward contract is traded in the over-the-counter market – usually between two financial institutions or a financial institution and a client. One party assumes a long position and agrees to buy the underlying asset on a certain date for a certain price. The other party assumes a short position and agrees to sell the underlying asset on a certain date for a certain price. The price in

a forward contract is known as the delivery price. Forward contracts are commonly used to hedge foreign currency risk. Payoff for a long position on a forward contract is $S_t - K$ where K is the delivery price and S_t is the spot price at maturity of the contract. Similarly the payoff on a short position in a forward contract is $K - S_t$. Settlement of forward contracts can be made with delivery of the underlying or cash settlement. Since the contract is OTC, margin and collateral are determined by individual agreements and sometimes fall under the agreement.

The following table provides detailed information on the derivatives included in the investment portfolio as of June 30 and where they are located in the consolidated statements of financial position:

Location	Derivative Type	Notional Amount	2013		
			Level 1 Fair Value	Level 2 Fair Value	Level 3 Fair Value
Investments	Total return swaps	\$ 247,052		\$ 5,471	
	Options (over-the-counter)	2,562		2,562	
	Yield curve hedges	150,419		285	
TOTAL DERIVATIVES, 2013			\$ -	\$ 8,318	\$ -

Location	Derivative Type	Notional Amount	2012		
			Level 1 Fair Value	Level 2 Fair Value	Level 3 Fair Value
Investments	Total return swaps	\$ 107,264		\$ 4,902	
	Options (over-the-counter)	26,363		5,864	
	Interest rate hedges	78,187		316	
	Yield curve hedges	145,471		135	
TOTAL DERIVATIVES, 2012			\$ -	\$ 11,217	\$ -

The following table provides detailed information on the effect the derivatives had on the overall performance of the

investment portfolio which is reflected in the consolidated statement of activities:

Location	Derivative Type	2013	2012
Net effect on investment income			
	Options (over the counter)	\$ (1,982)	\$ (27,738)
	Total return swaps	(1,158)	
	Forward contracts	(20)	
	Interest rate hedges	(160)	
	Futures contracts		(10,255)
		\$ (3,320)	\$ (37,993)
Unrealized gains (losses)			
	Options (over the counter)	(1,507)	(4,613)
	Total return swaps	(2,411)	(2,866)
	Yield curve hedges	1,435	
		\$ (2,483)	\$ (7,479)
NET EFFECT OF DERIVATIVES		\$ (5,803)	\$ (45,472)

7. PROPERTY, PLANT, EQUIPMENT, AND BOOKS

Property, plant, equipment and books are stated at cost, less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful life of 40 years

for buildings, 5 to 12 years for equipment, and 10 years for books. Components of property, plant, equipment and books are as follows:

	2013	2012
Land and land improvements	\$ 42,678	\$ 38,359
Building and building improvements	1,152,290	1,137,051
Equipment and software	254,136	266,343
Library books	37,911	37,067
Construction-in-progress	47,554	27,818
	1,534,569	1,506,638
Less: accumulated depreciation	(810,022)	(776,001)
TOTAL PROPERTY, PLANT, EQUIPMENT AND BOOKS, NET	\$ 724,547	\$ 730,637

The above assets include \$503,423 leased from the Ohio Higher Education Facility Commission ("OHEFC"). The University may purchase each of the leased assets for a nominal amount at the end of the lease period. Therefore, these assets have been capitalized and are included in the above listing. The corresponding liability is included in Notes and bonds payable on the consolidated statements of financial position.

Capitalized interest of \$9 was added to construction in progress as of June 30, 2013. No interest was capitalized in the fiscal year ended June 30, 2012. The expected cost to complete construction in progress is approximately \$46,701.

Depreciation expense included in the consolidated statement of activities is \$62,169 (2013) and \$63,356 (2012).

8. NOTES AND BONDS PAYABLE

Notes and bonds payable are as follows:

		Interest Rate	Maturity	2013	2012
OHEFC revenue notes and bonds:	Series 1988	7.90%	2013	\$ 6,406	\$ 12,334
	Series 1990	6.50%	2015-2020	11,650	11,650
	Series 1994	6.00 - 6.25%	2014-2018	20,000	20,000
	Series 1997	6.25%	2013-2014	3,555	5,105
	Series 2001	0.15%	2013-2022	11,730	12,200
	Series 2002A	0.15%	2023-2031	64,875	64,875
	Series 2004A	4.25 - 5.00%	2024-2034	49,455	75,670
	Series 2006	3.75 - 5.25%	2013-2044	81,200	82,490
	Series 2008A	0.16%	2030-2044	60,000	60,000
	Series 2008B	0.14%	2044	67,500	67,500
	Series 2008C	4.00 - 5.25%	2014-2033	50,490	50,490
	Series 2012A	2.00 - 5.00%	2013-2023	28,345	-
U.S. Government housing bonds:	Series 1966	3.00%	2014-2016	405	535
OHEFC commercial paper:		.17 - .20%	2030	90,000	63,000
OHEFC capital lease:		6.75%		-	467
		4.12%		-	5,205
Compass Group USA, Inc.:		-n/a-	2013-2019	1,950	2,400
Housing and Urban Development loan:	Part A	4.96%	2013-2041	11,885	12,082
	Part B	5.33%	2013-2041	4,100	4,163
TOTAL LIABILITY				\$ 563,546	\$ 550,166
Line of Credit				25,000	-
Unamortized Bond Premium				13,434	9,812
TOTAL NOTES AND BONDS PAYABLE				\$ 601,980	\$ 559,978

The fair market value of the University's notes and bonds payable is approximately \$610,607 (2013) and \$578,290 (2012) and is considered Level 2 financial instruments as defined by the ASC 820 valuation hierarchy. These values were estimated utilizing the discounted future cash outflows at rates for similar debt.

The U.S government housing bonds are collateralized by securities and pledges of net revenues from the University's student housing and dining facilities. In November 2012, the OHEFC Series 2012A bonds were issued to defease and refinance a portion of the OHEFC Series 2004A bonds and OHEFC capital lease. The amount defeased for OHEFC Series 2004A bonds was

\$26,215 and the amount refinanced for the OHEFC capital lease was \$4,852. Deferred financing fees of \$397 were paid and the unamortized balance is included in prepaid expenses and other assets.

The OHEFC authorized a \$63,000 tax-exempt commercial paper program in February 2000 to provide construction funds for several approved capital projects and to refinance earlier projects. In November 2008, the OHEFC authorized a \$27,000 expansion of that program, to a total size of \$90,000, to provide funding for future projects.

In February 2013 \$27,000 was drawn to provide bridge financing for the construction of the Tinkham Veale University Center. At June 30, 2013, there were \$11,250 of unspent funds included in operating investments in the consolidated statement of financial position. Deferred financing fees of \$226 were paid and the unamortized balance is included in prepaid expenses and other assets. The amount outstanding under the commercial paper program was \$90,000 (2013) and \$63,000 (2012), with maturities not exceeding 270 days from the issuance date. All commercial paper issued under the terms of the program must mature no later than February 1, 2030. The annualized interest cost and credit facility expense for this program was 0.65% (2013) and 0.83% (2012).

The University has revolving lines of credit with two financial institutions in the amount of \$60,000 to finance working capital. Both lines are subject to review and renewal annually. The amount outstanding was \$25,000 (2013) and -0- (2012).

Principal payment requirements for bonds, notes, and capital lease obligations for the next five years and thereafter are as follows:

Year	Scheduled Principal Payments	Outstanding VRDO's	Total Maximum Principal Payments
2014	\$ 11,655	\$ 110,105	\$ 121,760
2015	11,728	33,500	45,228
2016	12,548	93,500	106,048
2017	13,134	13,500	26,634
2018	14,390	43,500	57,890
Thereafter	500,091	(294,105)	205,986
TOTAL	\$ 563,546	\$ -	\$ 563,546

The University has letter of credit agreements, standby bond purchase agreements and liquidity agreements with various financial institutions to purchase the University's variable rate demand obligations ("VRDO's") and commercial paper if they cannot be remarketed. Outstanding VRDO's in the above table represent amounts payable in the event that bonds are tendered but not successfully remarketed.

Interest expense, including those amounts for interest rate swap agreements (Note 12), was \$20,949 (2013) and \$21,090 (2012).

Certain borrowing agreements require that the University comply with certain covenants. The University is in compliance with these provisions as of June 30, 2013.

9. RETIREMENT PLANS

The University has both defined benefit and defined contribution pension plans for its employees. In accordance with provisions of the Employee Retirement Income Security Act of 1974, the University has established a trust to hold plan assets for its defined benefit plan. The funded status of the University's defined benefit plan is as follows:

	2013	2012
Benefit obligation at June 30	\$ 176,142	\$ 188,337
Fair value of plan assets at June 30	135,364	125,046
FUNDED STATUS AT JUNE 30	\$ (40,778)	\$ (63,291)
Accumulated benefit obligation	\$ 175,260	\$ 186,742

Benefit plan costs for the defined benefit plan are as follows:

	2013	2012
Net periodic benefit cost	\$ 11,105	\$ 6,167
Employer contributions	6,655	21,113
Benefits paid	3,932	3,681

Estimated benefits expected to be paid under the defined benefit plan for the next five fiscal years are as follows:

2014	\$ 4,887
2015	4,768
2016	5,558
2017	5,954
2018	6,517

Amounts expected to be paid between 2019 and 2023 total \$41,778. The University's estimated employer contribution for the defined benefit plan in fiscal 2014 will depend on the results of the July 1, 2013 actuarial valuation and is estimated to be \$9,200.

Weighted-average assumptions used to determine the benefit obligation and benefit plan costs are as follows:

	2013	2012
BENEFIT OBLIGATION		
Discount rate	5.25%	4.50%
Rate of compensation increase	4.25%	4.25%
Measurement date	6/30/13	6/30/12
Census date	7/1/12	7/1/11
NET PERIODIC BENEFIT COST		
Discount rate	4.50%	6.00%
Expected return on plan assets	8.50%	8.50%
Rate of compensation increase	4.25%	4.25%

The expected long-term rate of return for the defined benefit plan was estimated using market benchmarks for equities and bonds applied to the plan's target asset allocation. The expected return on equities was computed utilizing a valuation framework that projected future returns based on current equity valuations rather than historical returns. Management estimated the rate by which the plan assets would outperform the market in the future based on historical experience adjusted for changes in asset allocation and expectations for overall lower future returns on equities compared to past periods.

