

CASE WESTERN RESERVE UNIVERSITY

**Report on Federal Awards in Accordance
With OMB Circular A-133 for the Year Ended
June 30, 2012**

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

June 30, 2012

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FINANCIAL



Report of Independent Auditors

To the Board of Trustees,
Case Western Reserve University:

In our opinion, the accompanying consolidated statement of financial position and the related consolidated statements of activities and of cash flows present fairly, in all material respects, the financial position of Case Western Reserve University and its affiliated entities (the "University") as of June 30, 2012, and the changes in their net assets and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the University's 2011 financial statements, and in our report dated October 15, 2011, we expressed an unqualified opinion on those financial statements. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2012 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters for the year ended June 30, 2012. 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards for the year ended June 30, 2012 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the 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 financial statements taken as a whole.

PricewaterhouseCoopers LLP

September 29, 2012
Cleveland, Ohio

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| <i>In thousands of dollars</i> | For the year ended June 30 | |
|---|-------------------------------|---------------------|
| | 2012 | 2011 |
| ASSETS | | |
| Cash and cash equivalents | \$ 133,905 | \$ 105,900 |
| Operating investments, at market | 87,304 | 77,914 |
| Accounts and loans receivable, net | 102,681 | 121,680 |
| Pledges receivable, net | 69,126 | 62,190 |
| Prepaid expenses and other assets | 6,979 | 8,424 |
| Investments, held for long-term purposes | 1,229,017 | 1,321,428 |
| Funds held in trust by others | 285,756 | 297,768 |
| Property, plant, equipment and books, net | 730,637 | 745,260 |
| TOTAL ASSETS | \$ 2,645,405 | \$ 2,740,564 |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Accounts payable and accrued expenses | \$ 66,376 | \$ 57,834 |
| Deferred income and other liabilities | 61,120 | 49,416 |
| Annuities payable | 41,454 | 40,623 |
| Refundable advances | 5,449 | 6,503 |
| Accrued pension liability | 63,291 | 22,582 |
| Notes and bonds payable | 559,978 | 570,179 |
| Refundable federal student loans | 23,088 | 19,886 |
| TOTAL LIABILITIES | \$ 820,756 | \$ 767,023 |
| NET ASSETS | | |
| Unrestricted | \$ 146,716 | \$ 215,901 |
| Temporarily restricted | 793,989 | 883,118 |
| Permanently restricted | 883,944 | 874,522 |
| TOTAL NET ASSETS | \$ 1,824,649 | \$ 1,973,541 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 2,645,405 | \$ 2,740,564 |

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, 2011

| <i>In thousands of dollars</i> | Unrestricted | Temporarily Restricted | Permanently Restricted | For the year ended June 30 | |
|---|--------------------|---------------------------|---------------------------|-------------------------------|---------------------|
| | | | | 2012 | 2011 |
| OPERATING REVENUES | | | | | |
| Student tuition and fees | \$ 317,861 | | | \$ 317,861 | \$ 309,499 |
| Less: Student aid | (118,152) | | | (118,152) | (121,421) |
| | <u>199,709</u> | | | <u>199,709</u> | <u>188,078</u> |
| Investment returns distributed for operations | 60,366 | \$ 304 | \$ 163 | 60,833 | 59,934 |
| FHBO returns distributed | 13,326 | | | 13,326 | 12,602 |
| Investment returns on operating investments | 10,006 | | | 10,006 | 32,652 |
| Grants and contracts | 265,888 | | | 265,888 | 268,909 |
| CCLCM grants and contracts | 98,309 | | | 98,309 | 100,098 |
| Gifts & pledges | 2,539 | 36,959 | 22,667 | 62,165 | 77,878 |
| State of Ohio appropriation | 2,744 | | | 2,744 | 3,262 |
| Facilities and administrative cost recovery | 79,607 | | | 79,607 | 79,742 |
| Organized activities | 11,927 | | | 11,927 | 11,395 |
| Other sources | 39,895 | | 639 | 40,534 | 35,789 |
| Auxiliary services - students | 39,858 | | | 39,858 | 38,742 |
| Auxiliary services - other | 11,148 | | | 11,148 | 10,707 |
| Net assets released from restrictions | 35,103 | (36,745) | 1,642 | - | - |
| TOTAL OPERATING REVENUES | \$ 870,425 | \$ 518 | \$ 25,111 | \$ 896,054 | \$ 919,788 |
| OPERATING EXPENSES | | | | | |
| Instructional | 269,966 | | | 269,966 | 261,461 |
| Sponsored research and training | 269,865 | | | 269,865 | 267,767 |
| Other sponsored projects | 27,153 | | | 27,153 | 27,090 |
| CCLCM research and training | 98,309 | | | 98,309 | 100,098 |
| Libraries | 22,279 | | | 22,279 | 22,122 |
| Student services | 22,780 | | | 22,780 | 21,886 |
| University services | 90,404 | | | 90,404 | 90,572 |
| Auxiliary services - students | 47,446 | | | 47,446 | 50,482 |
| Auxiliary services - other | 11,529 | | | 11,529 | 11,932 |
| TOTAL OPERATING EXPENSES | \$ 859,731 | \$ - | \$ - | \$ 859,731 | \$ 853,410 |
| NET OPERATING ACTIVITY | \$ 10,694 | \$ 518 | \$ 25,111 | \$ 36,323 | \$ 66,378 |
| NON-OPERATING ACTIVITIES | | | | | |
| Long-term investment activities | | | | | |
| Investment (loss) income | \$ (20,004) | \$ 2,720 | \$ 1,744 | \$ (15,540) | \$ 71,590 |
| Net (depreciation) appreciation | (2,148) | (31,233) | (12,012) | (45,393) | 161,987 |
| Total long-term investment activities | (22,152) | (28,513) | (10,268) | (60,933) | 233,577 |
| Long-term investment income and gains distributed for operations | (60,366) | (304) | (163) | (60,833) | (59,934) |
| Change in liabilities due under life-income agreements | | | (4,472) | (4,472) | (2,315) |
| Loss on disposal of plant assets | (1,680) | | | (1,680) | (6) |
| Pension plan changes other than periodic benefit costs | (55,655) | | | (55,655) | 10,390 |
| Other non-operating activity | (1,642) | | | (1,642) | 293 |
| Net assets released from restrictions | 61,616 | (60,830) | (786) | - | - |
| NET NON-OPERATING ACTIVITY | \$ (79,879) | \$ (89,647) | \$ (15,689) | \$ (185,215) | \$ 182,005 |
| CHANGE IN NET ASSETS | \$ (69,185) | \$ (89,129) | \$ 9,422 | \$ (148,892) | \$ 248,383 |
| Beginning Net Assets | 215,901 | 883,118 | 874,522 | 1,973,541 | 1,725,158 |
| ENDING NET ASSETS | \$ 146,716 | \$ 793,989 | \$ 883,944 | \$ 1,824,649 | \$ 1,973,541 |

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended
June 30

In thousands of dollars

| | 2012 | 2011 |
|---|-------------------|--------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ (148,892) | \$ 248,383 |
| <i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:</i> | | |
| Depreciation | 63,356 | 65,364 |
| Amortization of bond issuance costs | 98 | 128 |
| Amortization of bond premiums | (755) | (732) |
| Increase in capital appreciation notes | 1,044 | 1,452 |
| Net unrealized depreciation (appreciation) in the fair market value of investments | 34,371 | (119,688) |
| Realized gains on investments | (6,897) | (96,276) |
| Increase to annuities payable resulting from actuarial adjustments | 4,472 | 2,315 |
| Gifts of property and equipment | (377) | (495) |
| Receipt of contributed securities | (3,429) | (3,731) |
| Loss on disposal of plant assets | 1,680 | 6 |
| Contributions restricted for long-term investment | (20,729) | (18,840) |
| Decrease (increase) in accounts and loans receivable, net | 19,938 | (24,769) |
| Increase in pledges receivable, net | (6,936) | (9,528) |
| Decrease in prepaid expenses and other assets | 1,346 | 706 |
| Decrease (increase) in funds held in trust by others | 12,012 | (42,039) |
| Increase in accounts payable and accrued expenses | 8,450 | 584 |
| Increase (decrease) in deferred income and other liabilities | 11,705 | (3,923) |
| Decrease in refundable advances | (1,055) | (85) |
| Increase (decrease) in accrued pension liability | 40,709 | (9,320) |
| NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES | \$ 10,111 | \$ (10,488) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Student loans | | |
| Collected | \$ 6,899 | \$ 6,274 |
| Issued | (7,839) | (7,240) |
| Proceeds from the sale of investments | 2,713,818 | 2,962,458 |
| Purchase of investments | (2,654,842) | (2,916,302) |
| Proceeds from the sale of plant assets | 1,005 | 2,126 |
| Purchases of property, plant, equipment and books | (50,948) | (41,912) |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | \$ 8,093 | \$ 5,404 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Increase in federal advances for student loans | \$ 3,202 | \$ 2,976 |
| Contributions restricted for long-term investment | 20,729 | 18,840 |
| Proceeds from short-term debt | 15,000 | - |
| Repayment of short-term debt | (15,000) | - |
| Repayment of notes and bonds payable | (10,489) | (9,839) |
| Increase to annuities payable resulting from new gifts | 1,147 | 1,258 |
| Decrease to annuities payable resulting from payments | (4,788) | (5,249) |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | \$ 9,801 | \$ 7,986 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | \$ 28,005 | \$ 2,902 |
| Cash and cash equivalents, beginning of year | 105,900 | 102,998 |
| CASH AND CASH EQUIVALENTS, END OF YEAR | \$ 133,905 | \$ 105,900 |
| SUPPLEMENTAL DATA: | | |
| Interest paid in cash | \$ 16,968 | \$ 15,334 |
| <i>Noncash investing activities:</i> | | |
| Contributions of securities and other noncash assets | 3,806 | 4,226 |
| Change in accounts payable for fixed assets | 93 | 101 |

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, 2012, and for the year then ended, as well as summarized information for the year ended June 30, 2011, 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. The University, through Triangle Residential LP, plans to operate the properties pending finalization of plans to develop an arts, entertainment and residential complex in the area. 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 expands 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 for expenditure 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

Beginning in fiscal 2011, 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 less 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.

Operating Investments, at Market

Operating investments include all other current investments with original maturities greater than three months 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, 2012 and 2011, 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 for expenditure 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, 2011, 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 because it is described in sections 509(a)(1) and 170(b)(1)(A)(ii) 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, 2012 and 2011. 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, 2012 and 2011.

Reclassifications

Certain amounts in the 2011 consolidated financial statements have been reclassified to conform to the 2012 presentation.

2. ACCOUNTS AND LOANS RECEIVABLE

Accounts and loans receivable of the University at June 30, 2012 and 2011, in thousands of dollars, were as follows:

| | 2012 | 2011 |
|---|-------------------|-------------------|
| ACCOUNTS RECEIVABLE, NET | | |
| Grants, contracts and others | \$ 49,414 | \$ 69,051 |
| Students | 1,934 | 2,697 |
| STUDENT LOANS, NET | 51,333 | 49,932 |
| ACCOUNTS AND LOANS RECEIVABLE, NET | \$ 102,681 | \$ 121,680 |
| Allowances for doubtful accounts: | | |
| Accounts receivable | \$ 3,496 | \$ 3,322 |
| Loans receivable | \$ 2,076 | \$ 1,751 |

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

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, 2012 is adequate to absorb credit losses inherent in the portfolio as of that date.

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 to the present value of expected future cash flows. Unconditional promises to give at June 30, 2012 and 2011, are expected to be realized in the following periods:

| | 2012 | 2011 |
|--------------------------------------|------------------|------------------|
| In one year or less | \$ 11,173 | \$ 9,327 |
| Between one year and five years | 55,015 | 45,567 |
| More than five years | 13,805 | 18,521 |
| | 79,993 | 73,415 |
| Less: Discount | (6,911) | (7,584) |
| Less: Allowance | (3,956) | (3,641) |
| TOTAL PLEDGES RECEIVABLE, NET | \$ 69,126 | \$ 62,190 |

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

losses to be prudent and reasonable. Management believes that the allowance for doubtful accounts at June 30, 2012 is adequate to absorb any uncollectible pledges as of that date.

Pledges receivable at June 30, 2012 and 2011, had the following restrictions:

| | 2012 | 2011 |
|--|------------------|------------------|
| Department programs and activities | \$ 32,277 | \$ 26,011 |
| Endowments for scholarships and department programs and activities | 18,270 | 17,337 |
| Building construction | 18,579 | 18,842 |
| TOTAL PLEDGES RECEIVABLE, NET | \$ 69,126 | \$ 62,190 |

Pledges have been discounted at the market rate. Uncollectible pledges totaling \$4,042 (2012) and \$2,314 (2011) were written off against the allowance for uncollectible pledges.

The University had conditional pledge commitments totaling \$48,048 (2012) and \$40,891 (2011).

