



**BOSTON UNIVERSITY**

Auditors' Reports as Required by Office of Management and Budget (OMB)  
Circular A-133 and *Government Auditing Standards* and Related Information

Year ended June 30, 2014

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*Government Auditing Standards* and Related Information

Year ended June 30, 2014

**Table of Contents**

	<b>Page</b>
<b>Consolidated Financial Statements and Schedule of Expenditures of Federal Awards</b>	
Independent Auditors' Report	1
Consolidated Financial Statements and Related Notes	3
Supplementary Schedule of Expenditures of Federal Awards and Related Notes	29
<b>Reports on Compliance and Internal Control</b>	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	49
Independent Auditors' Reports on Compliance for Each Major Federal Program and on Internal Control Over Compliance	51
<b>Findings and Questioned Costs</b>	
Schedule of Findings and Questioned Costs	53



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## **Independent Auditors' Report**

The Board of Trustees  
Boston University:

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Boston University and its subsidiaries, which comprise the consolidated statement of financial position as of June 30, 2014, the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Consolidated Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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



**Opinion**

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

**Other Matters**

*Predecessor Auditors' Opinion*

The accompanying consolidated financial statements of Boston University and its subsidiaries as of June 30, 2013 and for the year then ended were audited by other auditors whose report thereon dated September 19, 2013, expressed an unmodified opinion on those consolidated financial statements.

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedule of expenditure of federal awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2014 on our consideration of Boston University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Boston University's internal control over financial reporting and compliance.

**KPMG LLP**

September 17, 2014, except as to the supplementary schedule of expenditures of federal awards, which is as of December 10, 2014

**BOSTON UNIVERSITY • CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

June 30, 2014 and 2013  
(\$000)

	2014	2013
<b>ASSETS</b>		
Cash and cash equivalents . . . . .	\$ 572,114	\$ 551,775
Cash and cash equivalents-restricted . . . . .	163,436	184,013
Short-term investments . . . . .	1,705	1,454
Accounts and loans receivable, net. . . . .	188,641	186,877
Pledges receivable, net . . . . .	121,178	124,701
Prepaid expenses and other assets . . . . .	100,340	97,485
Residual asset note receivable . . . . .	53,285	53,014
Long-term investments. . . . .	1,611,101	1,417,331
Property, plant, and equipment, net. . . . .	2,136,638	2,043,814
<b>Total assets</b> . . . . .	<b>\$ 4,948,438</b>	<b>\$ 4,660,464</b>
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accrued payroll and related expenses . . . . .	\$ 108,601	\$ 107,684
Accounts payable and accrued expenses . . . . .	219,181	219,728
Fair value of interest rate exchange agreements. . . . .	242,303	227,835
Deferred revenue . . . . .	80,127	84,202
Student deposits. . . . .	86,442	83,130
Annuities payable . . . . .	15,092	16,779
Residual asset note obligation . . . . .	53,285	53,014
Capital lease obligation . . . . .	83,714	84,071
Bonds and notes payable, net . . . . .	1,328,518	1,336,388
<b>Total liabilities</b> . . . . .	2,217,263	2,212,831
Net assets:		
Unrestricted . . . . .	1,538,141	1,388,789
Temporarily restricted . . . . .	687,765	593,843
Permanently restricted . . . . .	505,269	465,001
<b>Total net assets</b> . . . . .	2,731,175	2,447,633
 <b>Total liabilities and net assets</b> . . . . .	 <b>\$ 4,948,438</b>	 <b>\$ 4,660,464</b>

*See accompanying notes to consolidated financial statements.*

**BOSTON UNIVERSITY • CONSOLIDATED STATEMENTS OF ACTIVITIES**

For the years ended June 30, 2014 and 2013  
(\$000)

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>OPERATING REVENUES</b>				
Student tuition and fees . . . . .	\$ 1,204,646	\$	\$	\$1,204,646
Student aid . . . . .	(299,838)			(299,838)
Net student tuition and fees . . . . .	904,808			904,808
Sponsored programs . . . . .	236,952			236,952
Recovery of facilities and administrative costs . .	123,547			123,547
Contributions . . . . .	30,261			30,261
Sales and services . . . . .	108,528			108,528
Spending formula and other investment income . .	44,528			44,528
Sponsored program income for student aid . . . .	14,684			14,684
Auxiliary enterprises . . . . .	260,992			260,992
Student aid . . . . .	(4,420)			(4,420)
Net auxiliary enterprises . . . . .	256,572			256,572
Contributions used for operations . . . . .	7,728			7,728
<b>Total operating revenues . . . . .</b>	<b>1,727,608</b>			<b>1,727,608</b>
<b>OPERATING EXPENSES</b>				
Instruction and departmental research . . . . .	779,346			779,346
Educational support activities . . . . .	118,285			118,285
Sponsored programs . . . . .	235,702			235,702
Libraries . . . . .	26,716			26,716
Institutional support . . . . .	247,356			247,356
Student support . . . . .	11,173			11,173
Auxiliary enterprises . . . . .	197,402			197,402
<b>Total operating expenses . . . . .</b>	<b>1,615,980</b>			<b>1,615,980</b>
<b>Change in net assets from operating activities . . .</b>	<b>111,628</b>			<b>111,628</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Contributions . . . . .		11,591	36,458	48,049
Contributions used for operations . . . . .		(7,728)		(7,728)
Reinvested endowment and other investment income . . . . .	2,236	2,251	651	5,138
Excess of investment return over spending formula amount . . . . .	64,853	97,158	4,788	166,799
Net realized and unrealized (losses) gains on interest rate exchange agreements . . . . .	(39,906)			(39,906)
Change in value of designated non-core institutional real estate . . . . .	3,976			3,976
Post-retirement related changes other than net periodic cost . . . . .	(2,543)			(2,543)
Other additions (deductions) and transfers, net . .	9,108	(9,350)	(1,629)	(1,871)
<b>Net nonoperating income . . . . .</b>	<b>37,724</b>	<b>93,922</b>	<b>40,268</b>	<b>171,914</b>
<b>Change in net assets . . . . .</b>	<b>149,352</b>	<b>93,922</b>	<b>40,268</b>	<b>283,542</b>
Beginning net assets . . . . .	1,388,789	593,843	465,001	2,447,633
<b>Ending net assets . . . . .</b>	<b>\$ 1,538,141</b>	<b>\$ 687,765</b>	<b>\$ 505,269</b>	<b>\$2,731,175</b>