The investment objective for the defined benefit plan is to maximize total return with tolerance for slightly above average risk, in order to meet the obligations that the University has to its plan beneficiaries. To accomplish this objective, the University has established a broadly-diversified asset allocation strategy that includes absolute return strategies (combination of fixed income and equity securities) (50%), equity investments (30%), bonds and cash (16%), and real estate (4%). The weightings of the investments relative to each other in the total portfolio fluctuate as market conditions vary; they are adjusted regularly to remain within acceptable ranges.

The weighted-average asset allocation for the defined benefit plan is as follows:

	2013	2012
Equity securities	60.00%	60.00%
Fixed income securities	25.00%	25.00%
Real estate	4.00%	4.00%
Other	11.00%	11.00%
TOTAL ASSET ALLOCATION	100.00%	100.00%

The amounts recognized in the University's consolidated statements of financial position and in unrestricted net assets related to the defined benefit plan are as follows:

	2013	2012
STATEMENT OF FINANCIAL POSITION		
NET LIABILITY	\$ (40,778)	\$ (63,291)
UNRESTRICTED NET ASSETS		
Prior service costs	\$ -	\$ 160
Actuarial losses	56,751	83,555
AMOUNT RECOGNIZED AS		
REDUCTION OF UNRESTRICTED NET ASSETS	\$ 56,751	\$ 83,715

The estimated amortization of prior year service costs expected in fiscal 2014 totals \$3,588. Components of the net periodic benefit cost and other changes in plan assets that are recognized in the consolidated statement of activities are as follows:

	2013	2012
Change in actuarial (gains) losses	\$ (26,804)	\$ 55,893
Amortization of prior service cost	(160)	(238)
TOTAL (GAIN) LOSS RECOGNIZED, UNRESTRICTED NET ASSETS	(26,964)	55,655
Net periodic benefit cost	11,105	6,167
TOTAL (GAIN) LOSS RECOGNIZED, STATEMENT OF ACTIVITIES	\$ (15,859)	\$ 61,822

Benefit plan costs for the defined contribution plan are \$19,834 (2013) and \$19,499 (2012).

10. COMMITMENTS AND CONTINGENCIES

In its normal operations, the University is subject to various claims and lawsuits. In management's opinion, the resolution of these contingencies will not have a significant adverse effect on the University's financial position, operations, or cash flows.

In May 2002, the University entered into an agreement with the Cleveland Clinic Foundation ("CCF") to form a new medical education and research program, the Cleveland Clinic Lerner College of Medicine ("CCLCM"). Beginning in 2004, research grants from the National Institutes of Health to support work by CCF-based investigators were awarded to and administered through the University by CCLCM, which operates as an academic unit of the School of Medicine. Expenditures for research conducted under this joint agreement totaled \$91,316 (2013) and \$92,961 (2012).

In April 2006, the Boards of University Hospitals Health System and the University approved a new affiliation agreement between the School of Medicine and University Hospitals of Cleveland ("UHC"). This agreement significantly strengthened the historical

relationship between the entities through the creation of the Case Medical Center, a virtual entity that encompasses certain teaching, research and clinical activities of the School of Medicine and UHC.

During 2013, the University entered into a joint purchase agreement to purchase real property from the Cleveland Institute of Art. The University's commitment is \$4,600 with \$500 placed as an earnest deposit and is shown on the consolidated statement of financial position in prepaid expenses and other assets. The remaining \$4,100 is due at closing, which is anticipated to be in fiscal 2016.

The University is self-insured for workers compensation and employee and student medical coverage. Property is commercially insured with an aggregate deductible of \$700. The University also carries general liability insurance with a deductible of \$100 per occurrence. The University believes its reserves for self-insured risks and the deductible portion of insured risks are sufficient.

11. RELATED PARTY TRANSACTION

In 1998, the University entered into a thirty-year agreement with the Medical Center Company (a cooperative utility company formed by and serving institutions in the University Circle area) to purchase chilled water and other utilities for several University

buildings. The amounts purchased were \$20,508 (2013) and \$21,998 (2012). No obligation associated with this agreement is recorded in the accompanying consolidated financial statements.

12. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The University uses floating-to-fixed interest rate swap agreements of various durations to manage both its funding cost and the interest rate risk associated with variable rate debt. Under these swap agreements, the University pays a fixed rate and receives from its counterparty a variable rate payment, each calculated by reference to specified notional principal amounts during the agreement period. Operations are charged the variable rate interest on the corresponding bonds; the difference

between the fixed and variable interest amounts under the swap agreements is recorded in non-operating revenues and expenses as investment and other income.

The University follows accounting guidance that defines fair value, establishes a framework for measuring fair value and expands disclosure requirements about fair value measurements, including derivatives. The University's interest rate swaps are

valued by an independent swap consultant that uses the mid-market levels, as of the close of business, to value the agreements. The valuations provided are derived from proprietary models based upon well-recognized financial principles and reasonable estimates about relevant future market conditions and the University's credit worthiness. The University's interest rate swap arrangements have inputs that can generally be corroborated by market data and are classified as Level 2 in the fair value hierarchy.

At June 30, 2013, the University has five interest rate swap agreements. Net payments or receipts under the swap agreements are recorded as adjustments to investment and other income and the incremental expense is disclosed below.

Notional Amount	Rate	Commencement	Date	Basis	2013	2012
					Level 2 Fair Market Value	
\$ 12,200	4.34%	Aug. 12, 2004	Oct. 1, 2022	LIBOR	\$ (1,980)	\$ (2,646)
15,000	4.43%	Jun. 5, 2002	Jun. 5, 2022	LIBOR	(3,306)	(4,321)
15,000	3.60%	Sept. 25, 2002	Sept. 25, 2022	LIBOR	(2,310)	(3,254)
35,000	3.81%	Aug. 4, 2004	Aug. 1, 2034	LIBOR	(7,952)	(11,795)
100,000	3.37%	Jan. 3, 2012	Jan. 1, 2017	SIFMA	(9,510)	(12,022)
TOTAL INTEREST RATE SWAP AGREEMENT LIABILITY					\$ (25,058)	\$ (34,038)

Changes in the fair value of derivative instruments are recorded in non-operating revenues and expenses as investment and other income. The provisions of the swap agreements require that on a weekly basis the University place into an escrow fund collateral sufficient to limit the counterparty's financial exposure to the University to no more than \$20,000. The University had placed \$5,435 (2013) and \$17,796

Under one agreement in effect at June 30, 2013, the counterparty pays the University a variable interest rate equal to the Securities Industry and Financial Markets Association (SIFMA) index, and under four other agreements, the counterparty pays a variable interest rate equal to a percentage of the one month LIBOR.

The following table provides detailed information on the interest rate swaps at June 30, 2013, with comparative fair values for June 30, 2012. The number of swaps is reported based on notional amount. Information related to the interest rate swap agreements to which the University is a party, including the associated OHEFC borrowing, where applicable, and the liability recognized in the consolidated statements of financial position in deferred income and other liabilities are as follows:

(2012) into such a fund, which is shown in Cash and cash equivalents on the consolidated statements of financial position.

Interest expense recorded for the swap agreements in the non-operating activities for the year ended June 30 was \$6,182 in 2013 and \$6,161 in 2012.

13. RESTRICTED NET ASSETS

The University's restricted net assets as of June 30 were as follows:

	Temporarily Restricted	Permanently Restricted	2013	2012
Endowment				
True Endowment	\$ 461,264	\$ 546,365	\$ 1,007,629	\$ 983,342
Funds functioning as endowment (FFE)	266,604		266,604	260,630
Total True endowment and FFE	727,868	546,365	1,274,233	1,243,972
Funds held in trust by others		305,682	305,682	285,756
TOTAL UNIVERSITY ENDOWMENT	\$ 727,868	\$ 852,047	\$ 1,579,915	\$ 1,529,728
Other net assets				
Pledges receivable	71,807	18,647	90,454	65,295
Funds held in trust by others, unused income	5,057		5,057	3,996
Student loan funds		34,460	34,460	33,907
Split interest agreements		16,229	16,229	11,496
Purpose restricted gifts	40,296	4,971	45,267	33,511
TOTAL NET ASSETS	\$ 845,028	\$ 926,354	\$ 1,771,382	\$ 1,677,933

14. SUBSEQUENT EVENTS

The University has performed an evaluation of subsequent events through October 5, 2013, the date on which the

consolidated financial statements were issued. No material items were noted which require disclosure.