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, 2012 and 2011, were as follows:

| | 2012 | 2011 |
|--|---------------------|---------------------|
| Operating investments, at market | \$ 87,304 | \$ 77,914 |
| Investments, held for long term purposes | 1,229,017 | 1,321,428 |
| TOTAL INVESTMENTS | \$ 1,316,321 | \$ 1,399,342 |

| | 2012 | 2011 |
|--------------------------------|---------------------|---------------------|
| Cash & cash equivalents | \$ 53,799 | \$ 207,530 |
| Domestic stocks | 68,117 | 56,716 |
| International securities | 36,444 | 41,686 |
| Bonds | | |
| Government and municipal | 28,503 | 13,816 |
| Corporate | 26,947 | 30,164 |
| Mutual funds | 183,080 | 186,435 |
| Derivatives | 11,217 | 1,150 |
| Limited partnerships and other | | |
| Venture capital | 78,331 | 77,945 |
| Private equity | 267,556 | 278,205 |
| Hedge funds | 412,188 | 359,101 |
| Other | 48,521 | 44,244 |
| Equity real estate | 101,618 | 102,350 |
| TOTAL INVESTMENTS | \$ 1,316,321 | \$ 1,399,342 |

The investments were held for the following purposes:

| | 2012 | 2011 |
|--------------------------------------|---------------------|---------------------|
| Endowment | \$ 911,980 | \$ 964,548 |
| Donor restricted funds | 247,219 | 295,186 |
| University investments | 97,499 | 78,661 |
| Annuities | 51,450 | 52,673 |
| Funds held for the benefit of others | 7,856 | 7,971 |
| Agency funds | 317 | 303 |
| TOTAL INVESTMENTS | \$ 1,316,321 | \$ 1,399,342 |

5. ENDOWMENT AND SIMILAR FUNDS

Endowment Funds

The purpose of endowment funds is to generate in perpetuity operating 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 moved 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.

| | Unrestricted | Temporarily | Permanently | Total | |
|--|--------------------|-------------------|-------------------|---------------------|---------------------|
| | | Restricted | Restricted | 2012 | 2011 |
| Donor restricted endowment funds | \$ (20,079) | \$ 452,087 | \$ 531,255 | \$ 963,263 | \$ 1,016,382 |
| Donor temporarily restricted funds | - | 260,630 | - | 260,630 | 283,637 |
| TOTAL ENDOWMENT AND SIMILAR FUNDS | \$ (20,079) | \$ 712,717 | \$ 531,255 | \$ 1,223,893 | \$ 1,300,019 |

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.

Prior to 2012, a unit market value for the pool was used to account for pooled transactions. The unit market value at June 30, 2011 was \$41.68 (2011); however, beginning in fiscal year 2012, 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 -1.58% (2012) and 18.82% (2011).

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 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 2012 pooled endowment and similar funds spending allocation approximated 4.76% of beginning market value totaling \$63,769. For fiscal 2011, pooled endowment and similar funds spending allocation was \$2.015 per unit totaling \$63,846.

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 physical movement of cash and investments between the investment pool and operating accounts occurs on a periodic basis as determined by the University and its process 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. The fiscal 2012, pooled endowment and similar funds distribution was funded from a combination of current year investment income and prior year accumulated realized gains. For fiscal 2011, pooled endowment and similar funds distribution was funded from current year investment income.

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 \$7,900 in both 2012 and 2011.

Changes in endowment and similar funds net assets for fiscal year 2012 are as follows:

| | Unrestricted | Temporarily | Permanently | Total | |
|--|--------------------|-------------------|-------------------|---------------------|---------------------|
| | | Restricted | Restricted | 2012 | 2011 |
| Endowment and similar funds | | | | | |
| net assets, beginning of year | \$ (8,018) | \$ 797,937 | \$ 510,100 | \$ 1,300,019 | \$ 1,154,155 |
| Investment income | - | 12,523 | 163 | 12,686 | 16,256 |
| Realized and unrealized gains | - | (32,292) | - | (32,292) | 182,702 |
| TOTAL INVESTMENT RETURN | - | (19,769) | 163 | (19,606) | 198,958 |
| Contributions | - | 1,215 | 21,655 | 22,870 | 23,396 |
| Current year withdrawals | - | (8,241) | (663) | (8,904) | (6,532) |
| Current year expenditures | - | (70,486) | - | (70,486) | (69,958) |
| Reclassification of deficits | | | | | |
| in donor-designated funds | (12,061) | 12,061 | - | - | - |
| ENDOWMENT AND SIMILAR FUNDS NET ASSETS, END OF YEAR | \$ (20,079) | \$ 712,717 | \$ 531,255 | \$ 1,223,893 | \$ 1,300,019 |

Occasionally, the fair market value of assets associated with individual donor-restricted endowment funds may fall below the value of the original gift amounts. When deficits exist in donor-restricted funds, they are classified as a reduction of unrestricted net assets. Deficits of this nature reported in unrestricted net assets were \$20,079 (2012) and \$8,018 (2011). 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, \$452,087 (2012) and \$514,300 (2011) represents 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, 2012 and 2011 by the ASC 820 valuation hierarchy are as follows:

| 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 (Note 9) | | | | |
| Cash & cash equivalents | \$ 13,448 | \$ - | \$ - | \$ 13,448 |
| Mutual funds | 46,237 | - | - | 46,237 |
| Limited partnerships and Other | | | | |
| Hedge funds | - | 55,071 | 5,092 | 60,163 |
| Other | - | - | 383 | 383 |
| Equity real estate | - | - | 4,814 | 4,814 |
| TOTAL PENSION PLAN ASSETS (Note 10) | \$ 59,686 | \$ 55,071 | \$ 10,289 | \$ 125,046 |
| ASSETS AT FAIR VALUE | \$ 308,685 | \$ 253,074 | \$ 1,165,364 | \$ 1,727,123 |
| Interest rate swaps payable | \$ - | \$ 34,038 | \$ - | \$ 34,038 |
| LIABILITIES AT FAIR VALUE | \$ - | \$ 34,038 | \$ - | \$ 34,038 |

| June 30, 2011 | Quoted Prices in Active Markets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
|--|--|---|--|---------------------|
| INVESTMENTS | | | | |
| Cash & cash equivalents | \$ 48,432 | \$ 159,098 | \$ - | \$ 207,530 |
| Domestic stocks | 28,928 | 11,263 | 16,525 | 56,716 |
| International securities | 96 | 31,037 | 10,553 | 41,686 |
| Bonds | | | | |
| Government and municipal | 5 | 13,811 | - | 13,816 |
| Corporate | 4,956 | 25,208 | - | 30,164 |
| Mutual funds | 156,791 | 29,488 | 156 | 186,435 |
| Derivatives | - | 1,150 | - | 1,150 |
| Limited partnerships and other | | | | |
| Venture capital | - | - | 77,945 | 77,945 |
| Private equity | - | - | 278,205 | 278,205 |
| Hedge funds | - | 101,289 | 257,812 | 359,101 |
| Other | 146 | 74 | 44,024 | 44,244 |
| Equity real estate | 213 | - | 102,137 | 102,350 |
| TOTAL INVESTMENTS | \$ 239,567 | \$ 372,418 | \$ 787,357 | \$ 1,399,342 |
| FUNDS HELD IN TRUST BY OTHERS | - | - | \$ 297,768 | \$ 297,768 |
| PENSION PLAN ASSETS (Note 9) | | | | |
| Cash & cash equivalents | \$ 1,759 | \$ - | \$ - | \$ 1,759 |
| Mutual funds | 42,619 | - | - | 42,619 |
| Limited partnerships and Other | | | | |
| Hedge funds | - | - | 53,358 | 53,358 |
| Other | - | - | 2,215 | 2,215 |
| Equity real estate | - | - | 4,334 | 4,334 |
| TOTAL PENSION PLAN ASSETS (Note 10) | \$ 44,378 | \$ - | \$ 59,907 | \$ 104,285 |
| ASSETS AT FAIR VALUE | \$ 283,945 | \$ 372,418 | \$ 1,145,032 | \$ 1,801,395 |
| Interest rate swaps payable | \$ - | \$ 20,571 | \$ - | \$ 20,571 |
| LIABILITIES AT FAIR VALUE | \$ - | \$ 20,571 | \$ - | \$ 20,571 |

Level 2 Investment Information

Investments included in Level 2 consist primarily of the University's ownership in assets through "fund of funds" investments. In these types of arrangements, the University invests in investment pools or mutual fund type arrangements through banks, dealers, brokers and other intermediaries. While the asset value of the direct investments in the pool or mutual fund is not published, the underlying investments within those

funds are observable and obtained through the fund in which the University invests.

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 exists for the investment securities, 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 | | Venture | Private Equity | Hedge Funds | Equity Real Estate | Other & Funds Held by Others | Total |
|---|----------------------------|------------------|------------------|-------------------|-------------------|-----------------------|------------------------------------|--------------------|
| | Stocks | Int'l Securities | Capital | | | | | |
| Beginning balance, July 1, 2011 | \$ 16,681 | \$ 10,553 | \$ 77,945 | \$ 278,205 | \$ 311,170 | \$ 106,471 | \$ 344,007 | \$1,145,032 |
| Realized gains (losses) and 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) |
| ENDING BALANCE, JUNE 30, 2012 | \$ 29,756 | \$ 11,408 | \$ 78,331 | \$ 267,556 | \$ 337,971 | \$ 106,219 | \$ 334,123 | \$1,165,364 |

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 (loss) income* 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 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 in the near term are classified as Level 2. Investments which cannot be redeemed on the measurement date or in the near term are classified as Level 3.

| Category | Fair Value | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
|--------------------------------|-------------------|----------------------|------------------------------|--------------------------|
| Domestic Stocks (a) | \$ 39,898 | | quarterly, annually | 45 - 90 days |
| International Securities (b) | 35,887 | | monthly, quarterly | 30 - 90 days |
| Corporate Bonds (c) | 15,808 | | monthly | 30 days |
| Limited partnerships and other | | | | |
| Venture capital (d) | 78,331 | \$ 20,948 | | |
| Private equity (e) | 267,556 | 68,003 | quarterly, annually | |
| Hedge funds (f) | 352,708 | - | monthly, quarterly, annually | 30 - 90 days |
| Other (g) | 47,984 | 33,494 | | |
| Equity real estate (h) | 101,405 | 53,297 | | |
| TOTAL | \$ 939,577 | \$ 175,742 | | |

(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 two years. Approximately 53% of domestic equity exposure is accessible within six months or less; with 26% accessible on a daily basis. Approximately 14% of the net asset value in this class has a lock up period of February 1, 2013.

(b) **International securities** include equity securities domiciled in countries outside of the United States including developed and emerging markets.

Approximately 48% of the net asset value can be accessed on a daily basis after October of 2012, 16% can be accessed on a quarterly basis, and the remaining balance over a period of 1-3 years, most of which being accessible over the next 1-2 years.

(c) **Corporate bonds** include funds that invest in fixed income securities in Fortune 500 companies. 1/3 of the fund may be liquidated every 30 days.

(d) **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 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 7-12 years.

(e) **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 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 7-12 years.

(f) **Hedge funds** includes 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 33% of the net asset value in this class has a lock up period ranging from three to fourteen months from June 30, 2012

(g) **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 7-10 years.

(h) **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 Swap (TRS): A TRS is a non-standardized agreement whereby one party makes periodic cash payments based on a set rate (e.g., 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 ISDA/CSA 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:

Over-The-Counter (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.

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 | 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 | \$ - |

| Location | Derivative Type | Notional Amount | 2011 | | |
|--------------------------------|----------------------------|-----------------|--------------------|--------------------|--------------------|
| | | | Level 1 Fair Value | Level 2 Fair Value | Level 3 Fair Value |
| Investments | | | | | |
| | Total return swaps | \$ 32,230 | \$ - | \$ (19) | \$ - |
| | Options (over-the-counter) | 383,094 | - | 1,169 | - |
| TOTAL DERIVATIVES, 2011 | | | \$ - | \$ 1,150 | \$ - |

The following table provides detailed information on the effect of the derivatives had on the overall performance of the investment portfolio which is reflected in the consolidated statement of activities:

| Location | Derivative Type | 2012 | 2011 |
|----------------------------------|----------------------------|--------------------|------------------|
| Investment Income | | | |
| | Options (over the counter) | \$ (27,738) | \$ 48,254 |
| | Futures contracts | (10,255) | 27,029 |
| | | \$ (37,993) | \$ 75,283 |
| Unrealized gains (losses) | | | |
| | Options (over the counter) | \$ (4,613) | \$ (1,133) |
| | Total return swaps | (2,866) | 230 |
| | | \$ (7,479) | \$ (903) |
| EFFECT OF DERIVATIVES | | \$ (45,472) | \$ 74,380 |

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:

| | 2012 | 2011 |
|--|-------------------|-------------------|
| Land and land improvements | \$ 38,359 | \$ 38,875 |
| Building and building improvements | 1,137,051 | 1,129,256 |
| Equipment and software | 266,343 | 284,847 |
| Library books | 37,067 | 35,865 |
| Construction-in-progress | 27,818 | 7,898 |
| | 1,506,638 | 1,496,741 |
| Less: accumulated depreciation | (776,001) | (751,481) |
| TOTAL PROPERTY, PLANT, EQUIPMENT AND BOOKS, NET | \$ 730,637 | \$ 745,260 |

The above assets include \$492,376 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. Also included in

the University's consolidated financial statements is the obligation for related bonds issued by the OHEFC.