CASE WESTERN RESERVE UNIVERSITY
Schedule of Expenditures of Federal Awards

For the year ended June 30, 2013

FEDERAL GRANTOR/PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Pass Through Entity Identifying Number	Expenditures
Research and Development and Research Training Cluster - University			
Research and Development - University			
Department of Agriculture			
Direct Programs			
Market Protection and Promotion	10.163		28,136
Scientific Cooperation and Research	10.961		3,264
Department of Agriculture Subtotal			31,400
Department of Commerce			
Pass Through Programs			
Ohio State University Research Foundation	11.417	60025701	306
Ohio State University Research Foundation	11.417	RF01304568	5,567
University of Michigan	11.432	3001071084	5,365
University of Michigan	11.432	3001262960	703
Department of Commerce Subtotal			11,941
Department of Defense			
Direct Programs			
Basic and Applied Scientific Research	12.300		1,097,114
Military Medical Research and Development	12.420		1,891,542
Basic Scientific Research-ARRA	12.431		425,634
Air Force Defense Research Sciences Program-ARRA	12.800		3,274,776
Mathematical Sciences Grants Program	12.901		746
Research & Technology Development	12.910		1,102,641
Pass Through Programs			
University of California, Berkeley	12.002	4714-10417	76
University of Virginia	12.351	GG11485-138899	111,584
University of Pittsburgh	12.420	0027150 (408007-1)	156,542
Ardiem Medical, Inc.	12.420	W81XWH0720044	556,048
Cleveland Clinic Foundation	12.420	W81XWH-10-0270	116,342
Henry M. Jackson Foundation	12.42	2290	43,051
Medical University of South Carolina	12.420	W81XWH (MUSC13-004)	44,247
Rutgers University	12.420	W81XWH (3423)	184,591
University of Chicago	12.420	45846	45,968
University of Colorado, Boulder	12.420	1547915	5,490
Johns Hopkins University-ARRA	12.431	W81XWH1020090	165,374
Pennsylvania State University-ARRA	12.431	4508-CWRU-USA-0534	53,580
Johns Hopkins University	12.910	2001175091	103,919
Southern Methodist University	12.910	G001055-7520	26,915
University of Virginia	12.910	GG11379-136861	174,155
Department of Defense Subtotal			9,580,335
Department of Housing and Urban Development			
Direct Programs			
Transformation Initiative Research Grants: Natural Experiments	14.524		155,385
Pass Through Programs			
National Center for Healthy Housing	14.524	NCHH-10-1184	1,460
Cuyahoga County Board of Health	14.900	OHLHH0208-09	30,625
Environmental Health Watch	14.906	OHLHH0203-09	34,028
Environmental Health Watch	14.910	OHHHP0001-11	33,086
Department of Housing and Urban Development Subtotal			254,584
Department of the Interior			
Direct Programs			
Science and Technology Projects Related to Coal Mining and Reclamation	15.255		44,620
Pass Through Programs			
University of Michigan	15.808	3002076062	59,448
Department of the Interior Subtotal			104,068

CASE WESTERN RESERVE UNIVERSITY
Schedule of Expenditures of Federal Awards

For the year ended June 30, 2013

FEDERAL GRANTOR/PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Pass Through Entity Identifying Number	Expenditures
Department of Justice			
Pass Through Programs			
Cuyahoga County Board of Commissioners	16.812	CE1200094-01	66,235
Department of Justice Subtotal			66,235
National Aeronautics and Space Administration			
Direct Programs			
Aerospace Education Services Program	43.001		690,384
Technology Transfer	43.002		484,436
Exploration	43.003		138,788
Space Operations	43.007		16,491
Cross Agency Support	43.009		61,270
Pass Through Programs			
California Institute of Technology	43.001	44E-1083742	8,547
Ohio Aerospace Institute	43.001	WE-500077	212,391
University of Michigan	43.001	3001229609	255,916
National Aeronautics and Space Administration Subtotal			1,868,223
National Endowment for the Arts			
Direct Programs			
Promotion of the Humanities Fellowships and Stipends	45.160		22,364
Promotion of the Humanities Professional Development	45.163		22,605
National Endowment for the Arts Subtotal			44,969
National Science Foundation			
Direct Programs			
Engineering Grants	47.041		2,088,161
Mathematical & Physical Sciences	47.049		9,738,821
Geosciences	47.050		177,335
Computer and Information Science & Engineering	47.070		1,452,154
Biological Sciences	47.074		1,046,343
Social, Behavioral and Economic Sciences	47.075		120,763
Education and Human Resources	47.076		216,871
International Science and Engineering (OISE)	47.079		201,032
Office of Cyberinfrastructure	47.080		60,303
Trans-NSF Recovery Act Research Support-ARRA	47.082		1,530,790
Pass Through Programs			
Oberlin College	47.041	CNS-0939153-CPATH-2	1,500
Precision Made Parts, LLC	47.041	1047151	1
University of Kansas	47.041	FY2012-097	27,616
University of Texas Health Science Center	47.041	2610009561	19,217
University of Utah	47.041	10012597-CWRU	(722)
vascuVis Inc.	47.041	1248316	39,624
Columbia University	47.049	5-25107, PO#G02694	6,834
University of Michigan	47.049	3002527784	5,000
Rehabilitation Institute Research Corp.	47.070	PRIME CNS-0932263	82,927
University of California, Davis	47.074	201117695-01	45,377
University of Iowa	47.074	420-40-32A	8,899
Ohio State University Research Foundation	47.075	60029525	32,349
Cleveland State University	47.076	DELAT37D	(505)
State University of New York Research Foundation	47.076	R690341	21,202
University of Denver	47.076	SC37033A-01-00	78,761
University of Chicago	47.078	ANT-0638937	171,608
National Science Foundation Subtotal			17,172,261
Environmental Protection Agency			
Pass Through Programs			
Buffalo State College	66.469	GL-00E00503-CWR	32,685
Environmental Protection Agency Subtotal			32,685

CASE WESTERN RESERVE UNIVERSITY
Schedule of Expenditures of Federal Awards

For the year ended June 30, 2013

FEDERAL GRANTOR/PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Pass Through Entity Identifying Number	Expenditures
Department of Energy			
Direct Programs			
Office of Science Financial Assistance Program-ARRA	81.049		776,579
Renewable Energy Research and Development	81.087		132,897
Fossil Energy Research and Development	81.089		516,655
Stewardship Science Grant Program	81.112		20,904
Advanced Research and Projects Agency Energy Financial Assistance Program	81.135		1,218,017
Pass Through Programs			
Faraday Technology, Inc.-ARRA	81.049	DE-SC0007516	69,242
Advanced Technology Institute	81.086	ATI 2005-301	91,387
Bay Area Photovoltaic Consortium	81.087	60220829-51077-T	23,210
Bayer Material Science	81.087	DE-EE0001361	(574)
Indiana University	81.087	BL-4344500-CWRU	34,182
National Center for Manufacturing Science	81.087	201149-130175	(18,230)
North American Die Casting Associates	81.117	DE-EE0001100	33,016
Univenture, Inc.	81.135	DE-AR0000037	(223)
Department of Energy Subtotal			2,897,062
Department of Education			
Pass Through Programs			
Cincinnati Children's Hospital	84.133	H133B090010 (107354)	93,957
University of Pittsburgh	84.133E	H133E070024	22,550
Department of Education Subtotal			116,507
Department of Health & Human Services			
Direct Programs			
Food and Drug Administration Research	93.103		135,385
Environmental Health	93.113		112,726
Oral Diseases & Disorder Research	93.121		4,664,141
Grants to Increase Organ Donations	93.134		287,081
Human Genome Research	93.172		1,782,355
Research Related to Deafness & Communications Disorders	93.173		1,942,328
Immunization Research, Demonstration, Public Information and Education Training and Clinical Skills Improvement Projects	93.185		87,882
Research and Training in Complementary and Alternative Medicine	93.213		711,698
Research on Healthcare Costs, Quality and Outcomes	93.226		1,233,399
National Center on Sleep Disorders Research	93.233		734,994
Mental Health Research Grants	93.242		3,858,916
Alcohol Research Programs	93.273		29,695
Drug Abuse and Addiction Research Programs	93.279		2,595,069
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283		2,470,655
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286		3,803,753
Minority Health and Health Disparities Research	93.307		691,172
Trans-NIH Research Support	93.310		2,125,814
National Center for Advancing Translational Sciences	93.350		11,964,804
Research Infrastructure Programs	93.351		1,363,265
Nursing Research	93.361		1,795,405
National Center for Research Resources	93.389		857,613
Cancer Cause & Prevention Research	93.393		2,633,665
Cancer Detection and Diagnosis Research	93.394		2,055,589
Cancer Treatment Research	93.395		2,224,687
Cancer Biology Research	93.396		4,669,778
Cancer Centers Support Grants	93.397		7,334,667
Cancer Research Manpower	93.398		372,047
Cancer Control	93.399		1,180,070
Health Promotion and Disease Prevention Research Centers: PPHF 2012 - Affordable Care Act Projects-ARRA	93.542		716,581
Trans-NIH Recovery Act Research Support-ARRA	93.701		2,222,570
Cardiovascular Diseases Research	93.837		12,763,416
Lung Diseases Research	93.838		3,975,772
Blood Diseases and Resources Research	93.839		2,341,758
Arthritis, Musculoskeletal, and Skin Diseases Research	93.846		5,199,569

CASE WESTERN RESERVE UNIVERSITY
Schedule of Expenditures of Federal Awards

For the year ended June 30, 2013

FEDERAL GRANTOR/PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Pass Through Entity Identifying Number	Expenditures
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847		18,958,480
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853		9,311,653
Allergy, Immunology and Transplantation Research	93.855		17,769,207
Biomedical Research and Research Training	93.859		6,421,800
Child Health and Human Development Extramural Research	93.865		3,292,489
Agung Research	93.866		2,832,070
Vision Research	93.867		11,847,141
Medical Library Assistance	93.879		233,949
International Research and Research Training	93.989		369,597
Pass Through Programs			
University of Florida	93.103	UF06127	157
American Academy of Pediatrics	93.110	6636-99951-731100	32,329
Cleveland Clinic Foundation	93.110	228SUB; 328SUB	18,812
Hemophilia Foundation of Michigan	93.110	1-H30MC24047-01-00	14,000
Johns Hopkins University	93.172	2001451384	16,871
University of North Carolina	93.172	5-31041	273,389
University of Pennsylvania	93.172	HG005854 (555747)	26,376
University of Utah	93.172	10020594-2	21,879
Cornell University	93.173	56083-8774	165,960
Hemophilia Foundation of Michigan	93.184	ATH(CDC12-13-HTC443)	12,131
Kent State University	93.213	443149-CWRU	8,990
Ohio State University	93.213	60033066	318,791
Cincinnati Children's Hospital	93.226	130341	7,502
Kent State University	93.226	443167-CWRU	3,204
Brigham and Women Hospital	93.233	106086	7,504
Northwestern University	93.233	HL105549	23,333
Cincinnati Children's Hospital	93.242	CHMC 102316 M4	(221)
Geisinger Clinic	93.242	U01HG006382	91,858
University of California, San Diego	93.242	10313885-SUB	98,005
University of Rochester	93.242	MH (416088-G)	4,959
Johns Hopkins University	93.242	MH (2001815868)	93,444
Johns Hopkins University	93.242	MH075673(2001770076)	6,827
University of Texas Health Science Center	93.242	MH (53442/152932)	86,676
Vanderbilt University	93.242	VUMC 40221/MH095972	294,660
Catholic Charities Corporation	93.243	1H79TI-022425-02	82,642
Mental Health Services	93.243	SPILSBURY	6,689
The University of British Columbia	93.279	DA021525	2,113
University of North Carolina	93.279	DA030156(5-30857)	218,637
Central Brain Tumor Registry of the Unit	93.283	DP003831 (CWRU02)	48,876
Massachusetts Institute of Technology	93.286	5710002285	107,686
Rehabilitation Institute Research Corporation	93.286	EB11615	12,630
University of the Virgin Islands	93.307	CALLWOOD-2008-1	21,007
Wake Forest University	93.307	WFUHS42363	16,686
Wake Forest University	93.361	WFUHS10104	7,095
Georgia Institute of Technology	93.389	RC114-GI	15,530
Massachusetts Institute of Technology	93.389	5710002814	(2,543)
University of Mississippi	93.389	RR017701; 66209-CWRU	168,862
University of Utah	93.389	10006464-03	(57)
American College of Radiology	93.393	CA021661	248,423
Baylor College of Medicine	93.393	CA139020	242,064
Duke Univ. Comprehensive Cancer Center	93.393	203-0309	249,962
George Washington University	93.393	09-M33	10,031
Huntsman Cancer Institute	93.393	10014775-01	(2)
Institute for Systems Biology	93.393	2011.0005	41,596
Kaiser Permanente	93.393	R01 CA140377	42,027
University of Michigan	93.393	3002153816	43,658
University of Texas- MD Anderson Cancer	93.393	34134/98210590	393
University of Washington	93.393	CA141439(735566)	26,908
Virginia Commonwealth University	93.393	PT102388-SC101313	249,286
Washington University	93.393	735566	(28,634)
BioInVision, Inc.	93.394	CA124270	5,495
Fred Hutchinson Cancer Research Ctr	93.394	0000728543	288,763
Kent State University	93.394	CA143408(403003CWRU)	40,218
University of California, San Diego	93.394	UCSD	29,089
University of Michigan	93.394	3001861745	18,557

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University of Michigan	93.394	3001942590	32,300
University of Pennsylvania	93.394	557445	227,844
University of Texas Health Science Center	93.394	152906	117,929
American College of Obstetricians & Gynecology	93.395	27469-094	198,980
American College of Radiology	93.395	U10CA021661	49,578
Cleveland Clinic Foundation	93.395	CA138858	17,587
Children's Hospital of Philadelphia	93.395	CA098543	21,311
Gynecologic Oncology Group	93.395	27469-94	7,280
Invenio Therapeutics Inc.	93.395	CA134089 (INVENIO)	43,511
Lentigen Corporation	93.395	CA128269-LENTINGEN	266,982
National Surgical Adjuvant Breast & Bowel Project	93.395	TFED41-728	44,991
Ohio State University Research Foundation	93.395	CA044971(60035402)	59,337
University of California, San Francisco	93.395	7002SC	242,615
University of California, Berkeley	93.397	CA149233 (00008002)	61,738
Riverside Research	93.397	NYO.G00386P.01199512	98,125
National Surgical Adjuvant Breast & Bowel	93.399	TIND-728	26,179
Southwest Oncology Group	93.399	CA037429	177
Brigham and Women Hospital-ARRA	93.701	HL101417	34,588
Duke University-ARRA	93.701	203-9436	24,000
Duke University-ARRA	93.701	203-9437	17,758
George Washington University-ARRA	93.701	10-D02	11,571
Indiana University-ARRA	93.701	HL081819	2,903
Johns Hopkins University-ARRA	93.701	2000784928	13,186
Johns Hopkins University-ARRA	93.701	2000879393	(94)
University of Colorado at Boulder-ARRA	93.701	1546304	18,115
Vanderbilt University-ARRA	93.701	VUMC 39667	44,082
Massachusetts General Hospital-ARRA	93.715	217197	183,121
Ohio Health Information Partnership-ARRA	93.718	90RC001201	1,371,557
Biofunc	93.837	HL107037	42,532
Duke University	93.837	HL075443 (203-1044)	401,890
Duke University	93.837	HL084904 (177494)	55,836
Henry Ford Health System	93.837	HFHS	43,972
Henry Ford Health System	93.837	HL028982 (HFHS)	105,007
Henry Ford Health System	93.837	HL090550 (HFHS)	210,353
Iasis Molecular Sciences	93.837	Iasis Molecular Sciences	32,149
Kent State University	93.837	443165-CWRU	344,562
Loyola University Chicago	93.837	200403	31,195
Social & Scientific Systems, Inc.	93.837	CRB-UCLA1-S-10-00028	1,938
University of California, Los Angeles	93.837	1568 G KB381	38,452
University of California, San Francisco	93.837	HL117713 (7418SC)	17,891
University of Maryland	93.837	SR00000925	350,486
University of Michigan	93.837	3001346374	44,471
University of Michigan	93.837	HL094345	22,211
University of Pittsburgh	93.837	0025070(406794-2)	70,090
University of Pittsburgh	93.837	9005405 (119281-1)	85,133
University of Texas Southwestern Medical	93.837	0007173A	190,575
University of Toledo	93.837	2008-007	121
Wake Forest University	93.837	HHSN268201100027C	1,151,617
Brigham and Women Hospital	93.838	HL113338 (108605)	68,911
Emory University	93.838	S859799	105,616
Mayo Foundation- Rochester	93.838	HL056470	81,707
Pennsylvania State University	93.838	HL109086(RBCHL109086)	4,845
University of Washington	93.838	HL06800 (747426)	9,369
Vanderbilt University	93.838	HL079937(VUMC 38162)	71,359
Baylor College of Medicine	93.839	HL095647(5600698388)	81,128
Cincinnati Children's Hospital	93.839	HL095647-04	1,249
St. Jude Medical, Inc.	93.839	111513010-7365561	2,450
Washington University	93.839	WU-09-30	1,503
Burnham Institute	93.846	AR056273	42,826
Children's Hospital and Regional Medical	93.846	107387	974
Cincinnati Children's Hospital	93.846	AR047363 (108808)	3,140
Cornell University	93.846	AR057362(60606-9536)	20,941
Drexel University	93.846	232222; 232486-3850	74,819
University of Maryland, College Park	93.846	Z036002	118,692
Children's Mercy Hospital	93.847	04-0032	27,444

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Cleveland Clinic Foundation	93.847	4655430	145,401
Cleveland Clinic Foundation	93.847	151SUBI	10,827
Emory University	93.847	S624243	43,703
George Washington University	93.847	10-D02	463,429
George Washington University	93.847	DK (S-GRD1213-EAS)	197,425
Georgia Health Sciences University	93.847	DK076169 (25732-6)	41,611
Northwestern University	93.847	60031497	189,818
Thermalin Diabetes Incorporated	93.847	1R43DK094668-01A1	96,305
Thermalin Diabetes Incorporated	93.847	DK088506-01	261,216
Thermalin Diabetes Incorporated	93.847	DK089831	10,046
Thermalin Diabetes Incorporated	93.847	DK092041	31,727
University of California, San Francisco	93.847	4510SC	31,755
University of California, San Francisco	93.847	7081SC	157,195
University of Chicago	93.847	44692	192,940
University of Medicine & Dentistry, NJ	93.847	DK090593 (UMDNJ)	11,426
University of Michigan	93.847	3001822742	12,803
University of Michigan	93.847	DK079912	17,453
University of Michigan	93.847	DK083912	13,041
University of North Carolina	93.847	5-31660	135
University of Pennsylvania	93.847	DK067390 (S55805)	43,232
University of Texas Southwestern Medical	93.847	DK083592	56,047
University of Utah	93.847	10017651-02	51,671
University of Utah	93.847	10019509-03	48,410
University of Washington	93.847	704053	7,584
Vanderbilt University	93.847	R01DK(VUMC40347)	49,132
Yale University School of Medicine	93.847	M13A11503(A09021)	25,848
University of Virginia	93.848	GC11314-134338	(273)
Cincinnati Children's Hospital	93.853	107759	25,715
ConservoCare	93.853	ConservoCare	48,339
Drexel University	93.853	232475-5826	130,282
Johns Hopkins University	93.853	2000793423	11,214
Johns Hopkins University	93.853	2001648926	13,785
Johns Hopkins University	93.853	2001049002	13,205
Medical University of South Carolina	93.853	MUSC08-063	11,352
Northwestern University	93.853	60029363 CWRU	118,838
University of Alabama, Birmingham	93.853	NS042685-071	819
University of California, San Diego	93.853	10322639	16,975
University of California, San Diego	93.853	NS076896(S9000249)	4,936
University of Minnesota	93.853	NS062091(N000936937)	(6,316)
University of Pittsburgh	93.853	0017392 (119947-2)	266,643
Washington University	93.853	WU-10-332	3,704
Wayne State University	93.853	NS061264(WSU120523-A	173,885
Yale University School of Medicine	93.853	NS044876 (A07593)	4,213
Brigham and Women Hospital	93.855	108084	339,865
Brigham and Women Hospital	93.855	A1068636 (108080)	480,262
Brigham and Women Hospital	93.855	A1068636 (108561)	48,348
Brigham and Women Hospital	93.855	UM1A1068636-07	8,975
Duke University	93.855	A1098588 (203-2437)	84,555
Fred Hutchinson Cancer Research Ctr	93.855	A1068614(0000750859)	212,086
Iowa State University	93.855	430-23-05B	208,834
Johns Hopkins University	93.855	2001317194	80,009
Los Angeles Biomedical Research Institute	93.855	A1101750(20439-01R)	730
Magee Woman's Hospital	93.855	A1068633-07(9241)	54,117
Medical University of South Carolina	93.855	A1091526(MUSC13-033)	12,246
Mount Sinai School of Medicine of the NE	93.855	0255-1611-4609	88,571
Mount Sinai School of Medicine of the NE	93.855	AI (0255-1357-4609)	151,720
New Jersey Medical School	93.855	191712	60,344
Social & Scientific Systems, Inc.	93.855	A5207	43,328
Social & Scientific Systems, Inc.	93.855	BRS-ACURE-Q-06-00136	(450)
Social & Scientific Systems, Inc.	93.855	BRS-ACURES-11-000049	(7,668)
Tufts University	93.855	5005292	12,800
University of Alabama, Birmingham	93.855	AI (000397076-007)	264,768
University of Alabama, Birmingham	93.855	A1067039	156
University of California, San Francisco	93.855	6167SC	27
University of Iowa	93.855	430-23-20A	257,681