Depreciation expense included in the Statement of Activities is \$63,356 (2012) and \$65,364 (2011).

8. NOTES AND BONDS PAYABLE

Notes and bonds payable are as follows:

| | | Interest Rate | Maturity | 2012 | 2011 |
|--|--------------|---------------|-----------|-------------------|-------------------|
| Ohio Higher Education Facility Commission revenue notes and bonds: | Series 1988 | 7.85 - 7.90% | 2011-2013 | \$ 12,334 | \$ 17,821 |
| | Series 1990 | 6.50 - 7.13% | 2011-2020 | 11,650 | 11,650 |
| | Series 1994 | 6.00 - 6.25% | 2014-2018 | 20,000 | 20,000 |
| | Series 1997 | 4.90 - 6.25% | 2011-2014 | 5,105 | 6,525 |
| | Series 2001 | Variable | 2011-2022 | 12,200 | 12,615 |
| | Series 2002A | Variable | 2023-2031 | 64,875 | 64,875 |
| | Series 2004A | 3.625 - 5.00% | 2016-2034 | 75,670 | 75,670 |
| | Series 2006 | 3.75 - 5.25% | 2012-2044 | 82,490 | 82,490 |
| | Series 2008A | Variable | 2030-2044 | 60,000 | 60,000 |
| | Series 2008B | Variable | 2030-2044 | 67,500 | 67,500 |
| | Series 2008C | 4.00 - 5.00% | 2014-2033 | 50,490 | 50,490 |
| U.S. Government housing bonds: | Series 1966 | 3.00 - 3.50% | 2011-2016 | 535 | 665 |
| | Series 1971 | 3.00% | 2011-2016 | - | 535 |
| Ohio Higher Education Facility Commission commercial paper: | | .25 - .43% | 2030 | 63,000 | 63,000 |
| Ohio Higher Education Facility Commission capital lease: | | 6.75% | 2011-2018 | 467 | 543 |
| | | 4.12% | 2011-2018 | 5,205 | 5,890 |
| Compass Group USA, Inc. | | -n/a- | 2011-2019 | 2,400 | 2,850 |
| HUD Loan: | Part A | 4.96% | 2011-2041 | 12,082 | 12,268 |
| | Part B | 5.33% | 2011-2041 | 4,163 | 4,224 |
| TOTAL LIABILITY | | | | 550,166 | 559,611 |
| Unamortized Bond Premium | | | | | |
| Ohio Higher Education Facility Commission: | Series 2004A | | | 1,703 | 1,860 |
| | Series 2006 | | | 6,487 | 6,909 |
| | Series 2008C | | | 1,622 | 1,799 |
| TOTAL UNAMORTIZED BOND PREMIUM | | | | \$ 9,812 | \$ 10,568 |
| TOTAL NOTES AND BONDS PAYABLE | | | | \$ 559,978 | \$ 570,179 |

The fair market value of the University's notes and bonds payable is approximately \$578,290 (2012) and \$575,020 (2011). 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.

The Ohio Higher Education Facility Commission (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. The University has issued no additional commercial paper pursuant to the \$27,000 of new authority, and the amount outstanding under this program as of June 30 is \$63,000, 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 0.83% (2012) and 0.97% (2011).

The University has total revolving lines of credit in the amount of \$60,000 with two financial institutions of \$30,000 each to finance working capital. Both lines are subject to review and renewal annually. There were no amounts outstanding at June 30, 2012.

In May 2008, the OHEFC series 2008 bonds were issued to refinance the OHEFC series 2004B bonds. The amount refinanced was \$177,826. The variable portion of the debt is supported by two lines of credit with financial institutions. The unamortized balance of deferred financing fees is included in prepaid expenses and other assets. The balance was \$1,242 (2012) and \$1,284 (2011).

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 |
|--------------|------------------------------------|-----------------------|--|
| 2013 | \$ 11,351 | \$ 111,915 | \$ 123,266 |
| 2014 | 11,182 | 48,915 | 60,097 |
| 2015 | 11,755 | 48,915 | 60,670 |
| 2016 | 12,593 | 28,915 | 41,508 |
| 2017 | 13,434 | 28,915 | 42,349 |
| Thereafter | 489,851 | (267,575) | 222,276 |
| TOTAL | \$ 550,166 | \$ - | \$ 550,166 |

The University has letter of credit agreements, standby bond purchase agreements and a liquidity agreement 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 \$21,090 (2012) and \$22,812 (2011).

Certain borrowing agreements require that the University comply with certain covenants. The University is in compliance with these provisions as of June 30, 2012.

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 ("ERISA"), 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:

| | 2012 | 2011 |
|--------------------------------------|--------------------|--------------------|
| Benefit obligation at June 30 | \$ 188,337 | \$ 126,867 |
| Fair value of plan assets at June 30 | 125,046 | 104,285 |
| FUNDED STATUS AT JUNE 30 | \$ (63,291) | \$ (22,582) |

| | | |
|--------------------------------|------------|------------|
| Accumulated benefit obligation | \$ 186,742 | \$ 125,983 |
|--------------------------------|------------|------------|

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

| | 2012 | 2011 |
|---------------------------|----------|----------|
| Net periodic benefit cost | \$ 6,167 | \$ 5,486 |
| Employer contributions | 21,113 | 4,416 |
| Benefits paid | 3,681 | 5,192 |

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

| | |
|-------------|----------|
| Fiscal 2013 | \$ 4,377 |
| Fiscal 2014 | \$ 5,047 |
| Fiscal 2015 | \$ 4,961 |
| Fiscal 2016 | \$ 5,706 |
| Fiscal 2017 | \$ 6,058 |

Amounts expected to be paid between 2018 and 2022 total \$39,217. The University's estimated employer contribution for the defined benefit plan in fiscal 2013 will depend on the results of the July 1, 2012 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:

| | 2012 | 2011 |
|----------------------------------|---------|---------|
| BENEFIT OBLIGATION | | |
| Discount rate | 4.50% | 6.00% |
| Rate of compensation increase | 4.25% | 4.25% |
| Measurement date | 6/30/12 | 6/30/11 |
| Census date | 7/1/11 | 7/1/10 |
| NET PERIODIC BENEFIT COST | | |
| Discount rate | 6.00% | 6.25% |
| 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:

| | 2012 | 2011 |
|-------------------------------|----------------|----------------|
| Equity securities | 60.00% | 63.00% |
| Fixed income securities | 25.00% | 31.00% |
| Real estate | 4.00% | 4.00% |
| Other | 11.00% | 2.00% |
| 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:

| | 2012 | 2011 |
|--|-------------|-------------|
| STATEMENT OF FINANCIAL POSITION | | |
| NET LIABILITY | \$ (63,291) | \$ (22,582) |
| UNRESTRICTED NET ASSETS | | |
| Prior service costs | \$ 160 | \$ 398 |
| Actuarial losses | 83,555 | 27,662 |
| AMOUNT RECOGNIZED AS REDUCTION OF UNRESTRICTED NET ASSETS | \$ 83,715 | \$ 28,060 |

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 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.

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

The estimated amortization of prior year service costs expected in fiscal 2013 totals \$160.

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:

| | 2012 | 2011 |
|--------------------------------------|------------------|-------------------|
| Change in actuarial losses | \$ 55,893 | \$ (10,104) |
| Amortization of prior service cost | (238) | (286) |
| TOTAL (GAIN) LOSS RECOGNIZED, | 55,655 | (10,390) |
| UNRESTRICTED NET ASSETS | | |
| Net periodic benefit cost | 6,167 | 5,486 |
| Employer contributions | (21,113) | (4,416) |
| TOTAL (GAIN) LOSS RECOGNIZED, | \$ 40,709 | \$ (9,320) |
| STATEMENT OF ACTIVITIES | | |

Benefit plan costs for the defined contribution plan are \$19,499 (2012) and \$18,833 (2011).

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 \$98,309 (2012) and \$100,098 (2011).

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.

The expected cost to complete construction in progress is approximately \$19,825.

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 \$21,998 (2012) and \$23,108 (2011). 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, 2012 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 in the table below. Under one agreement in effect at June 30, 2012, 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 London Interbank Offered Rate (LIBOR).

The following table provides detailed information on the interest rate swaps at June 30, 2012, with comparative fair values for June 30, 2011. 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:

| Notional Amount | Interest Rate | Commencement | Termination Date | Basis | 2012 | | 2011 | | |
|---|---------------|----------------|------------------|-------|---------------------------|--------------------|---------------------------|--|--|
| | | | | | Level 2 Fair Market Value | | Level 2 Fair Market Value | | |
| \$ 12,200 | 4.34% | Aug. 12, 2004 | Oct. 1, 2022 | LIBOR | \$ (2,646) | \$ (1,507) | | | |
| 15,000 | 4.43% | Jun. 5, 2002 | Jun. 5, 2022 | LIBOR | (4,321) | (2,945) | | | |
| 15,000 | 3.60% | Sept. 25, 2002 | Sept. 25, 2022 | LIBOR | (3,254) | (1,799) | | | |
| 35,000 | 3.81% | Aug. 4, 2004 | Aug. 1, 2034 | LIBOR | (11,795) | (5,615) | | | |
| 100,000 | 3.37% | Jan. 3, 2012 | Jan. 1, 2017 | SIFMA | (12,022) | - | | | |
| 100,000 | 3.37% | Jan. 2, 2007 | Jan. 1, 2012 | SIFMA | - | (1,850) | | | |
| 100,000 | 3.37% | Jan. 1, 2012 | Jan. 1, 2017 | SIFMA | - | (6,855) | | | |
| TOTAL INTEREST RATE SWAP AGREEMENT LIABILITY | | | | | | \$ (34,038) | \$ (20,571) | | |

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 counter-party's financial exposure to the University to no more than \$20,000. The University had

placed \$17,796 (2012) and \$2,472 (2011) 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 \$6,161 in 2012 and \$6,038 in 2011.

13. SUBSEQUENT EVENTS

The University has performed an evaluation of subsequent events through September 29, 2012, the date on which the consolidated financial statements were issued. As of the issuance of these financial statements, the University has begun the underwriting process to issue up to \$30 million of State of Ohio Higher Education Facility Revenue Refunding Bonds. The bond proceeds will be placed into escrow to refund certain portions of certain outstanding State of Ohio Higher Educational Facility Revenue Bonds Series 2004A as well as portions of obligations under a Master Lease and Sublease in the Ohio Higher Education Facility Commission capital lease. All proceeds will be used for refinancing and will not be used for additional spending or placed on the statement of financial position. This issuance is expected to be concluded in the 2nd quarter of Fiscal Year 2013.

CASE WESTERN RESERVE UNIVERSITY
Schedule of Expenditures of Federal Awards

For the year ended June 30, 2012

| 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 | | | |
| Scientific Cooperation and Research | 10.961 | | \$ 59,501 |
| Department of Agriculture Subtotal | | | 59,501 |
| Department of Commerce | | | |
| Direct Programs | | | |
| Measurement and Engineering Research and Standards | 11.609 | | 10,838 |
| Pass Through Programs | | | |
| University of Michigan | 11.432 | 3001071084 | 27,805 |
| University of Michigan | 11.432 | 3001332173 | 15,057 |
| University of Michigan | 11.432 | 3001262960 | 309 |
| Department of Commerce Subtotal | | | 54,009 |
| Department of Defense | | | |
| Direct Programs | | | |
| Basic and Applied Scientific Research | 12.300 | | 1,745,449 |
| Military Medical Research and Development | 12.420 | | 2,425,483 |
| Basic Scientific Research-ARRA | 12.431 | | 119,705 |
| Air Force Defense Research Sciences Program-ARRA | 12.800 | | 1,224,562 |
| Mathematical Sciences Grants Program | 12.901 | | 35,734 |
| Research & Technology Development | 12.910 | | 1,749,386 |
| Pass Through Programs | | | |
| University of Virginia | 12.351 | GG11485-138899 | 67,497 |
| Ardiem Medical, Inc. | 12.420 | W81XWH0720044 | 412,038 |
| Cleveland Clinic Foundation | 12.420 | W81XWH-10-0270 | 100,933 |
| Rutgers University | 12.420 | S1072764 | 190,661 |
| University of Chicago | 12.420 | 45846 | 164,593 |
| University of Colorado, Boulder | 12.420 | 1547915 | 37,399 |
| Advanced Technology Institute-ARRA | 12.431 | 2006-386 | 54,953 |
| Indiana University-ARRA | 12.431 | IN4395008CWRU | 3,825 |
| Johns Hopkins University-ARRA | 12.431 | W81XWH1020090 | 115,042 |
| Pennsylvania State University-ARRA | 12.431 | 4508-CWRU-USA-0534 | 13,309 |
| National Tsing Hua University | 12.800 | AOARD-104055 | (6,092) |
| University of Dayton | 12.800 | RSC10048 | 75,694 |
| Johns Hopkins University | 12.910 | 2001175091 | 128,457 |
| Southern Methodist University | 12.910 | G001055-7520 | 155,597 |
| University of Utah | 12.910 | 10013049 | (19,331) |
| University of Virginia | 12.910 | GG11379-136861 | 108,914 |
| Department of Defense Subtotal | | | 8,903,808 |
| Department of Housing and Urban Development | | | |
| Direct Programs | | | |
| Transformation Initiative Research Grants: Natural Experiments | 14.524 | | 296,935 |
| Department of Housing and Urban Development Subtotal | | | 296,935 |
| Department of the Interior | | | |
| Pass Through Programs | | | |
| Ohio State University | 15.808 | GRT00025281 | 9,005 |
| University of Michigan | 15.808 | 3002076062 | 22,297 |
| Department of the Interior Subtotal | | | 31,302 |
| Department of Justice | | | |
| Pass Through Programs | | | |
| Kent State University | 16.753 | 445575 CWRU | 13,500 |
| Cuyahoga County Board of Commissioners | 16.812 | CE1200094-01 | 18,765 |
| Department of Justice Subtotal | | | 32,265 |

CASE WESTERN RESERVE UNIVERSITY
Schedule of Expenditures of Federal Awards

For the year ended June 30, 2012

| FEDERAL GRANTOR/PROGRAM TITLE | Catalog of Federal Domestic Assistance Number | Pass Through Entity Identifying Number | Expenditures |
|---|---|---|--------------------------|
| National Aeronautics and Space Administration | | | |
| Direct Programs | | | |
| Aerospace Education Services Program | 43.001 | | 684,924 |
| Technology Transfer | 43.002 | | 488,782 |
| Pass Through Programs | | | |
| California Institute of Technology | 43.000 | 44E-1083742 | 287,070 |
| Ohio Aerospace Institute | 43.001 | WE-500077 | 200,152 |
| National Aeronautics and Space Administration Subtotal | | | <u>1,660,928</u> |
| National Endowment for the Arts | | | |
| Direct Programs | | | |
| Promotion of the Humanities Fellowships and Stipends | 45.160 | | 50,438 |
| American Antiquarian Society | 45.161 | | 19,156 |
| National Endowment for the Arts Subtotal | | | <u>69,594</u> |
| National Science Foundation | | | |
| Direct Programs | | | |
| Engineering Grants | 47.041 | | 1,857,352 |
| Mathematical & Physical Sciences | 47.049 | | 8,604,477 |
| Geosciences | 47.050 | | 184,359 |
| Computer and Information Science & Engineering | 47.070 | | 1,252,287 |
| Biological Sciences | 47.074 | | 1,249,856 |
| Social, Behavioral and Economic Sciences | 47.075 | | 164,795 |
| Education and Human Resources | 47.076 | | 372,967 |
| Polar Programs | 47.078 | | 12,803 |
| International Science and Engineering (OISE) | 47.079 | | 93,304 |
| Office of Cyberinfrastructure | 47.080 | | 16,431 |
| Trans-NSF Recovery Act Research Support-ARRA | 47.082 | | 1,739,548 |
| Pass Through Programs | | | |
| Oberlin College | 47.041 | CNS-0939153-CPATH-2 | 23,500 |
| Precision Made Parts, LLC | 47.041 | 1047151 | 35,566 |
| University of Alabama | 47.041 | 06-067 | 1,339 |
| University of Iowa | 47.041 | 420-60-44A | (120) |
| University of Texas Health Science Center | 47.041 | 2610009561 | 69,969 |
| University of Utah | 47.041 | 10012597-CWRU | 11,159 |
| University of Virginia | 47.041 | GA10484-121950 | 3,653 |
| Columbia University | 47.049 | 5-25107; PO#G02694 | 19,625 |
| University of Southern California | 47.050 | 119935 | 21,315 |
| Rehabilitation Institute Research Corp. | 47.070 | PRIME CNS-0932263 | 136,932 |
| University of Iowa | 47.074 | 420-40-32A | 111,902 |
| Ohio State University Research Foundation | 47.075 | 60029525 | 16,458 |
| University of California, Santa Barbara | 47.075 | KK1051 / SES-1025846 | 8,920 |
| Cleveland State University | 47.076 | DELAT37D | 10,505 |
| State University of New York Research Foundation | 47.076 | R690341 | 155,868 |
| University of Chicago | 47.078 | ANT-0638937 | 343,294 |
| ADA Technologies, Inc. | 47.082 | 10-0004S | 22,327 |
| National Science Foundation Subtotal | | | <u>16,540,391</u> |
| Environmental Protection Agency | | | |
| Pass Through Programs | | | |
| Buffalo State College | 66.469 | GL-00E00503-CWR | 35,743 |
| Environmental Protection Agency Subtotal | | | <u>35,743</u> |
| Department of Energy | | | |
| Direct Programs | | | |
| Office of Science Financial Assistance Program-ARRA | 81.049 | | 355,452 |
| Renewable Energy Research and Development-ARRA | 81.087 | | 530,410 |
| Fossil Energy Research and Development | 81.089 | | 99,644 |
| Advanced Research and Projects Agency Energy Financial Assistance Program | 81.135 | | 1,099,961 |
| Pass Through Programs | | | |
| 3M Company-ARRA | 81.049 | USMMM040W3 | 25,101 |

CASE WESTERN RESERVE UNIVERSITY
Schedule of Expenditures of Federal Awards

For the year ended June 30, 2012

| FEDERAL GRANTOR/PROGRAM TITLE | Catalog of Federal Domestic Assistance Number | Pass Through Entity Identifying Number | Expenditures |
|--|--|---|-------------------------|
| Faraday Technology, Inc.-ARRA | 81.049 | DE-SC0007516 | 1,483 |
| Advanced Technology Institute | 81.086 | ATI 2005-301 | (3,098) |
| Bayer Material Science | 81.087 | DE-EE0001361 | 49,968 |
| Indiana University | 81.087 | BL-4344500-CWRU | 5,465 |
| National Center for Manufacturing Science | 81.087 | 201149-130175 | 127,328 |
| North American Die Casting Associates | 81.117 | DE-EE0001100 | 18,042 |
| Univenture, Inc. | 81.135 | DE-AR0000037 | 170,910 |
| Department of Energy Subtotal | | | <u>2,480,666</u> |
| Department of Education | | | |
| Pass Through Programs | | | |
| New York City College of Technology | 84.116 | 46333-A | 13,440 |
| Cincinnati Children's Hospital | 84.133 | 107354 | 74,420 |
| Thomas Jefferson University | 84.133 | 100223371 | 1,105 |
| University of Pittsburgh | 84.133E | H133E070024 | 94,610 |
| Brecksville-Broadview Heights | 84.184A | BRECKSVILLE HTS. | 522 |
| Department of Education Subtotal | | | <u>184,097</u> |
| Department of Health & Human Services | | | |
| Direct Programs | | | |
| Maternal & Child Health Federal Consolidated Programs | 93.110 | | 38,040 |
| Environmental Health | 93.113 | | (1,317) |
| Oral Diseases & Disorder Research | 93.121 | | 5,634,343 |
| Grants to Increase Organ Donations | 93.134 | | 200,007 |
| Human Genome Research | 93.172 | | 1,951,720 |
| Research Related to Deafness & Communications Disorders | 93.173 | | 2,140,406 |
| Immunization Research, Demonstration, Public Information and Education Training and Clinical Skills Improvement Projects | 93.185 | | 198,872 |
| Research and Training in Complementary and Alternative Medicine | 93.213 | | 594,754 |
| Research on Healthcare Costs, Quality and Outcomes | 93.226 | | 808,769 |
| National Center on Sleep Disorders Research | 93.233 | | 355,135 |
| Mental Health Research Grants | 93.242 | | 4,076,505 |
| Alcohol Research Programs | 93.273 | | 250,726 |
| Drug Abuse and Addiction Research Programs | 93.279 | | 3,749,630 |
| Centers for Disease Control and Prevention Investigations and Technical Assistance | 93.283 | | 2,848,996 |
| Discovery and Applied Research for Technological Innovations to Improve Human Health | 93.286 | | 4,047,438 |
| Minority Health and Health Disparities Research | 93.307 | | 460,447 |
| Trans-NIH Research Support | 93.310 | | 2,111,379 |
| Research Infrastructure Programs | 93.351 | | 433 |
| Nursing Research | 93.361 | | 2,026,676 |
| National Center for Research Resources | 93.389 | | 14,061,889 |
| Cancer Cause & Prevention Research | 93.393 | | 3,274,836 |
| Cancer Detection and Diagnosis Research | 93.394 | | 2,595,960 |
| Cancer Treatment Research | 93.395 | | 2,629,338 |
| Cancer Biology Research | 93.396 | | 4,144,357 |
| Cancer Centers Support Grants | 93.397 | | 6,578,428 |
| Cancer Research Manpower | 93.398 | | 753,161 |
| Cancer Control | 93.399 | | 433,698 |
| Health Promotion and Disease Prevention Research Centers: PPHF 2012 - Affordable Care Act Projects-ARRA | 93.542 | | 591,087 |
| Refugee and Entrant Assistance Wilson/Fish Program | 93.583 | | 9,257 |
| Trans-NIH Recovery Act Research Support-ARRA | 93.701 | | 9,697,720 |
| Cardiovascular Diseases Research | 93.837 | | 12,502,158 |
| Lung Diseases Research | 93.838 | | 2,977,089 |
| Blood Diseases and Resources Research | 93.839 | | 2,772,399 |
| Arthritis, Musculoskeletal, and Skin Diseases Research | 93.846 | | 4,972,857 |
| Diabetes, Digestive, and Kidney Diseases Extramural Research | 93.847 | | 17,790,923 |
| Extramural Research Programs in the Neurosciences and Neurological Disorders | 93.853 | | 10,391,565 |
| Allergy, Immunology and Transplantation Research | 93.855 | | 16,831,458 |
| Microbiology and Infectious Diseases Research | 93.856 | | 12,516 |
| Biomedical Research and Research Training | 93.859 | | 5,605,971 |
| Child Health and Human Development Extramural Research | 93.865 | | 3,477,431 |
| Aging Research | 93.866 | | 4,012,187 |
| Vision Research | 93.867 | | 12,076,125 |