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University of North Carolina	93 855	AI050410 (5-33229)	53,088
University of North Carolina	93 855	AI096113-02(5-31533)	291,802
University of South Florida	93 855	AI(6408-1063-00-A)	55,041
University of Texas Medical Branch	93 855	0007207A	410,411
University of Washington	93 855	428287	93,178
University of Washington	93 855	747348	284,303
ViTi, Inc.	93 855	AI091267 (9003_CWRU)	26,708
Washington University	93 855	AI057160 (WU-13-213)	5,767
Washington University	93 855	AI057160 (WU-13-229)	290,289
Washington University	93 855	WU-12-223	101,447
The J. Craig Venter Institute	93 856	JCVI-12-006	15,169
Affinity Therapeutics	93 859	AFFINITY	21,275
Mayo Foundation- Rochester	93 859	GM061388	107,634
New York Structural Biology Center	93 859	GM(NYSBCG01908-4)	328,818
University of California, San Diego	93 859	10313432-SUB	118,263
University of Michigan	93 859	3002520016	62,160
University of Pittsburgh	93 859	0002343	16,250
University of Pittsburgh	93 859	0029564(122354-1)	363,416
University of Texas- MD Anderson Cancer	93 859	GM096101 (12083955)	3,324
BioInVision, Inc.	93 865	BIOINVISION	2,718
Children's National Medical Center	93 865	HD (30000364-12-01)	64,144
Children's National Medical Center	93 865	HD(30000744-13-03)	51,474
Children's Research Institute	93 865	388509	(647)
Cincinnati Children's Hospital	93 865	HD042729 (106049)	89,589
Columbia University	93 865	5-30279	11,545
George Washington University	93 865	21050	120,613
Kent State University	93 865	403004 CWRU	54,782
Ohio State University Research Foundation	93 865	60035809-CWRU	38,968
Ohio State University Research Foundation	93 865	RF01076422/60012965	(40)
RTI International	93 865	8-312-0212512	24,603
RTI International	93 865	HD036790 (0212456)	172,466
RTI International	93 865	HD063036	95,132
StimDesigns LLC	93 865	HD076520	7,402
The Ohio State University	93 865	RF01194520	96,034
City of Hope	93 866	23030 914940.6692	12,275
Duke Clinical Research Institute	93 866	AG034661 (2039364)	25,865
Rensselaer Polytechnic Institute	93 866	A12193	194,986
University of California, Irvine	93 866	5U01AG010483-21	17,984
University of California, San Diego	93 866	10321835	37,503
University of California, San Diego	93 866	114 HBA	10,804
University of California, San Diego	93 866	AG010483 (37336810)	8,024
University of California, San Diego	93 866	AG010483 (37617388)	1,260
University of California, San Diego	93 866	AG024904(114-ADNI-2)	27,967
University of California, San Diego	93 866	AG10483 (114-NGF)	83,706
University of California, Santa Barbara	93 866	KK1331	4,161
University of Louisville Health Sciences	93 866	05-1523-Z07	5,611
Harvard University	93 867	1RO1EY022302-01	40
Jaeb Center for Health Research	93 867	EY012358	55,924
Jaeb Center for Health Research	93 867	EY11751	2,466
Jaeb Center for Health Research	93 867	EY014231 (DRCRN 58)	36,924
Jaeb Center for Health Research	93 867	EY020791 (JAEB)	18,359
Johns Hopkins University	93 867	EY021531	6,439
Massachusetts Eye and Ear Infirmary	93 867	EY022302 (ME&EI)	48,945
University of Arkansas for Medical Science	93 867	EY021646 (37882)	65,053
University of Pennsylvania	93 867	552812	111,704
University of Wisconsin - Madison	93 867	277K303	37,992
University of Wisconsin - Madison	93 867	EY006594 (418K703)	67,095
Washington University	93 867	WU-06-180	(12,360)
Ohio State University	93 879	60027738	25,007
West Virginia University	93 879	06-650-CWRU	36,403
Northeastern Ohio Universities	93 884	HP20645 (NEOMED)	3,581
University of Illinois	93 943	492078 E5381	1,559
Cuyahoga County Board of Health	93 944	CCBH	89,780
Cincinnati Children's Hospital	93 946		9,908
Iowa State University	97 077	428-20-01	125,555

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Department of Health & Human Services Subtotal			183,096,979
Total Research and Development - University Only			215,277,250
Department of Defense			
Direct Programs			
Basic and Applied Scientific Research	12.300		114,383
Military Medical Research and Development	12.420		30,873
Department of Defense Subtotal			145,256
National Aeronautics and Space Administration			
Direct Programs			
Aerospace Education Services Program	43.001		56,503
Education	43.008		75,172
Cross Agency Support	43.009		185,391
National Aeronautics and Space Administration Subtotal			317,066
National Science Foundation			
Direct Programs			
Engineering Grants	47.041		70,017
Biological Sciences	47.074		43,119
Education and Human Resources	47.076		574,858
Trans-NSF Recovery Act Research Support-ARRA	47.082		11,337
Pass Through Programs			
George Washington University	47.076	30857/2/CCLS20557F	8,930
National Science Foundation Subtotal			708,261
Environmental Protection Agency			
Pass Through Programs			
Harrisburg University of Science & Tech	66.951	NE 00E01029	1,550
Environmental Protection Agency Subtotal			1,550
Department of Education			
Direct Programs			
Graduate Assistance in Areas of National Need	84.200		835,653
Department of Education Subtotal			835,653
Department of Health & Human Services			
Direct Programs			
Maternal and Child Health Federal Consolidated Programs	93.110		164,167
Oral Diseases & Disorder Research	93.121		96,473
Nurse Anesthetist Traineeships	93.124		34,358
Research Related to Deafness and Communication Disorders	93.173		84,514
National Research Service Awards Health Services Research Training	93.225		247,910
National Center on Sleep Disorders Research	93.233		445
Advanced Nursing Education Grant Program	93.247		242,353
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286		592,679
National Center for Advancing Translational Sciences	93.350		574,004
Nurse Education, Practice Quality and Retention Grants	93.359		177,427
Nursing Research	93.361		44,277
National Center for Research Resources	93.389		12,674
Cancer Research Manpower	93.398		1,988,753
Grants for Training in Primary Care Medicine and Dentistry Training and Enhancement-ARRA	93.403		8,584
Affordable Care Act (ACA) Advanced Nursing Education Expansion Initiative	93.513		273,284
Cancer Research Manpower-ARRA	93.701		5,051
Cardiovascular Diseases Research	93.837		1,080,658
Lung Diseases Research	93.838		192,545

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Blood Diseases and Resources Research	93 839		(7,533)
Arthritis, Musculoskeletal and Skin Diseases Research	93 846		548,393
Diabetes, Digestive, and Kidney Diseases Extramural Research	93 847		705,035
Extramural Research Programs in the Neurosciences and Neurological Disorders	93 853		307,469
Allergy, Immunology and Transplantation Research	93 855		666,594
Biomedical Research and Research Training	93 859		2,258,351
Child Health and Human Development Extramural Research	93 865		567,029
Aging Research	93 866		45,885
Vision Research	93 867		508,360
Grants for Training in Primary Care Medicine and Dentistry	93 884		992,882
Block Grants for Prevention and Treatment of Substance Abuse	93 959		158,521
International Research and Research Training	93 989		1,144,137
Pass through programs			
Dartmouth College	93 213	Darthmouth	12,834
Ohio Department of Mental Health	93 648	NGAG-12-411-02-003	
Makerere University	93 853	NS0808968 (01-01)	7,106
Ohio Department of Mental Health	93 958	BG 12-100-17-011	1,342
Ohio Department of Mental Health	93 958	BG-12-328-06-001	1,960
Ohio Department of Mental Health	93 958	BG-12-425-14-001	21,597
Ohio Department of Mental Health	93 958	BG-12-429-06-001	10,801
Ohio Department of Mental Health	93 958	BG-13-701-13-004	32,473
Ohio Department of Mental Health	93 958	BG-13-701-13-006	35,849
Ohio Department of Alcohol & Drug Addiction Services	93 959	99-3095-SAMI-T-12-03	1
University of Georgia	93 989	RR793-017/4690888	101,345
Vanderbilt University	93 989	TW007988(VUMC 38303)	62,321
Department of Health & Human Services Subtotal			14,002,908
Total Research Training Grants			16,010,694
Sub Total Research and Development and Research Training Cluster			231,287,944
Research and Development - Cleveland Clinic Lerner College of Medicine (see Footnote 1)			
Department of Health & Human Services			
Direct Programs			
Environmental Health	93 113		10,691
Oral Diseases and Disorders Research	93 121		867,016
Human Genome Research	93 172		2,086
Research Related to Deafness and Communication Disorders	93 173		355,181
Mental Health Research Grants	93 242		292,361
Geriatric Academic Career Awards	93 250		60,934
Alcohol Research Programs	93 273		2,264,068
Discovery and Applied Research for Technological Innovations to Improve Human Health	93 286		415,627
Trans-NIH Research Support	93 310		531,946
Nursing Research	93 361		58,568
National Center for Research Resources	93 389		940,158
Cancer Cause & Prevention Research	93 393		2,216,592
Cancer Detection and Diagnosis Research	93 394		323,713
Cancer Treatment Research	93 395		3,557,033
Cancer Biology Research	93 396		3,723,656
Cancer Research Manpower	93 398		150,529
Trans-NIH Recovery Act Research Support-ARRA	93 701		518,715
National Center for Research Resources, Recovery Act Construction Support-ARRA	93 702		1,694,760
Cardiovascular Diseases Research	93 837		21,174,871
Lung Diseases Research	93 838		4,714,759
Blood Diseases & Resources Research	93 839		5,938,102
Arthritis, Musculoskeletal, & Skin Diseases Research	93 846		1,914,806
Diabetes, Digestive, and Kidney Diseases Extramural Research	93 847		9,071,223
Extramural Research Programs in the Neurosciences and Neurological Disorders	93 853		9,459,622
Allergy, Immunology and Transplantation Research	93 855		4,645,139
Biomedical Research and Research Training	93 859		3,064,041
Child Health and Human Development Extramural Research	93 865		1,730,218
Aging Research	93 866		1,450,163
Vision Research	93 867		3,018,202