CASE WESTERN RESERVE UNIVERSITY
Schedule of Expenditures of Federal Awards

For the year ended June 30, 2012

| FEDERAL GRANTOR/PROGRAM TITLE | Catalog of Federal Domestic Assistance Number | Pass Through Entity Identifying Number | Expenditures |
|--|---|---|--------------|
| International Research and Research Training | 93.989 | | 571,691 |
| Pass Through Programs | | | |
| University of Florida | 93.103 | UF06127 | 36,038 |
| Cleveland Clinic Foundation | 93.110 | 228SUB | 6,803 |
| Hemophilia Foundation of Michigan | 93.110 | 5H30-10-001 | 11,390 |
| Johns Hopkins University | 93.110 | 2001451383 | 9,155 |
| Johns Hopkins University | 93.172 | 2001451384 | 9,608 |
| University of North Carolina | 93.172 | 5-31034 | 5,128 |
| University of North Carolina | 93.172 | 5-31041 | 302,094 |
| University of Pennsylvania | 93.172 | 555747 | 56,290 |
| University of Utah | 93.172 | 10020594-2 | 21,617 |
| Cornell University | 93.173 | 56083-8774 | 88,991 |
| Hemophilia Foundation of Michigan | 93.184 | CDC11-12-HTC443 | 681 |
| Kent State University | 93.213 | 443149-CWRU | 9,372 |
| Ohio State University | 93.213 | 60033066 | 271,642 |
| University of Cincinnati | 93.213 | AT004454 | 34,081 |
| Cincinnati Children's Hospital | 93.226 | 130341 | 10,779 |
| Kent State University | 93.226 | 443167-CWRU | 14,950 |
| Brigham and Women Hospital | 93.233 | 106086 | 143,145 |
| Northwestern University | 93.233 | HL105549 | 18,580 |
| Cincinnati Children's Hospital | 93.242 | CHMC 102316 M4 | 86,356 |
| Geisinger Clinic | 93.242 | U01HG006382 | 84,769 |
| University of California, San Diego | 93.242 | 10313885-SUB | 83,286 |
| University of Texas Health Science Center | 93.242 | 151853/151736 | 25,205 |
| Vanderbilt University | 93.242 | VUMC33819 | 231,385 |
| Catholic Charities Services | 93.242 | 1H79TI-022425-02 | 26,459 |
| Kent State University | 93.242 | 44573CWRU | 34,100 |
| Mental Health Services | 93.243 | SPILSBURY | 12,849 |
| The University of British Columbia | 93.279 | DA021525 | 116,998 |
| University of North Carolina | 93.279 | 5-30857 | 255,346 |
| Hemophilia Foundation of Michigan | 93.283 | U01/DD000203 | 12,149 |
| Massachusetts Institute of Technology | 93.286 | 5710002285 | 96,560 |
| Rehabilitation Institute Research Corporation | 93.286 | EB11615 | 14,224 |
| University of the Virgin Islands | 93.307 | CALLWOOD-2008-1 | 36,469 |
| Wake Forest University | 93.361 | WFUHS10104 | 9,029 |
| Children's Hospital Research Foundation | 93.389 | 732112 | 2,859 |
| Georgia Institute of Technology | 93.389 | RC114-GI | 10,361 |
| Massachusetts Institute of Technology | 93.389 | 5710002814 | 21,727 |
| University of Alabama | 93.389 | 000319519-003 | 1,048 |
| University of Mississippi | 93.389 | RR017701; 66209-CWRU | 217,819 |
| University of Utah | 93.389 | 10006464-03 | 31,347 |
| American College of Radiology | 93.393 | CA021661 | 118,703 |
| Baylor College of Medicine | 93.393 | CA139020 | 117,254 |
| Duke Univ. Comprehensive Cancer Center | 93.393 | 203-0309 | 241,983 |
| George Washington University | 93.393 | 09-M33 | 196,473 |
| Huntsman Cancer Institute | 93.393 | 10014775-01 | 26,615 |
| Institute for Systems Biology | 93.393 | 2011.0005 | 232,005 |
| Kaiser Permanente | 93.393 | R01 CA140377 | 45,848 |
| Moffitt Cancer Center | 93.393 | 10-14922-99-04-G5 | 9,532 |
| National Childhood Cancer Foundation | 93.393 | 020859 | 2,220 |
| University of Michigan | 93.393 | 3002153816 | 860 |
| University of South Carolina | 93.393 | PO:22060 SUB:10-1773 | 31,360 |
| University of Texas- MD Anderson Cancer | 93.393 | 32772/98012595 | 7,751 |
| University of Texas- MD Anderson Cancer | 93.393 | 34134/98210590 | 27,020 |
| University of Washington | 93.393 | 735566 | 62,003 |
| Virginia Commonwealth University | 93.393 | PD300205-SC101314 | (1,032) |
| Virginia Commonwealth University | 93.393 | PT102388-SC101313 | 477,132 |
| Washington University | 93.393 | 735566 | 28,634 |
| American College of Radiology | 93.394 | CA80098 | 4,155 |
| BioInVision, Inc. | 93.394 | CA124270 | 117,832 |
| Fred Hutchinson Cancer Research Ctr | 93.394 | 0000728543 | 272,944 |
| Kent State University | 93.394 | 403003-CWRU | 47,673 |
| University of Michigan | 93.394 | 3001861745 | 27,818 |
| University of Michigan | 93.394 | 3001942590 | 15,544 |
| American College of Obstetricians & Gynecology | 93.395 | 27469-094 | 99,721 |

CASE WESTERN RESERVE UNIVERSITY
Schedule of Expenditures of Federal Awards

For the year ended June 30, 2012

| FEDERAL GRANTOR/PROGRAM TITLE | Catalog of Federal Domestic Assistance Number | Pass Through Entity Identifying Number | Expenditures |
|---|---|---|--------------|
| American College of Radiology | 93.395 | U10CA021661 | 54,421 |
| Cleveland Clinic Foundation | 93.395 | CA138858 | 19,058 |
| Gynecologic Oncology Group | 93.395 | 27469-94 | 5,461 |
| Lentigen Corporation | 93.395 | CA128269-LENTINGEN | 155,957 |
| Medical University of South Carolina | 93.395 | MUSC07-030 | 821 |
| National Childhood Cancer Foundation | 93.395 | 18548 | 119,295 |
| National Surgical Adjuvant Breast & Bowel Project | 93.395 | TFED41-728 | 1,311 |
| Ohio State University Research Foundation | 93.395 | 60030838 | 81,398 |
| University of California, San Francisco | 93.395 | 7002SC | 64,081 |
| Hyper Tech Research Inc | 93.397 | 11000024H | 45,396 |
| National Surgical Adjuvant Breast & Bowe | 93.399 | PFED25-IRE-01 | 11,975 |
| National Surgical Adjuvant Breast & Bowe | 93.399 | TIND-728 | 51,003 |
| Brigham and Women Hospital-ARRA | 93.701 | HL101417 | 660,927 |
| Children's Mercy Hospital | 93.701 | 09-0019 | 12,500 |
| Children's Research Institute-ARRA | 93.701 | 812009 | 14,715 |
| Duke University-ARRA | 93.701 | 165191 | 28,173 |
| Duke University-ARRA | 93.701 | 303-4985 | 40,881 |
| George Washington University-ARRA | 93.701 | 10-D02 | 9,369 |
| Indiana University-ARRA | 93.701 | HL081819 | 85,963 |
| Jaeb Center for Health Research- Contrac-ARRA | 93.701 | EY012358-11S1-CWRU | 87,071 |
| Johns Hopkins University-ARRA | 93.701 | 2000784928 | 136,478 |
| Johns Hopkins University-ARRA | 93.701 | 2000879393 | 79,475 |
| Medical College of Georgia-ARRA | 93.701 | 23789-1 | 1,461 |
| University of Alabama, Birmingham-ARRA | 93.701 | 000240501-118 | (141) |
| University of Alabama, Birmingham-ARRA | 93.701 | 000259927-014 | 22,847 |
| University of California, San Diego-ARRA | 93.701 | 114-CWRU ADNI-GO | 18,234 |
| University of Colorado at Boulder-ARRA | 93.701 | 1546304 | 52,025 |
| University of Medicine & Dentistry, NJ-ARRA | 93.701 | GM084039 | 3,957 |
| University of Miami-ARRA | 93.701 | EY020297 | 9,733 |
| University of Minnesota-ARRA | 93.701 | N001005501 | (266) |
| University of North Carolina-ARRA | 93.701 | 5-30249 | 14,889 |
| University of Rochester-ARRA | 93.701 | 100038-D | 11,204 |
| University of Texas Health Science Center-ARRA | 93.701 | 129843/129838 | 8,170 |
| Vanderbilt University-ARRA | 93.701 | VUMC 39667 | 36,109 |
| Weill Medical College of Cornell University-ARRA | 93.701 | 09111781 | 36,297 |
| Massachusetts General Hospital-ARRA | 93.715 | 217197 | 246,872 |
| Stanford University-ARRA | 93.715 | 26871140-48974-D | 75,949 |
| University of Pittsburgh-ARRA | 93.715 | 9006323 | (292) |
| Ohio Health Information Partnership-ARRA | 93.718 | 90RC001201 | 1,940,216 |
| Cincinnati Children's Hospital | 93.778 | 130566 | 41,626 |
| Ohio State University Research Foundation | 93.778 | G-1213-07-0343 | 34,375 |
| Biofunc | 93.837 | BioFunc Research | 19,228 |
| Cleveland Clinic Foundation | 93.837 | U01 HL087314 | 22,411 |
| Duke University | 93.837 | 203-1044 | 372,058 |
| DVX, llc | 93.837 | HL071359 | 128,716 |
| Iasis Molecular Sciences | 93.837 | Iasis Molecular Sciences | 8,180 |
| Kent State University | 93.837 | 443165-CWRU | 400,788 |
| Loyola University Chicago | 93.837 | 200403 | 34,694 |
| Nanomimetics Inc. | 93.837 | HL092672 | 11,683 |
| NIH-National Heart, Lung, and Blood Institute | 93.837 | HL092933 | 448,471 |
| Northwestern University | 93.837 | PROJ0001040 | 48,979 |
| Social & Scientific Systems, Inc. | 93.837 | CRB-UCLA1-S-10-00028 | 21,721 |
| University of California, Los Angeles | 93.837 | 1568 G KB381 | 38,069 |
| University of Maryland | 93.837 | SR00000925 | 486,709 |
| University of Michigan | 93.837 | 3001346374 | 34,285 |
| University of Michigan | 93.837 | HL094345 | 41,071 |
| University of Pittsburgh | 93.837 | 0013443 | 99,274 |
| University of Pittsburgh | 93.837 | 9005405 | 84,829 |
| University of Texas Southwestern Medical | 93.837 | 0007173A | 195,436 |
| University of Toledo | 93.837 | 2008-007 | 1,158 |
| Wake Forest University | 93.837 | HHSN268201100027C | 1,020,919 |
| Emory University | 93.838 | HL109362 | 42,444 |
| University of Chicago | 93.838 | 37781 | (209) |
| University of North Carolina | 93.838 | 5-34400 | 15,996 |
| University of North Carolina | 93.838 | 5-51358 | 1,367 |

CASE WESTERN RESERVE UNIVERSITY
Schedule of Expenditures of Federal Awards

For the year ended June 30, 2012

| FEDERAL GRANTOR/PROGRAM TITLE | Catalog of Federal Domestic Assistance Number | Pass Through Entity Identifying Number | Expenditures |
|---|---|---|--------------|
| Vanderbilt University | 93.838 | VUMC 38162 | 127,044 |
| Baylor College of Medicine | 93.839 | 101522481 | 38,087 |
| St. Jude Medical, Inc. | 93.839 | 111513010-7365561 | (2,957) |
| Burnham Institute | 93.846 | AR056273 | 102,393 |
| Cornell University | 93.846 | AR057362 | 35,538 |
| Drexel University | 93.846 | 232222-3850/11012367 | 91,266 |
| Duke University | 93.846 | APPLE SITE 16 | 369 |
| University of Maryland, College Park | 93.846 | Z036002 | 37,511 |
| University of Rochester | 93.846 | 5-29797 | 33,796 |
| Cincinnati Children's Hospital | 93.847 | 102243 | (2,583) |
| Cleveland Clinic Foundation | 93.847 | 4655430 | 118,066 |
| Cleveland Clinic Foundation | 93.847 | 151SUBI | 9,942 |
| Department of Agriculture | 93.847 | 5306-51530-019-17G | (410) |
| Emory University | 93.847 | S624243 | 785 |
| George Washington University | 93.847 | 10-D02 | 455,213 |
| George Washington University | 93.847 | DK061230 | 1,361 |
| Kaiser Permanente | 93.847 | 8354 | 73,932 |
| Louisiana State University Health Sciences Center | 93.847 | LSU | 7,950 |
| Medical College of Georgia | 93.847 | 07-20497-1 | (3,193) |
| Thermalin Diabetes Incorporated | 93.847 | DK081292 | 15,776 |
| Thermalin Diabetes Incorporated | 93.847 | DK088506-01 | 46,529 |
| Thermalin Diabetes Incorporated | 93.847 | DK089831 | 66,945 |
| Thermalin Diabetes Incorporated | 93.847 | DK092041 | 109,663 |
| University of California, San Francisco | 93.847 | 4510SC | 17,723 |
| University of California, San Francisco | 93.847 | 7081SC | 6,425 |
| University of Chicago | 93.847 | 44692 | 185,877 |
| University of Chicago | 93.847 | TRACS:30004 | (22,845) |
| University of Michigan | 93.847 | 3001822742 | 17,207 |
| University of Michigan | 93.847 | DK079912 | 20,101 |
| University of Michigan | 93.847 | DK083912 | 12,638 |
| University of Pennsylvania | 93.847 | 555805 | 20,151 |
| University of Pittsburgh | 93.847 | 0010021 | 14,022 |
| Univeristy of Utah | 93.847 | 10017651-02 | 30,971 |
| Univeristy of Utah | 93.847 | 10019509-03 | 1,198 |
| University of Washington | 93.847 | 704053 | (2,417) |
| University of Wisconsin - Madison | 93.847 | 304K975 | 81,170 |
| University of Maryland | 93.847 | DK046461 | 8,550 |
| Children's Mercy Hospital | 93.849 | 04-0032 | 3,260 |
| University of California, San Francisco | 93.849 | 000985 | 13 |
| Wayne State University | 93.849 | WSU09056 | (471) |
| Children's Hospital and Regional Medical | 93.853 | CHMC 380 | 755 |
| Cincinnati Children's Hospital | 93.853 | 107759 | 14,616 |
| Drexel University | 93.853 | 232475-5826 | 98,932 |
| Johns Hopkins University | 93.853 | 2000793423 | 17,799 |
| Johns Hopkins University | 93.853 | 2001049002 | 11,636 |
| Medical University of South Carolina | 93.853 | MUSC08-063 | 21,469 |
| Northwestern University | 93.853 | 60029363 CWRU | 102,028 |
| The University of British Columbia | 93.853 | F09-04946 | 17,526 |
| University of California, San Diego | 93.853 | NS063566 | 4,001 |
| University of Kentucky | 93.853 | NS066250 | 1,296 |
| University of North Carolina | 93.853 | NS042167 | 2,693 |
| University of Pittsburgh | 93.853 | 0017392 (119947-2) | 95,679 |
| Washington University | 93.853 | WU-10-52 | 7,260 |
| Washington University | 93.853 | WU-10-332 | 24,687 |
| Wayne State University | 93.853 | WSU11063 | 24,355 |
| Yale University School of Medicine | 93.853 | A08580 | 4,377 |
| Brigham and Women Hospital | 93.855 | 108080 | 36,558 |
| Brigham and Women Hospital | 93.855 | 108084 | 22,597 |
| Fred Hutchinson Cancer Research Ctr | 93.855 | 0000721026 | 278,788 |
| Iowa State University | 93.855 | 430-23-05B | 251,205 |
| Iowa State University | 93.855 | 430-23-51A | (16,651) |
| Johns Hopkins University | 93.855 | 2001317194 | 62,094 |
| Magee Woman's Hospital | 93.855 | 4292 | 3,049 |
| Magee Woman's Hospital | 93.855 | 4391 | 62,297 |
| Massachusetts General Hospital | 93.855 | 129473 | 1,000 |