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Pass Through Programs			
Massachusetts General Hospital	93.213	U01AT000613	19,560
Butler Hospital	93.242	U01MH076179	16,140
Vanderbilt University	93.242	R01MH095621	76,269
Flocel, Inc.	93.242	MH093302	152,639
Massachusetts General Hospital	93.286	R01EB009048	3,891
University Of Southern California	93.286	R01EB010197	21,280
Ohio State University	93.350	R42TR000473	5,377
Vanderbilt University	93.350	UH2TR000491	242,967
Princeton University	93.389	R21RR026231	74,883
University Of N Carolina Chapel	93.393	R01CA059005	33,154
University Of N Carolina Chapel	93.393	R01CA098286	160,119
University Of Southern California	93.393	U24CA074799	(10,661)
St. Jude Childrens Research Hospital	93.393	R01CA157838	19,895
Advance Cell Diagnostics	93.394	R43CA168019	32,350
Advance Cell Diagnostics	93.394	R44CA122444	102,463
Harvard University	93.394	R01CA151532	66,583
Ohio State University Rsc	93.394	R01CA134451	(15,705)
American College Of Radiology	93.395	U10CA021661	214,801
Duke University	93.395	U10CA076001	(6,391)
Gynecological Oncology Group	93.395	U10CA027469	160,781
Johns Hopkins University	93.395	U01CA137443	170,233
Johns Hopkins University	93.395	R01CA161613	65,019
Massachusetts General Hospital	93.395	P01CA084203	183,371
Moffitt Cancer Ctr & Rsch	93.395	R01CA131076	76,961
National Childhood Cancer	93.395	U10CA098543	(9,101)
Ohio State University Rsc	93.395	U01CA044971	130,762
Southwestern Oncology Group	93.395	U10CA004919	421,643
University Of Miami	93.395	R33CA123027	138,993
University Of Michigan	93.395	U10CA32102	44,740
University Of Minnesota	93.395	R01CA138437	32,328
Ohio State University	93.396	R01CA143082	23,365
Ohio State University Rsc	93.396	P01CA124570	333,724
Sloan-Kettering Cancer Research	93.396	U01CA105492	69,687
Beth Israel Deconess Med-ARRA	93.701	RC1EB011001Z	7,757
Brigham & Women's Hospital-ARRA	93.701	R01AR05557Z	5,011
Children's Hospital of Philadelphia	93.701	U01CA098543	27,834
Duke University-ARRA	93.701	RC2AR058934Z	(6,172)
Emmes Corporation-ARRA	93.701	U01NS026835Z	32,747
Kinetic Muscles, Inc.-ARRA	93.701	RC3NS070646Z	120,972
Mayo Clinic-ARRA	93.701	U01DK062410Z	(3,898)
Mount Sinai School Of Medicine-ARRA	93.701	U01AI063594Z	129,445
Texas A & M-ARRA	93.701	R21HL093689Z	5,995
University Of Toledo-ARRA	93.701	RC2CA148572Z	74,994
University Of Washington At St-ARRA	93.701	U01AI077810Z	20,502
University Of Illinois-ARRA	93.701	R56DK072231Z	(27,429)
University Of Michigan-ARRA	93.701	RC2HL101740Z	993
University Of Pittsburgh-ARRA	93.701	RC1HL102429Z	2,227
Vanderbilt University	93.701	R01DK080095	6,178
Baystate Medical Center	93.837	R18HL108810	18,530
Cleveland State University	93.837	R01HL079164	41,726
Duke University	93.837	U01HL063747	3,003
Duke University	93.837	U01HL084904	30,037
Duke University	93.837	R34HL105422	30,739
Massachusetts General Hospital	93.837	U01HL092040	9
Mount Sinai School Of Medicine	93.837	U01HL088942	76,210
Northwestern University	93.837	R01HL109244	53,120
University of Colorado	93.837	K23HL096895	2,021
University Of Connecticut	93.837	P01HL070694	71,987
University of Maryland	93.837	R21HL114407	12,599
University Of Pennsylvania	93.837	R01HL105993	302,165
University Of Texas	93.837	U01HL087318	34,651
Washington University	93.837	R34HL105412	2,492
Bringham & Women's Hospital	93.838	U01HL102225	1,447
Duke University	93.838	Site 113	27,341

CASE WESTERN RESERVE UNIVERSITY
Schedule of Expenditures of Federal Awards

For the year ended June 30, 2013

FEDERAL GRANTOR/PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Pass Through Entity Identifying Number	Expenditures
Duke University	93.838	U10HL080413	(2,843)
Johns Hopkins University	93.838	P50HL084946	20,388
Medical University-Ohio	93.838	P30CA043703	9,657
Medical University-Ohio	93.838	P30HL108016	7,986
University Of Alabama At Birmingham	93.838	R01HL085324	57,165
University Of Washington At St. Louis	93.838	R01HL091762	(2,169)
University Of Michigan	93.838	U10HL074422	3,233
University Of Pennsylvania	93.838	R01HL113988	22,304
University of Virginia	93.838	U01HL109250	101,673
University Of Washington	93.838	R01HL056643	29,221
New England Research Institute	93.839	U01HL072268	2,394
University Of Washington At St. Louis	93.839	U01HL088476	15,571
Boston University	93.846	U54AR057319	134,887
Brigham & Women's Hospital	93.846	R01AR055557	13,562
Cincinnati Child Hosp Rsc	93.846	P60AR047784	19,292
Drexel University	93.846	R01AR047904	16,138
Vanderbilt University	93.846	R01AR053684	61,516
Beth Israel Deconess Med	93.847	R01DK085185	16,591
Diapedia LLC.	93.847	R44DK059074	11,096
Kaiser Permanente	93.847	R01DK076165	30,278
Mayo Clinic	93.847	U01DK062410	119,325
Mayo Clinic	93.847	R01DK090358	49,670
Mirimedical, LLC.	93.847	R42DK064500	37,623
New York University	93.847	R33DK070341	30,976
University Health Network	93.847	R01DK091288	57,448
University Of Illinois	93.847	R01DK072231	32,354
University Of Michigan	93.847	U01DK061028	(17,255)
University Of Utah	93.847	R01DK088777	18,249
University Of Utah	93.847	R01DK090046	114,610
Wayne State University	93.847	U01NS061264	26,980
Beth Israel Deconess	93.853	U01NS074425	31,560
Cincinnati Child Hosp Rsc	93.853	U01NS076788	12,474
Columbia University	93.853	R01NS048212	806
Columbia University	93.853	R01NS078059	10,038
Columbia University	93.853	U01NS043975	383
H-Cubed Inc	93.853	R44NS052939	143,185
Massachusetts General Hospital	93.853	U01NS049640	29
Mayo Clinic	93.853	R01NS049577	23,178
Mount Sinai School Of Medicine	93.853	U01NS045719	2,800
The University Of Akron	93.853	R15NS071455	32,638
University Of California At L A	93.853	R01NS074980	45,055
University Of California At San Francisco	93.853	R01NS062820	(6,384)
University Of California At San Francisco	93.853	U01NS053998	(27,567)
University of Cincinnati	93.853	U01NS039512	20,068
University Of Iowa	93.853	R01NS040068	42,321
University Of Iowa	93.853	R01NS054893	93,266
University Of Iowa	93.853	R01NS077946	1,188
University of New Mexico	93.853	Uof New Mexico	43,678
Wayne State University	93.853	U01NS061264	39,591
Yale University	93.853	U01NS044876	9,260
Seattle Children's Hospital	93.853	R01NS065818	10,343
Medical College of Wisconsin	93.853	R01NS035929	112,530
Medical University of South Carolina	93.853	U01NS058728	23,936
University North Texas	93.853	R01NS048837	119,668
University of Medicine & Dentistry	93.854	R01NS038384	(16,093)
Brigham & Women's Hospital	93.855	U01AI063623	191,980
Fred Hutchinson Center	93.855	U54CA163438	10,007
Mount Sinai School Of Medicine	93.855	U01AI063594	326,662
Northwestern University	93.855	U01AL084146	4,627
University Of California At San Francisco	93.855	U01AI052748	751
University Of Washington At St. Louis	93.855	U01AI077810	24,198
University Of Washington At St. Louis	93.855	U54AI057160	126,049
University of Pennsylvania	93.855	U of Penn	109,434
Duke University	93.859	Duke Univ.	57,814
Brigham & Women's Hospital	93.865	U01CA076001	37,871

CASE WESTERN RESERVE UNIVERSITY
Schedule of Expenditures of Federal Awards

For the year ended June 30, 2013

FEDERAL GRANTOR/PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Pass Through Entity Identifying Number	Expenditures
University of Kansas	93 865	R01HD069043	35,523
Research Triangle International	93 865	U01HD041249	65,939
University Of South Florida	93 865	U01DK061055	15,596
New England Medical Center	93 865	R01AG027002	26,145
Mount Sinai School Of Medicine	93 866	R01AG029656	43,232
University of Nebraska	93 866	R01AG037120	39,742
Duke University	93 867	R01EY023039	20,266
Arteriocyte Inc.	93 867	R41EY018784	(4,893)
Emory University	93 867	U01EY013272	17,539
Jackson Laboratories	93 867	R01EY016501	48,892
Jaeb Center Health Research	93 867	U10EY011751	7,075
Oregon Health & Science University	93 867	R01EY013516	44,294
Department of Health & Human Services Subtotal			91,376,747
Total Research and Development - Cleveland Clinic Lerner College of Medicine			91,376,747
Total Research and Development and Research Training Cluster			322,664,691
Head Start			
Department of Health & Human Services			
Pass through programs			
Educational Development Center	93 600	90HC0006; EDC 11511	375,168
Total Department of Health & Human Services-Head Start Cluster			375,168
Highway Planning & Construction			
Department of Justice			
Direct Programs			
Highway Planning and Construction	20.205		42,512
Total Department of Justice-Highway Planning & Construction Cluster			42,512
Medicare			
Department of Health & Human Services			
Pass through programs			
Ohio State Research Foundation	93 778	RF01282919/RF0130261	74,910
Ohio State University	93 778	G-1213-07-0343	873,076
Ohio State University	93 778	MEDTAPP RONIS	850,199
Cincinnati Children's Hospital	93 778	G-1213-07 (130566)	35,000
Cuyahoga County Board of Commissioners	93 778	MEDTAPP (CUTTLER)	139,775
Ohio State University Research Foundation	93 778	G-1213-07-0343	413,766
Total Department of Health & Human Services-Medicare Cluster			2,386,726
Student Financial Aid			
Department of Education			
Direct Programs-Student Financial Aid Cluster			
Federal Supplemental Educational Opportunity Grants	84.007		1,063,574
Federal Work-Study Program	84.033		1,472,003
Federal Pell Grant Program	84.063		3,545,822
Total Department of Education-SFA Cluster			6,081,399
TRIO			
Department of Education			
Direct Programs			
TRIO_Upward Bound	84 047		541,703
Department of Education Subtotal			541,703
Total TRIO			541,703

CASE WESTERN RESERVE UNIVERSITY
Schedule of Expenditures of Federal Awards

For the year ended June 30, 2013

FEDERAL GRANTOR/PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Pass Through Entity Identifying Number	Expenditures
Other Federal Assistance			
Department of Defense			
Direct Programs			
Basic and Applied Scientific Research	12.300		25,883
Department of Defense Subtotal			25,883
Department of Education			
Direct Programs			
Safe and Drug-Free Schools and Communities_National Programs	84.184		165,140
Pass through programs			
Brecksville-Broadview Heights	84.184	BBH	7,530
Department of Education Subtotal			172,670
Department of Health & Human Services			
Direct Programs			
Research and Training in Complementary and Alternative Medicine	93.213		3,366
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853		129,981
Allergy, Immunology and Transplantation Research	93.855		50
Child Health and Human Development Extramural Research	93.865		34,596
Ryan White HIV/AIDS Dental Reimbursements Community Based Dental Partnership	93.924		140
Pass Through Programs			
University of Pittsburgh	93.242	0021129	48,622
YMCA of Greater Cleveland	93.283	YMCA	11,086
Great Lakes Science Center	93.389	Great Lakes Science Center	57,008
Aeromics	93.853	Aeromics	4,043
Ohio Department of Mental Health	93.958	BF-13-100-14-001	27,620
Ohio Department of Health	93.994	ODH/DHHS (TRAPL)	4,088
Department of Health & Human Services Subtotal			320,600
Total Other Federal Assistance			9,946,661
TOTAL EXPENDITURES OF FEDERAL AWARDS			332,611,352

CASE WESTERN RESERVE UNIVERSITY
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2013

1. Summary of Significant Accounting Policies

Basis of Presentation:

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant transactions of Case Western Reserve University (the "University") recorded on the accrual basis of accounting. Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net assets or cash flows of the University. Negative amounts represent adjustments or credits to amounts reported as expenditures in prior years. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*.

In May 2002, the University entered into an agreement with the Cleveland Clinic Foundation ("CCF") to form a new medical education and research program, the Cleveland Clinic Lerner College of Medicine ("CCLCM"). This is a collaborative arrangement governed jointly by the University and CCF. The results of operations of the CCLCM are included in the University's accompanying financial statements. Beginning in fiscal 2004, research grants from the National Institutes of Health to support work by CCF-based investigators were awarded to and administered through the University by CCLCM, which operates as an academic unit of the University's School of Medicine.

Subrecipients:

Certain funds are passed through to subgrantee organizations by the University and CCLCM. Expenditures incurred by the subgrantees and reimbursed by the University are presented in the Schedule. The University has 142 research and development cluster awards with subcontracts of its federal funds, which have been issued to subrecipients that total approximately \$21,075,626. Due to the large number of programs and sponsors, it is not practical to disclose the amount of payments to each research and development cluster subrecipient. The University has 2 non-research and development awards with subcontracts of its federal funds, which have been issued to subrecipients that total approximately \$143,481. Refer to the table below for the amount provided to subrecipients under each CFDA number.

<u>CFDA No</u>	<u>Description</u>		<u>Amount provided to subrecipients</u>
93.853	University of Utah	Department of Health & Human Services	\$ 129,981
93.778	Northeast Ohio Neighborhood Health Services, Inc.	Department of Health & Human Services	13,500
			<u>\$ 143,481</u>

2. Catalog of Federal Domestic Assistance Numbers:

Catalog of Federal Domestic Assistance ("CFDA") Numbers and Pass Through Entity Identifying Numbers are presented for those programs for which such numbers are available and were able to be identified by the University.

CASE WESTERN RESERVE UNIVERSITY
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2013

3. Facilities and Administrative Cost Rates:

The University recovers facilities and administrative costs by means of final facilities and administrative cost rates. The final rates are a result of negotiated agreements with the U.S. Department of Health and Human Services. The final rate effective for the period July 1, 2012 to June 30, 2013 for on-campus research and for the CCLCM is 57% of modified total direct costs. The base rates for off-campus research for the same period vary depending upon the location of the research. The University's facilities and administrative cost rates have been finalized through fiscal year 2016 as predetermined rates pursuant to the DHHS rate agreement dated March 25, 2013. Provisional rates have been established for fiscal year 2017 and beyond.

4. Loan Advances:

The following schedule represents total loans advanced to students by the University and balances outstanding for the Perkins, Nursing, Health Professional Student and Disadvantaged Students Loan Programs for the year ended June 30, 2013:

	CFDA Number	Advances	Outstanding Balance
Perkins Loan Program	84.038	\$ 1,259,364	\$ 13,070,046
Nursing Student Loan Program	93.364	\$ 32,000	\$ 302,149
Health Professional Student Loan Program/PCL	93.342	\$ 145,000	\$ 1,926,632
Loan for Disadvantaged Students	93.342	\$ -	\$ 14,730

The Perkins Loan administrative cost allowance totaled \$0 for the year ended June 30, 2013.

The amount of Perkins loan principal cancelled under CFDA 84.037 totaled \$160,273 for the year ended June 30, 2013.

Federal Direct Loan Program

During the year ended June 30, 2013, the University disbursed the following loan amounts under the Federal Direct Loan Program (FDLP) (which includes Stafford Loans, unsubsidized Stafford Loans, and Parents Plus Loans for Undergraduate Students):

	CFDA Number	Amounts
Federal Direct Loan Program	84.268	\$ 107,021,187

CASE WESTERN RESERVE UNIVERSITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

5. Housing and Urban Development (HUD, CFDA #14.) Mortgage Bonds:

During the year ended June 30, 2013, the University made principal and interest payments of \$390,420 and \$830,151 respectively on HUD mortgage bonds and U.S. Government housing bonds. HUD mortgage bonds and U.S. Government housing bonds payable at June 30, 2013 amounted to \$16,389,876. See note 8 to the financial statements for further information concerning the components of these loans.

REPORTS ON COMPLIANCE AND ON THE
INTERNAL CONTROL STRUCTURE



**Independent Auditor's 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***

To the Board of Trustees,
Case Western Reserve University:

We have audited, 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 consolidated financial statements of Case Western Reserve University, which comprise the consolidated statement of financial position as of June 30, 2013, and the related consolidated statements of activities and of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 5, 2013.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency as item 2013-1.



Compliance and Other Matters

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

Case Western Reserve University's Response to Findings

Case Western Reserve University's response to the finding identified in our audit is described in the accompanying Management Corrective Action Plan. Case Western Reserve University's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP". The signature is written in a cursive, flowing style.

October 5, 2013



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

To the Board of Trustees,
Case Western Reserve University:

Report on Compliance for Each Major Federal Program

We have audited Case Western Reserve University's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Case Western Reserve University's major federal programs for the year ended June 30, 2013. Case Western Reserve University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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



Opinion on Each Major Federal Program

In our opinion, Case Western Reserve University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2013-2, 2013-3 and 2013-4. Our opinion on each major federal program is not modified with respect to these matters.

Case Western Reserve University's response to the noncompliance finding identified in our audit is described in the accompanying corrective action plan. Case Western Reserve University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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



Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

PricewaterhouseCoopers LLP

March 28, 2014

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CASE WESTERN RESERVE UNIVERSITY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2013

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:

Unmodified

Internal control over financial reporting:

• Material weakness(es) identified?	<u> </u> yes	<u>X</u> no
• Significant deficiency (s) identified that are not considered to be material weaknesses?	<u>X</u> yes	<u> </u> none reported
Noncompliance material to financial statements noted?	<u> </u> yes	<u>X</u> no

Federal Awards

Internal control over major programs:

• Material weakness(es) identified?	<u> </u> yes	<u>X</u> no
• Significant deficiency(s) identified that are not considered to be material weaknesses?	<u> </u> yes	<u>X</u> none reported

Type of auditor’s report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	<u>X</u> yes	<u> </u> no
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Identification of major programs: CFDA Number(s)	Name of Federal Program or Cluster	
Various	Research & Development and Research Training Cluster	
84.047	TRIO Cluster	
93.600	Head Start	
Dollar threshold used to distinguish between type A and type B programs:	\$3,000,000	
Auditee qualified as low-risk auditee?	<u>X</u> yes	<u> </u> no

CASE WESTERN RESERVE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2013

Section II - Financial Statement Findings

Finding 2013-1 - Accounting for Pledges and Contributions

Criteria

Contributions, including unconditional promises to give (pledges), are recognized as revenues in the appropriate categories of net assets in the periods received. Conditional promises to donate to the University are not recognized until the conditions are substantially met.

Condition

In connection with our audit procedures for fiscal year 2013 we identified the following errors:

- 1) A pledge totaling \$5.0 million was improperly recorded in the conditional pledge listing and excluded from revenue as of June 30, 2013 as the conditions required to release the pledge had already been met.
- 2) A new pledge for \$4.95 million was improperly included in revenue as of June 30, 2013, however, the supporting donor documentation includes specific conditions that have not yet been met by the University.
- 3) Several pledges recorded in July and August 2013 totaling \$2.0 million were improperly excluded from revenue in the year ended June 30, 2013 based upon review of the donor documentation.