CASE WESTERN RESERVE UNIVERSITY
Schedule of Expenditures of Federal Awards

For the year ended June 30, 2012

| FEDERAL GRANTOR/PROGRAM TITLE | Catalog of Federal Domestic Assistance Number | Pass Through Entity Identifying Number | Expenditures |
|---|--|---|---------------------|
| Mount Sinai School of Medicine of the NE | 93.855 | 0255-1356-4609 | 254,457 |
| Mount Sinai School of Medicine of the NE | 93.855 | 0255-1611-4609 | 119,839 |
| Mount Sinai School of Medicine of the NE | 93.855 | MT. SINAI | 1,841 |
| New Jersey Medical School | 93.855 | 191712 | 65,522 |
| Social & Scientific Systems, Inc. | 93.855 | BRS-ACURE-Q-06-00136 | 295,012 |
| Social & Scientific Systems, Inc. | 93.855 | BRS-ACURE-S-11-00004 | 55,828 |
| Social & Scientific Systems, Inc. | 93.855 | BRS-ACURES-11-491094 | 741,405 |
| Social & Scientific Systems, Inc. | 93.855 | A5207 | 46,643 |
| Tufts University | 93.855 | 5005292 | 25,608 |
| University of Alabama, Birmingham | 93.855 | AI067039 | 1,745 |
| University of Alabama, Birmingham | 93.855 | 000397076-003 | 247,684 |
| University of California, San Francisco | 93.855 | 6167SC | 31,073 |
| University of Iowa | 93.855 | 430-23-20A | 468,978 |
| University of North Carolina | 93.855 | 5-31533 | 299,157 |
| University of South Florida | 93.855 | 6408-1009-01-A | 112,836 |
| University of Texas Medical Branch | 93.855 | 0007207A | 341,881 |
| University of Washington | 93.855 | 428287 | 187,077 |
| University of Washington | 93.855 | 727743 | 250,307 |
| Washington University | 93.855 | WU-11-250 | 1,963 |
| Washington University | 93.855 | WU-12-223 | 20,881 |
| Washington University | 93.855 | WU-12-273 | 301,245 |
| Mayo Foundation- Rochester | 93.859 | GM061388 | 103,308 |
| New York Structural Biology Center | 93.859 | GM094598 | 352,176 |
| University of California, San Diego | 93.859 | 10313432-SUB | 126,204 |
| University of Chicago | 93.859 | 41028-B | 170 |
| University of Pittsburgh | 93.859 | 0002343 | 111,656 |
| University of Texas at Austin | 93.859 | UTA11-000787 | 8,615 |
| University of Texas at Austin | 93.859 | UTA11-000871 | 31,877 |
| BioInVision, Inc. | 93.865 | BIOINVISION | 91,686 |
| Children's National Medical Center | 93.865 | 2068-10-01 | 130,483 |
| Children's Research Institute | 93.865 | 388509 | 74,349 |
| Cincinnati Children's Hospital | 93.865 | 106049 | 65,567 |
| George Washington University | 93.865 | 21050 | 90,372 |
| Ohio State University Research Foundation | 93.865 | RF01076422/60012965 | 64,296 |
| RTI International | 93.865 | 0212456 | 146,639 |
| RTI International | 93.865 | 8-312-0212512 | 24,004 |
| RTI International | 93.865 | HD063036 | 110,551 |
| The Ohio State University | 93.865 | RF01194520 | 83,056 |
| University of Michigan | 93.865 | 3000640016 | 1,549 |
| Cleveland Medical Devices, Inc. | 93.866 | AG033947 | 14,894 |
| Duke Clinical Research Institute | 93.866 | 159178 | 83,756 |
| Rensselaer Polytechnic Institute | 93.866 | A12193 | 148,041 |
| Rutgers University | 93.866 | 3138 | 16,894 |
| University of California, Irvine | 93.866 | 10205850-011 | 35,964 |
| University of California, San Diego | 93.866 | 114 HBA | 14,110 |
| University of California, San Diego | 93.866 | 114 IGIV-AVID | 11,740 |
| University of California, San Diego | 93.866 | 10321835 | 12,397 |
| University of California, San Diego | 93.866 | 114-ADNI | 39,811 |
| University of California, San Diego | 93.866 | 114NGF | 194,945 |
| University of Louisville Health Sciences | 93.866 | 05-1523-Z07 | 8,876 |
| Jaeb Center for Health Research | 93.867 | EY012358 | 53,848 |
| Jaeb Center for Health Research | 93.867 | EY11751 | 273 |
| Jaeb Center for Health Research | 93.867 | 1U01EY020791-01A1 | 3,389 |
| Jaeb Center for Health Research | 93.867 | DRCR - SITE 58 | 20,140 |
| Johns Hopkins University | 93.867 | EY021531 | 42,306 |
| University of Arkansas | 93.867 | 37882 | 30,993 |
| University of Pennsylvania | 93.867 | 552812 | 128,836 |
| University of Southern California | 93.867 | H50995 | 76,242 |
| University of Wisconsin - Madison | 93.867 | 344K735 | 86,962 |
| University of Wisconsin - Madison | 93.867 | 277K303 | 310,351 |
| Ohio State University | 93.879 | 60027738 | 22,415 |
| West Virginia University | 93.879 | 06-650-CWRU | 8,971 |
| NEOUCOM | 93.884 | 34379-C | 3,600 |
| University of Illinois | 93.943 | 492078 E5381 | 50,402 |
| Cuyahoga County Board of Health | 93.944 | CCBH | 90,501 |

CASE WESTERN RESERVE UNIVERSITY
Schedule of Expenditures of Federal Awards

For the year ended June 30, 2012

| FEDERAL GRANTOR/PROGRAM TITLE | Catalog of Federal Domestic Assistance Number | Pass Through Entity Identifying Number | Expenditures |
|--|---|---|---------------------------|
| Department of Health & Human Services Subtotal | | | <u>192,729,907</u> |
| Department of Homeland Security | | | |
| Direct Programs | | | |
| Assistance to Firefighters Grant | 97.044 | | 30,137 |
| Pass Through Programs | | | |
| Iowa State University | 97.077 | 428-20-01 | 123,960 |
| Department of Homeland Security Subtotal | | | <u>154,097</u> |
| Total Research and Development - University Only | | | <u>223,233,243</u> |
| Department of Defense | | | |
| Direct Programs | | | |
| Basic and Applied Scientific Research | 12.300 | | 127,560 |
| Military Medical Research and Development | 12.420 | | 167,083 |
| Basic, Applied, and Advanced Research in Science and Engineering-ARRA | 12.630 | | 1,376 |
| Department of Defense Subtotal | | | <u>296,019</u> |
| National Aeronautics and Space Administration | | | |
| Direct Programs | | | |
| Aerospace Education Services Program | 43.001 | | 45,368 |
| Education | 43.008 | | 15,048 |
| Cross Agency Support | 43.009 | | 151,536 |
| National Aeronautics and Space Administration Subtotal | | | <u>211,952</u> |
| National Science Foundation | | | |
| Direct Programs | | | |
| Engineering Grants | 47.041 | | 65,721 |
| Biological Sciences | 47.074 | | 80,063 |
| Education and Human Resources | 47.076 | | 292,066 |
| Trans-NSF Recovery Act Research Support-ARRA | 47.082 | | 73,755 |
| Pass Through Programs | | | |
| George Washington University | 47.076 | 30857/2/CCLS20557F | 4,030 |
| Jackson State University-ARRA | 47.082 | 633108 | 3,000 |
| National Science Foundation Subtotal | | | <u>518,635</u> |
| Department of Education | | | |
| Direct Programs | | | |
| Overseas Programs - Doctoral Dissertation Research Abroad | 84.022 | | 32,613 |
| Graduate Assistance in Areas of National Need | 84.200 | | 815,133 |
| Department of Education Subtotal | | | <u>847,746</u> |
| Department of Health & Human Services | | | |
| Direct Programs | | | |
| Maternal and Child Health Federal Consolidated Programs | 93.110 | | 215,273 |
| Oral Diseases & Disorder Research | 93.121 | | 80,479 |
| Nurse Anesthetist Traineeships | 93.124 | | 17,093 |
| Research Related to Deafness and Communication Disorders | 93.173 | | 83,926 |
| National Research Service Awards Health Services Research Training | 93.225 | | 290,604 |
| National Center on Sleep Disorders Research | 93.233 | | 482 |
| Mental Health Research Grants | 93.242 | | 11,721 |
| Advanced Nursing Education Grant Program | 93.247 | | 199,425 |
| Mental Health National Research Service Awards for Research Training | 93.282 | | 5,279 |
| Discovery and Applied Research for Technological Innovations to Improve Human Health | 93.286 | | 536,269 |
| Advanced Nursing Education Traineeships | 93.358 | | 84,094 |
| Nursing Research | 93.361 | | 54,127 |
| National Center for Research Resources | 93.389 | | 2,740,197 |
| Cancer Research Manpower | 93.398 | | 1,851,369 |

CASE WESTERN RESERVE UNIVERSITY
Schedule of Expenditures of Federal Awards

For the year ended June 30, 2012

| FEDERAL GRANTOR/PROGRAM TITLE | Catalog of Federal Domestic Assistance Number | Pass Through Entity Identifying Number | Expenditures |
|--|--|---|---------------------|
| Grants for Training in Primary Care Medicine and Dentistry Training and Enhancement-ARRA | 93.403 | | 182,648 |
| Affordable Care Act (ACA) Advanced Nursing Education Expansion Initiative | 93.513 | | 283,140 |
| Cancer Research Manpower-ARRA | 93.701 | | 96,084 |
| Cardiovascular Diseases Research | 93.837 | | 737,340 |
| Lung Diseases Research | 93.838 | | 196,237 |
| Blood Diseases and Resources Research | 93.839 | | 75,390 |
| Arthritis, Musculoskeletal and Skin Diseases Research | 93.846 | | 447,370 |
| Diabetes, Digestive, and Kidney Diseases Extramural Research | 93.847 | | 657,741 |
| Extramural Research Programs in the Neurosciences and Neurological Disorders | 93.853 | | 250,707 |
| Allergy, Immunology and Transplantation Research | 93.855 | | 520,786 |
| Biomedical Research and Research Training | 93.859 | | 2,336,669 |
| Child Health and Human Development Extramural Research | 93.865 | | 785,701 |
| Aging Research | 93.866 | | 28,506 |
| Vision Research | 93.867 | | 315,599 |
| Grants for Training in Primary Care Medicine and Dentistry | 93.884 | | 808,493 |
| Scholarships for Health Professions Students from Disadvantaged Backgrounds | 93.925 | | 24,310 |
| Geriatric Education Centers | 93.969 | | 21,755 |
| International Research and Research Training | 93.989 | | 1,055,652 |
| Pass through programs | | | |
| Ohio Department of Mental Health | 93.648 | NGAG-12-411-02-003 | 12,506 |
| Research Foundation of State University | 93.648 | 10-38 | 13,210 |
| Ohio State Research Foundation | 93.778 | RF01282919 | 9,439 |
| Ohio Department of Mental Health | 93.958 | BG 12-100-17-011 | 22,478 |
| Ohio Department of Mental Health | 93.958 | BG-12-328-06-001 | 83,540 |
| Ohio Department of Mental Health | 93.958 | BG-12-425-14-001 | 405,903 |
| Ohio Department of Mental Health | 93.958 | BG-12-429-06-001 | 160,199 |
| Ohio Department of Alcohol & Drug Addiction Services | 93.959 | 99-3095-SAMI-T-12-03 | 158,629 |
| University of Georgia | 93.989 | RTW006900 | 107,061 |
| Vanderbilt University | 93.989 | TW007988 | 71,806 |
| Department of Health & Human Services Subtotal | | | 16,039,237 |
| Total Research Training Grants - University Only | | | 17,913,589 |
| Sub Total Research and Development and Research Training Cluster - University Only | | | 241,146,832 |
| Research and Development - Cleveland Clinic Lerner College of Medicine (see Footnote 1) | | | |
| Department of Health & Human Services | | | |
| Direct Programs | | | |
| Environmental Health | 93.113 | | 1,154,162 |
| Human Genome Research | 93.172 | | 298,359 |
| Research Related to Deafness and Communication Disorders | 93.173 | | 553,523 |
| Geriatric Academic Career Awards | 93.250 | | 69,043 |
| Alcohol Research Programs | 93.273 | | 1,993,472 |
| Drug Abuse and Addiction Research Programs | 93.279 | | 11,149 |
| Discovery and Applied Research for Technological Innovations to Improve Human Health | 93.286 | | 386,359 |
| Trans-NIH Research Support | 93.310 | | 381,443 |
| National Center for Research Resources | 93.389 | | 637,352 |
| Cancer Cause & Prevention Research | 93.393 | | 1,880,479 |
| Cancer Detection and Diagnosis Research | 93.394 | | 346,860 |
| Cancer Treatment Research | 93.395 | | 4,138,552 |
| Cancer Biology Research | 93.396 | | 3,859,224 |
| Cancer Research Manpower | 93.398 | | 198,789 |
| Trans-NIH Recovery Act Research Support-ARRA | 93.701 | | 3,530,347 |
| National Center for Research Resources, Recovery Act Construction Support-ARRA | 93.702 | | 173,597 |
| Cardiovascular Diseases Research | 93.837 | | 21,693,707 |
| Lung Diseases Research | 93.838 | | 3,612,871 |
| Blood Diseases & Resources Research | 93.839 | | 6,935,228 |
| Arthritis, Musculoskeletal, & Skin Diseases Research | 93.846 | | 1,715,123 |
| Diabetes, Digestive, and Kidney Diseases Extramural Research | 93.847 | | 8,642,834 |
| Extramural Research Programs in the Neurosciences and Neurological Disorders | 93.853 | | 9,147,810 |
| Allergy, Immunology and Transplantation Research | 93.855 | | 4,699,768 |
| Biomedical Research and Research Training | 93.859 | | 2,778,133 |
| Child Health and Human Development Extramural Research | 93.865 | | 2,235,290 |

CASE WESTERN RESERVE UNIVERSITY
Schedule of Expenditures of Federal Awards

For the year ended June 30, 2012

| FEDERAL GRANTOR/PROGRAM TITLE | Catalog of Federal Domestic Assistance Number | Pass Through Entity Identifying Number | Expenditures |
|--------------------------------------|---|---|--------------|
| Aging Research | 93.866 | | 1,446,465 |
| Vision Research | 93.867 | | 2,550,390 |
| Pass Through Programs | | | |
| Massachusetts General Hospital | 93.213 | U01AT000613 | 29,363 |
| Butler Hospital | 93.242 | U01MH076179 | 38,215 |
| Massachusetts General Hospital | 93.242 | R01MH071762 | 51 |
| Flocel, Inc. | 93.242 | R41MH093302 | 44,649 |
| Massachusetts General Hospital | 93.286 | R01EB009048 | 92,640 |
| Univ Of Southern California | 93.286 | R01EB010197 | 21,060 |
| New England Research Institute | 93.389 | U01DK58234 | 30,566 |
| Princeton University | 93.389 | R21RR026231 | 11,097 |
| University Of Washington | 93.389 | UL1RR025014 | 8,839 |
| Dartmouth University | 93.393 | R01CA098286 | 1 |
| Johns Hopkins University | 93.393 | U01CA137443 | 279,275 |
| St. Jude Childrens Research Hospital | 93.393 | R01CA157838 | 5,690 |
| Univ Of N Carolina Chapel | 93.393 | R01CA059005 | 54,392 |
| Univ Of N Carolina Chapel | 93.393 | R01CA098286 | 151,295 |
| Univ Of Southern California | 93.393 | U24CA074799 | 382,755 |
| Brigham and Women's Hospital | 93.394 | R01CA100833 | (3,180) |
| Harvard University | 93.394 | R01CA151532 | 36,722 |
| Ohio State University Rsc | 93.394 | R01CA134451 | 14,396 |
| University Of Miami | 93.394 | R01CA122105 | (3,163) |
| Oncoscope Inc | 93.394 | R44CA128163 | 4,055 |
| Prism Clinical Imaging, Inc. | 93.394 | R42CA113186 | 10,598 |
| American College Of Radiology | 93.395 | U10CA021661 | 150,900 |
| Duke University | 93.395 | U10CA076001 | 23,111 |
| Gynecological Oncology Group | 93.395 | U10CA027469 | 198,232 |
| Johns Hopkins University | 93.395 | U01CA161613 | 5,051 |
| Massachusetts General Hospital | 93.395 | P01CA084203 | 174,008 |
| Moffitt Cancer Ctr & Rsch | 93.395 | R01CA131076 | 73,463 |
| National Childhood Cancer | 93.395 | U10CA098543 | 51,264 |
| Ohio State University Rsc | 93.395 | U01CA044971 | 91,873 |
| Southwestern Oncology Group | 93.395 | U01CA032102 | 811 |
| Southwestern Oncology Group | 93.395 | U10CA004919 | 272,709 |
| Univ Of California At San Francisco | 93.395 | R01CA129034 | 29,828 |
| University Of Miami | 93.395 | R33CA123027 | 164,622 |
| University Of Michigan | 93.395 | U10CA32102 | 8,888 |
| University Of Minnesota | 93.395 | R01CA138437 | 37,464 |
| University Of Pittsburgh | 93.395 | P01CA109688 | 9,071 |
| Ohio State University | 93.396 | R01CA143082 | 9,388 |
| Ohio State University Rsc | 93.396 | P01CA124570 | 374,772 |
| Southwestern Oncology Group | 93.399 | U10CA037429 | (50,953) |
| Beth Israel Deconess Med-ARRA | 93.701 | RC1CA146596Z | 1,855 |
| Beth Israel Deconess Med-ARRA | 93.701 | RC1EB011001Z | 23,190 |
| Brigham & Women'S Hospita-ARRA | 93.701 | R01AR05557Z | 14,289 |
| Brigham & Women'S Hospita-ARRA | 93.701 | RC1HL101060Z | 17,939 |
| Duke University-ARRA | 93.701 | R01HL098237Z | (26,951) |
| Duke University-ARRA | 93.701 | RC2AR058934Z | 43,933 |
| Emmes Corporation-ARRA | 93.701 | U01NS026835Z | 17,725 |
| Kinetic Muscles, Inc.-ARRA | 93.701 | RC3NS070646Z | 284,955 |
| Mayo Clinic-ARRA | 93.701 | U01DK062410Z | 19,250 |
| Mount Sinai School Of Medicine-ARRA | 93.701 | U01AI063594Z | 278,028 |
| Ohio State University Rsc-ARRA | 93.701 | P01CA124570Z | 7,448 |
| Texas A & M-ARRA | 93.701 | R21HL093689Z | 56,212 |
| Univ Of Toledo-ARRA | 93.701 | RC2CA148572Z | 34,656 |
| Univ Of Washington At St-ARRA | 93.701 | U01AI077810Z | 33,545 |
| University Of Cincinnati-ARRA | 93.701 | R01NS039512Z | 4,534 |
| University Of Illinois-ARRA | 93.701 | R56DK072231Z | (1,442) |
| University Of Michigan-ARRA | 93.701 | RC2HL101740Z | 29,160 |
| University Of Minnesota-ARRA | 93.701 | R01NS057371Z | (270) |
| University Of Minnesota-ARRA | 93.701 | RC1NS068231Z | 14,260 |
| University Of Pittsburgh-ARRA | 93.701 | RC1HL102429Z | 5,122 |
| University Of Washington-ARRA | 93.701 | R01DK081368Z | 57,495 |
| Wake Forest University-ARRA | 93.701 | RC2HL101487Z | 9,408 |
| Washington Univ School Of-ARRA | 93.701 | R01HL056643Z | 121 |

CASE WESTERN RESERVE UNIVERSITY
Schedule of Expenditures of Federal Awards

For the year ended June 30, 2012

| FEDERAL GRANTOR/PROGRAM TITLE | Catalog of Federal Domestic Assistance Number | Pass Through Entity Identifying Number | Expenditures |
|--|---|---|--------------|
| Accord Biomaterials, Inc. | 93.837 | R44HL095181 | 31,860 |
| Brigham & Women's Hospital | 93.837 | P20HL101408 | (3,380) |
| Cleveland State University | 93.837 | R01HL079164 | 33,241 |
| Columbia University | 93.837 | R01HL086845 | 15,000 |
| Duke University | 93.837 | U01HL063747 | 4,803 |
| Duke University | 93.837 | R34HL105422 | 64,054 |
| Massachusetts General Hospital | 93.837 | U01HL092040 | 21,991 |
| Medstar Research Institute | 93.837 | U01HL064244 | 62,800 |
| Mount Sinai School Of Medicine | 93.837 | U01HL088942 | 50,626 |
| Northwestern University | 93.837 | R01HL091069 | 170 |
| Northwestern University | 93.837 | R01HL109244 | 57,463 |
| Pixel Velocity Inc | 93.837 | R44HL071379 | 9,328 |
| University Of Connecticut | 93.837 | P01HL070694 | 55,899 |
| University Of Pennsylvania | 93.837 | R01HL105993 | 351,074 |
| University Of Texas | 93.837 | U01HL087318 | 243,162 |
| Washington University | 93.837 | R34HL105412 | 123,817 |
| Duke University | 93.838 | U10HL080413 | 57,504 |
| Johns Hopkins University | 93.838 | P50HL084946 | 3,617 |
| Univ Of Alabama At Birmingham | 93.838 | R01HL085324 | 25,986 |
| Univ Of Washington At St. Louis | 93.838 | R01HL091762 | 20,231 |
| University Of Michigan | 93.838 | U10HL074422 | 13,425 |
| University of Virginia | 93.838 | U01HL109250 | 236,832 |
| New England Research Institute | 93.839 | U01HL072268 | 12,183 |
| Univ Of Washington At St. Louis | 93.839 | U01HL088476 | 14,673 |
| University Of Illinois | 93.839 | U54HL090513 | 211,414 |
| Boston University | 93.846 | U01AR51874 | 39,316 |
| Boston University | 93.846 | U54AR057319 | 38,068 |
| Brigham & Women's Hospital | 93.846 | R01AR055557 | 11,884 |
| Cincinnati Child Hosp Rsc | 93.846 | P60AR047784 | 18,501 |
| Drexel University | 93.846 | R01AR047904 | 18,725 |
| University Of Pennsylvania | 93.846 | U54AR057319 | 24,271 |
| Vanderbilt University | 93.846 | R01AR053684 | 54,228 |
| Beth Israel Deconess Med | 93.847 | R01DK085185 | 20,070 |
| Diapedia LLC. | 93.847 | R44DK059074 | 20,311 |
| Feinstein Institute For Medical Research | 93.847 | R33DK070341 | 31,992 |
| Mayo Clinic | 93.847 | U01DK062410 | 179,225 |
| Mayo Clinic | 93.847 | R01DK090358 | 30,139 |
| New York University | 93.847 | R33DK070341 | 17,147 |
| Oxford University | 93.847 | U01DK085545 | 5,419 |
| University Health Network | 93.847 | R01DK091288 | 9,247 |
| University Of Illinois | 93.847 | R01DK072231 | 25,959 |
| University Of Michigan | 93.847 | U01DK061028 | (37,263) |
| University Of Pennsylvania | 93.847 | U01DK060990 | 61,727 |
| University Of Utah | 93.847 | R01DK088777 | 21,494 |
| University Of Utah | 93.847 | R01DK090046 | 128,395 |
| Wayne State University | 93.847 | U01NS061264 | 10,229 |
| Boston University | 93.853 | R01NS016367 | 882 |
| Cleveland Medical Devices | 93.853 | R44NS042451 | (5,595) |
| Cleveland Medical Devices | 93.853 | U44NS057969 | (57,237) |
| Columbia University | 93.853 | R01NS048212 | 478 |
| Columbia University | 93.853 | R01NS047530 | (180) |
| Columbia University | 93.853 | U01NS043975 | 2,098 |
| Cornell University | 93.853 | U01NS050324 | 12,299 |
| H-Cubed Inc | 93.853 | R44NS052939 | 42,588 |
| Massachusetts General Hospital | 93.853 | U01NS049640 | 11,774 |
| Mayo Clinic | 93.853 | R01NS049577 | 28,956 |
| Medical College of Wisconsin | 93.853 | R01NS035929 | 62,207 |
| Medical Univ Of South Carolina | 93.853 | U01NS058728 | 23,721 |
| Mount Sinai School Of Medicine | 93.853 | U01NS045719 | 17,277 |
| The Children's Hosp Of Philadelphia | 93.853 | R01NS050488 | 1,854 |
| The University Of Akron | 93.853 | R15NS071455 | 42,770 |
| Univ North Tx Health Science | 93.853 | R01NS048837 | 58,492 |
| Univ Of California At L A | 93.853 | P50NS044378 | (11,630) |
| Univ Of California At L A | 93.853 | R01NS074980 | 48,975 |
| Univ Of California At San Francisco | 93.853 | R01NS062820 | 16,017 |