Cause

While the University has policies and procedures governing the tracking and recording of pledges and contributions, opportunities exist for the University to improve the internal controls over the accounting for pledges and contributions.

Effect

Accounting for pledges and contributions is complex and requires a detailed understanding of the applicable accounting and reporting guidance. Without appropriately qualified personnel and monitoring controls over pledges and contributions received, there is an increased risk of misuse of funds or misstatements in financial reporting.

Recommendation

The University should perform the following to improve the control structure surrounding the pledges and contributions process:

- Establish a formal reporting mechanism between the development office and finance to ensure the accuracy, cut-off and completeness of the reporting of pledges and contributions received including the existence of any donor-imposed restrictions
- Require training for all employees on the relevant accounting and reporting guidance (including any significant updates) on a periodic basis,
- Establish and monitor reporting activities related to the existence of all pledges including conditional and unconditional

Views of responsible officials and planned corrective actions

Management's response is reported in the "Management's Corrective Action Plan" and considered as part of this report.

CASE WESTERN RESERVE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2013

Section III – Federal Award Findings and Questioned Costs

Finding #2013-2: TRIO Earmarking

TRIO Cluster

CFDA #: 84.047

Program: Upward Bound Program

Award Year: FY2013

Information on the federal program/Condition/Context

In our testing of classification of students for earmarking requirements, we identified 1 of 15 participants that was inaccurately classified as a low-income individual.

Criteria or specific requirement

Not less than two-thirds of the project's participants must be low-income individuals who are potential first-generation college students. The remaining participants must be either low-income individuals or potential first-generation college students (34 CFR sections 645.21 and 645.6).

Questioned Costs

\$0

Cause/Effect

The misclassification was caused by clerical errors in recording the classifications of the students in the listing. The University had original, signed documents in hardcopy files that were organized to support the classification of each student. The error occurred in the translation of the information from the hardcopy paperwork into the University's electronic listing. As a result of the exception noted above, the University reviewed all of the participants in the program to ensure proper classification. Of the program's 134 student participants, 13 were found to be classified inaccurately in the listing. The classification error, however, did not affect the earmarking requirement. Before the errors were corrected, the University's earmarking percentage was 78% which met the minimum requirement of two-thirds. After the errors were corrected, the University's earmarking percentage was 79% which also met the minimum requirement.

Recommendation

We recommend that the University exercise more diligence to ensure the proper review of data entry of participant information is performed.

Views of responsible officials and planned corrective actions

Management's response is reported in the "Management's Corrective Action Plan" and considered as part of this report.

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Section III – Federal Award Findings and Questioned Costs

Finding #2013-3: Equipment and Real Property Management

Research and Development Cluster

- 93.859 National Institutes of Health
- 12.431 Department of Defense

Award Year: FY2013

Information on the federal program/Condition/Context

The following items were identified during the equipment and real property management compliance procedures:

- 1 of 25 existence testing selections of assets identified as acquired under federal awards was included in the University's records, but was no longer physically present at the University.
- For 1 of 6 dispositions of federal equipment selected for testing the item was included in the disposal listing, but was not actually disposed.

Criteria or specific requirement

Per OMB Circular A-110 (2 CFR section 215.34), a control system shall be in effect to insure adequate safeguards to prevent loss, damage, or theft of the equipment.

Questioned Costs

\$0

Cause/Effect

In one case, a piece of equipment was moved to another University, while in the other case a piece of equipment was moved to a different location on the University's campus. The University did not accurately record the transactions in their system for either movement of the equipment. Subsequently, when the University performed physical inventory count procedures, the personnel performing the count did not identify that the piece of equipment moved to another University was missing. The personnel performing the count also properly identified that a piece of equipment was not located where it was recorded as being located, but the personnel failed to fully investigate the missing item to determine if that item had been moved to another location on the University's campus before it was recorded as disposed.

Non-compliance with federal equipment and real property management requirements may lead to loss, damage, or theft of the equipment.

Recommendation

We recommend an enhancement to the equipment and real property tracking process to ensure that all assets that were acquired utilizing federal funds are appropriately safeguarded to prevent loss, damage or theft of the equipment. We also recommend that the University review its physical inventory count process to ensure that all pieces of equipment are counted at least once every two years and also to ensure

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that pieces of equipment that cannot be located are fully investigated before they are disposed of in the system.

Views of responsible officials and planned corrective actions

Management's response is reported in the "Management's Corrective Action Plan" and considered as part of this report.

Finding #2013-4: Subrecipient Monitoring

Research and Development Cluster

- 93.847, NIH - Diabetes, Digestive, and Kidney Diseases Extramural Research
- 93.242, NIH - Mental Health Research Grants

Award Year: FY2013

Information on the federal program/Condition/Context

In our testing of subrecipient monitoring, we identified 2 of 31 subrecipients where the University did not follow its procedure of investigating incomplete responses or responses from subrecipients that indicated findings in their A-133 Compliance reports.

Criteria or specific requirement

As required by OMB Circular A-110, Subpart C. Reports and Record, section 51 (a), the University is responsible for managing and monitoring each project, program, subaward, function or activity supported by the award.

Questioned Costs

\$0

Cause/Effect

For two of the University's subrecipients, the University obtained annual certifications from the subrecipients certifying A-133 compliance that was either incomplete or that indicated there were findings in the subrecipient's most recent A-133 report. Management was not able to provide sufficient evidence that appropriate follow-up procedures were performed on these exceptions. The University informed us that they have reason to believe the review was performed but that the paperwork could not be located to prove the review actually happened.

Recommendation

We recommend that the University review its processes around subrecipient monitoring to ensure that documentation is obtained to make appropriate determination as to the subrecipient's compliance with OMB Circular A-133 requirements.

Views of responsible officials and planned corrective actions

Management's response is reported in the "Management's Corrective Action Plan" and considered as part of this report.

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Summary of Prior Year Findings and Questioned Costs

Finding #2012-1: Unallowable Cost

Research and Development Cluster

Award Contract Number: DMR-0423914

Sponsoring Agency: National Science Foundation

CFDA #: 47.049

Award #: CON500535

Award Year: FY2012

Audit Finding

During the audit team's testing of cost transfers, they identified 1 out of the 60 cost transfers that included an unallowable cost that was charged to a National Science Foundation grant. OMB Circular A-21, *Cost Principles for Educational Institutions*, defines allowable costs as those that are considered reasonable and necessary for the operation of the institution or the performance of the sponsored agreement.

An employee's moving expenses for \$5,919.89 were inadvertently charged via a cost transfer to a Federal R&D project during the start-up phase of the project. The cost had previously been charged to a departmental speedtype along with several charges related to the Federal R&D project in advance of the establishment of the Federal R&D project. When the Federal R&D project was established, the costs that were transferred included these unallowable costs.

Status

No issues were identified in 2013.

Management's Corrective Action Plan

Finding #2013-1: Accounting for Pledges and Contributions

Management's Response:

The University agrees with this recommendation. Over the past 18 months, the Development office and the Finance division has worked extensively to enhance the reporting and transparency of the pledge and contribution process. In that time we have established monthly meetings to review significant pledges and contributions, discuss the overall cash and attainment activity and segregate and account for all restricted funds. We will continue to strengthen that relationship by performing the following by December 31, 2013:

- We will institute a more thorough cutoff process for subsequent fiscal year ends reopening the books 45 days after year end as we do for our accounts payable and investments.
- The Controller's office will begin reviewing all pledges over a predetermined threshold to ensure that they are accounted for within the general ledger in an appropriate fashion.
- The Controller's office will formalize training regarding GAAP guidance for pledges and contributions to deliver to the Development department. Incorporated into that training will be the difference between GAAP guidance and CASE guidance.
- On a quarterly basis, the Controller's office will review the list of conditional pledges to determine whether it appears that the conditions have been met. We will work with the Development office to make a final determination.

Responsible area: Controller's Office

Finding #2013-2: TRIO Earmarking

Management's Response:

The personnel responsible for the manual entry of data and related processes have received additional training on the importance of accurate classification of students and input into the electronic "Blumen" system. A double check system has been implemented charging the Administrative Assistant with completing the initial classifications and final approval being completed by the Director of TRIO Programs. The misclassification of the students statuses were corrected immediately prior to October 1, 2013. Additionally, ongoing training will be completed on an annual basis.

Responsible area: Director, TRIO Programs

Anticipated completion date: June 30, 2014

Finding #2013-3: Equipment

Management's Response:

Over the past year, the Controller's Office has developed a process for transfers of equipment. Department administrators are instructed to complete an Equipment Change in Status Form, which covers any changes to equipment, including transfers out of the University. The form has been available on the Controller's intranet site since March 2013. We will again communicate the requirement of the form to departments. Additionally, the University switched from foil tags to RFID tags, which will allow physical inventory to be completed on a perpetual basis by the Controller's Office on a go-forward basis. Each building containing equipment is scheduled to have a physical inventory completed at least once every two years and all new equipment is tagged with the new RFID tag, if applicable, as soon as reasonably possible after receipt of the equipment. Discrepancies are communicated to department administrators and resolution is requested no later than the next quarter-end. The reporting of dispositions and location movements is highly dependent on the department administrators.

The magnitude of the transition to RFID tags was great given the number of equipment located at the University. A small amount of adjustments are expected as the rolling two-year inventories are completed. The new physical inventory process is more extensive than a university-wide inventory every two years.

Responsible area: Controller's Office

Anticipated completion date: June 30, 2014

Finding #2013-4: Subrecipient Monitoring

Management's Response:

The University will revisit the processes performed at the School level to verify compliance with A133 subrecipient monitoring requirements. Processes will be reviewed and updated as necessary. In addition, training sessions will be provided for appropriate individuals to ensure they have up to date knowledge of the process.

Responsible area: Assistant Vice President for Research

Anticipated completion date: June 30, 2014

Signed: 

Patricia L. Kost
University Interim Controller