CASE WESTERN RESERVE UNIVERSITY
Schedule of Expenditures of Federal Awards

For the year ended June 30, 2012

| FEDERAL GRANTOR/PROGRAM TITLE | Catalog of Federal Domestic Assistance Number | Pass Through Entity Identifying Number | Expenditures |
|---|--|---|---------------------|
| Univ Of California At San Francisco | 93.853 | U01NS053998 | 28,707 |
| Univ Of N Carolina Chapel Hill | 93.853 | 5U01NS42167 | 9,031 |
| University of Cincinnati | 93.853 | U01NS052220 | (509) |
| University Of Iowa | 93.853 | R01NS040068 | 91,665 |
| University Of Iowa | 93.853 | R01NS054893 | 145,267 |
| University of Washington | 93.853 | U01NS042167 | 30,684 |
| Wayne State University | 93.853 | U01NS061264 | 47,242 |
| Yale University | 93.853 | U01NS044876 | (1,491) |
| Brigham & Women's Hospital | 93.855 | U01AI063623 | 175,060 |
| Luminex Corporation | 93.855 | U01AI082461 | 81,670 |
| Mount Sinai School Of Medicine | 93.855 | U01AI063594 | 145,646 |
| Northwestern University | 93.855 | U01AL084146 | 1,284 |
| Univ Of California At San Francisco | 93.855 | U01AI052748 | 3,094 |
| Univ Of Washington At St. Louis | 93.855 | U01AI077810 | 97,699 |
| Univ Of Washington At St. Louis | 93.855 | U54AI057160 | 180,815 |
| Seattle Children's Hospital | 93.859 | R01GM075184 | (1,501) |
| Research Triangle International | 93.865 | U01HD041249 | 129,989 |
| University of Kansas | 93.865 | R01HD069043 | 1,578 |
| University Of Michigan | 93.865 | U01HD041249 | 62,232 |
| University Of South Florida | 93.865 | U01DK061055 | 79 |
| New England Medical Center | 93.865 | R01AG027002 | 27,206 |
| Mount Sinai School Of Medicine | 93.866 | R01AG029656 | 100,370 |
| Rutgers University@Brunsw | 93.866 | R01AG024494 | (24,043) |
| Emory University | 93.867 | U01EY013272 | 11,289 |
| Jackson Laboratories | 93.867 | R01EY016501 | 21,772 |
| Jaeb Center Health Research | 93.867 | U10EY011751 | 71 |
| Medical College Of Georgia | 93.867 | R01EY019672 | (5,174) |
| Oregon Health & Science University | 93.867 | R01EY013516 | 43,252 |
| Yale University | 98.853 | U01NS044876 | (13,086) |
| Department of Health & Human Services Subtotal | | | 92,961,110 |
| Total Research and Development - Cleveland Clinic Lerner College of Medicine | | | 92,961,110 |
| Total Research and Development and Research Training Cluster | | | 334,107,942 |
| Student Financial Aid | | | |
| Department of Education | | | |
| Direct Programs-Student Financial Aid Cluster | | | |
| Higher Education Institutional Aid | 84.031 | | 1,062,574 |
| Adult Education - Basic Grants to States | 84.002 | | 18,861 |
| Federal Work-Study Program | 84.033 | | 1,036,528 |
| Federal Pell Grant Program | 84.063 | | 3,456,954 |
| | | | <u>5,574,917</u> |
| Total Department of Education-SFA Cluster | | | 5,574,917 |
| TRIO | | | |
| Department of Education | | | |
| Direct Programs | | | |
| TRIO_Upward Bound | 84.047 | | 465,429 |
| Department of Education Subtotal | | | 465,429 |
| Total TRIO | | | 465,429 |
| Other Federal Assistance | | | |
| Department of Defense | | | |
| Direct Programs | | | |
| Basic and Applied Scientific Research | 12.300 | | 482 |
| Pass through programs | | | |
| University of Pittsburgh | 12.420 | 0007621 | (445) |

CASE WESTERN RESERVE UNIVERSITY
Schedule of Expenditures of Federal Awards

For the year ended June 30, 2012

| FEDERAL GRANTOR/PROGRAM TITLE | Catalog of Federal Domestic Assistance Number | Pass Through Entity Identifying Number | Expenditures |
|--|--|---|------------------------------|
| Ohio Aerospace Institute | 12.800 | OAI | 1,171 |
| Department of Defense Subtotal | | | <u>1,208</u> |
| Department of Energy | | | |
| Direct Programs | | | |
| Office of Science Financial Assistance Program-ARRA | 81.049 | | 7,300 |
| Department of Energy Subtotal | | | <u>7,300</u> |
| National Aeronautics and Space Administration | | | |
| Direct Programs | | | |
| Aerospace Education Services Program | 43.001 | | (9,929) |
| National Aeronautics and Space Administration Subtotal | | | <u>(9,929)</u> |
| National Endowment for the Humanities | | | |
| Direct Programs | | | |
| Promotion of the Humanities Federal/State Partnership | 45.129 | | 7,964 |
| National Endowment for the Humanities Subtotal | | | <u>7,964</u> |
| Department of Education | | | |
| Direct Programs | | | |
| Federal Supplemental Educational Opportunity Grants | 84.007 | | 500 |
| Safe and Drug-Free Schools and Communities_National Programs | 84.184 | | 161,185 |
| Department of Education Subtotal | | | <u>161,685</u> |
| Department of Health & Human Services | | | |
| Direct Programs | | | |
| Cancer Cause and Prevention Research | 93.393 | | 1,024 |
| Allergy, Immunology and Transplantation Research | 93.855 | | 18,390 |
| Child Health and Human Development Extramural Research | 93.865 | | 27,903 |
| Ryan White HIV/AIDS Dental Reimbursements Community Based Dental Partnership | 93.924 | | 12,252 |
| Pass Through Programs | | | |
| University of Pittsburgh | 93.242 | 0021129 | 318,517 |
| The Ohio State University | 93.249 | 60027361 | 20,291 |
| Brecksville-Broadview Heights | 93.276 | BBH-10-11 | 12,500 |
| Association of American Medical Colleges | 93.283 | 5U36CD319276 | (693) |
| YMCA of Greater Cleveland | 93.283 | YMCA | 23,904 |
| Great Lakes Science Center | 93.389 | Great Lakes Science Center | 37,679 |
| Booz Allen Hamilton, Inc. | 93.393 | 79950CBS10 | 1,255 |
| Educational Development Center | 93.600 | 90HC0006; EDC 11511 | 432,445 |
| Children's Hospital and Regional Medical | 93.846 | 413820230101 | 318 |
| Aeromics | 93.853 | Aeromics | 19,972 |
| Department of Health & Human Services Subtotal | | | <u>925,757</u> |
| Total Other Federal Assistance | | | <u>7,134,331</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | <u>\$ 341,242,273</u> |

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. Under the research and development program, a total of \$27,453,302 was passed through to subgrantees from the University and \$7,890,774 from the CCLCM for the year ended June 30, 2012. \$866,912 was passed through under other programs, \$866,186 from the Department of Health and Human Services and \$726 Other.

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.

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, 2011 to June 30, 2012 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.

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, 2012:

| | CFDA Number | Advances | Outstanding Balance |
|--|------------------------|-----------------|--------------------------------|
| Perkins Loan Program | 84.038 | \$ 1,385,072 | \$ 14,493,114 |
| Nursing Student Loan Program | 93.364 | \$ 98,936 | \$ 324,661 |
| Health Professional Student Loan Program/PCL | 93.342 | \$ 427,000 | \$ 2,148,112 |
| Loan for Disadvantaged Students | 93.342 | \$ - | \$ 36,003 |

The Perkins Loan administrative cost allowance totaled \$0 for the year ended June 30, 2012.

The amount of Perkins loan principal cancelled under CFDA 84.037 totaled \$192,428 for the year ended June 30, 2012.

Federal Direct Loan Program

During the year ended June 30, 2012, 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 | \$ 108,934,862 |

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

During the year ended June 30, 2012, the University made principal and interest payments of \$912,621 and \$861,054 respectively on HUD mortgage bonds and U.S. Government housing bonds. HUD mortgage bonds and U.S. Government housing bonds payable at June 30, 2012 amounted to \$16,780,297. 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**



**Report of Independent Auditors 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 the consolidated financial statements of Case Western Reserve University and its affiliated entities, (the "University") as of and for the year ended June 30, 2012, and have issued our report thereon dated September 29, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control 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.

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

Compliance and Other Matters

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

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

A handwritten signature in cursive script that reads "PricewaterhouseCoopers LLP".

September 29, 2012
Cleveland, Ohio



**Report of Independent Auditors 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:

Compliance

We have audited the compliance of Case Western Reserve University (the "University") 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 its major federal programs for the year ended June 30, 2012, except as described in the second paragraph of this report. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

We did not audit the University's compliance with the billing, cash receipts, due diligence and portfolio management compliance requirements specified by the Federal Perkins Loan Program and described in the OMB *Circular A-133 Compliance Supplement*. Compliance with these requirements was audited by other auditors whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the University's compliance with those requirements, is based solely on the report of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the University complied, in all material respects, with the 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, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2012-1.



Internal Control over Compliance

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

We did not consider internal control over compliance with the billing, cash receipts, due diligence and portfolio management compliance requirements specified by the Federal Perkins Loan Program and described in the OMB Circular A-133 Compliance Supplement. Internal control over these compliance requirements was considered by the other auditors referred to above; and our report, insofar as it relates to the University's internal control over those compliance requirements, is based solely upon the report of the other auditors.

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 a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

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

The University's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the University's responses and, accordingly, we express no opinion on the responses.

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

PricewaterhouseCoopers LLP

March 27, 2013
Cleveland, Ohio

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CASE WESTERN RESERVE UNIVERSITY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2012

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unqualified

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> </u> yes | <u>X</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: Unqualified

| | | |
|--|--------------|--------------|
| 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 |
|--|--------------|--------------|

| | | |
|--|--|--------------|
| Identification of major programs: CFDA Number(s) | Name of Federal Program or Cluster | |
| Various | Research & Development and Research Training Cluster | |
| Various | Student Financial Aid Cluster | |
| 14.0 | Housing and Urban Development | |
| 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, 2012

Section II - Financial Statement Findings

No current year findings.

CASE WESTERN RESERVE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2012

Section III – Federal Award 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

Information on the federal program/Condition/Context

In our testing of cost transfers we identified 1 out of the 60 cost transfers that included an unallowable cost that was charged to a National Science Foundation grant.

Criteria or specific requirement

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.

Questioned Costs

\$5,919.89

Cause/Effect

An employee's moving expenses 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.

Recommendation

We recommend that the University exercise more diligence to ensure the proper review and approval process of cost transfers in accordance with its written policy.

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, 2011

Summary of Prior Year Findings and Questioned Costs

Finding #2011-1: Monitoring of CCLCM Award Activity

Research and Development Cluster

Sponsoring Agency: Department of Health and Human Services

CFDA #'s: Various - CCLCM Awards

Award Year: FY2011

Audit Finding

For the research grants that are awarded through Cleveland Clinic Lerner College of Medicine of Case Western Reserve University ("CCLCM") and administered by Cleveland Clinic Foundation ("CCF"), the University utilizes the CCF A-133 report as the primary means of monitoring how CCF complies with the various federal compliance requirements of research and development awards. However, as CCF reports on a December 31st year end and the University is on a June 30th fiscal year end, there is a six month lag in A-133 reporting and, therefore, in what is available for the University to review. In addition, although the operations of CCLCM are overseen jointly by the University and CCF many of the post-award administrative functions are performed only by CCF in accordance with an affiliation agreement and jointly designed operating procedures.

The University does not routinely perform detailed monitoring procedures of the day-to-day monitoring performed by CCF on behalf of CCLCM. For instance, cash draw-downs are performed by CCF using CCLCM drawdown accounts and federal status reports are signed by a CCF official on behalf of CCLCM; however, the University did not start to perform a detailed review of the support behind these draw reports until the fourth quarter of fiscal 2011.

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.

These specific awards are in the name of the Case Western Reserve University or CCLCM and, therefore, the University is the prime recipient. As the prime recipient, the University is required to monitor the activity of all subrecipients within the guidance developed by OMB. As such, the University was not performing sufficient monitoring of activities of CCF on behalf of CCLCM.

Status

Corrective action was taken. Beginning in the fourth quarter of fiscal 2011, the University put in place monitoring procedures over the cash draw-down and reporting processes. The monitoring procedures were performed for the duration of fiscal 2012.

Management's Corrective Action Plan

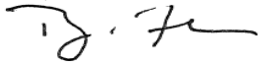
Finding #2012-1: Unallowable Cost

Management's Response:

The unallowable moving costs have been transferred to a non-sponsored source. The Office of Research Administration ('ORA') will increase supervision of decisions by accountants to transfer costs. In addition, ORA will develop new educational materials and offerings to better inform the research community about allowable costs, including which costs should be considered direct versus indirect.

Responsible area: Assistant Vice President for Research

Signed:



Bradley W. Fralic
University Controller