See accompanying notes to consolidated financial statements.

**BOSTON UNIVERSITY • CONSOLIDATED STATEMENTS OF ACTIVITIES**

For the years ended June 30, 2014 and 2013  
(\$000)

2013				
Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
\$ 1,161,520	\$	\$	\$1,161,520	<b>OPERATING REVENUES</b>
(291,566)			(291,566)	Student tuition and fees
869,954			869,954	Student aid
240,763			240,763	Net student tuition and fees
123,066			123,066	Sponsored programs
31,334			31,334	Recovery of facilities and administrative costs
95,110			95,110	Contributions
40,643			40,643	Sales and services
15,790			15,790	Spending formula and other investment income
265,088			265,088	Sponsored program income for student aid
(4,426)			(4,426)	Auxiliary enterprises
260,662			260,662	Student aid
6,322			6,322	Net auxiliary enterprises
1,683,644			1,683,644	Contributions used for operations
				<b>Total operating revenues</b>
767,460			767,460	<b>OPERATING EXPENSES</b>
108,003			108,003	Instruction and departmental research
237,408			237,408	Educational support activities
27,037			27,037	Sponsored programs
252,305			252,305	Libraries
12,560			12,560	Institutional support
211,744			211,744	Student support
1,616,517			1,616,517	Auxiliary enterprises
67,127			67,127	<b>Total operating expenses</b>
				<b>Change in net assets from operating activities</b>
	26,408	34,914	61,322	<b>NONOPERATING REVENUES (EXPENSES)</b>
	(6,322)		(6,322)	Contributions
3,005	1,426	1,454	5,885	Contributions used for operations
33,396	52,422	1,081	86,899	Reinvested endowment and other investment income
78,046			78,046	Excess of investment return over spending formula amount
				Net realized and unrealized (losses) gains on interest rate exchange agreements
				Change in value of designated non-core institutional real estate
2,957			2,957	Post-retirement related changes other than net periodic cost
(10,993)	(1,904)	4,206	(8,691)	Other additions (deductions) and transfers, net
106,411	72,030	41,655	220,096	<b>Net nonoperating income</b>
173,538	72,030	41,655	287,223	<b>Change in net assets</b>
1,215,251	521,813	423,346	2,160,410	Beginning net assets
<u>\$ 1,388,789</u>	<u>\$ 593,843</u>	<u>\$ 465,001</u>	<u>\$2,447,633</u>	<b>Ending net assets</b>

See accompanying notes to consolidated financial statements.

**BOSTON UNIVERSITY • CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the years ended June 30, 2014 and 2013  
(\$000)

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets . . . . .	\$ 283,542	\$ 287,223
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation . . . . .	96,480	93,780
Amortization . . . . .	(844)	(522)
Loss on disposal of property and equipment . . . . .	1,316	6,849
Change in value of designated non-core institutional real estate . . . . .	(3,976)	
Unrealized losses (gains) on interest rate exchange agreements . . . . .	14,468	(103,437)
Settlements on swap replacement transactions, net . . . . .	12,145	12,153
Net realized and unrealized gains on investments . . . . .	(202,351)	(118,551)
Contributions restricted for long-term investment . . . . .	(24,848)	(15,070)
Gifts of securities and property . . . . .	(4,131)	(33,574)
Other non-cash adjustments . . . . .		153
Changes in operating assets and liabilities:		
Increase in accounts and loans receivable, net . . . . .	(1,764)	(4,423)
Decrease (increase) in pledges receivable, net . . . . .	3,523	(1,784)
Decrease (increase) in prepaid expenses and other assets . . . . .	476	(4,764)
Decrease in accounts payable and accrued expenses . . . . .	(5,872)	(11,314)
Increase (decrease) in accrued payroll and related expenses . . . . .	918	(1,565)
(Decrease) increase in deferred revenue . . . . .	(4,075)	48,852
Increase (decrease) in student deposits . . . . .	3,312	(1,867)
Net cash provided by operating activities . . . . .	<u>168,319</u>	<u>152,139</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of investments . . . . .	(211,057)	(409,503)
Proceeds from sales and maturities of investments . . . . .	223,887	366,485
Purchases of property and equipment . . . . .	(188,003)	(128,951)
Proceeds from sales of gifts of securities and property . . . . .		31,870
Decrease in cash and cash equivalents-restricted . . . . .	20,577	24,007
Net cash used in investing activities . . . . .	<u>(154,596)</u>	<u>(116,092)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from bonds and notes payable . . . . .		111,485
Bond discount . . . . .		(235)
Bond premium . . . . .		9,487
Payment of bonds, notes and mortgages . . . . .	(12,763)	(30,475)
Decrease in annuity obligations . . . . .	(1,687)	(1,070)
Contributions restricted for long-term investment . . . . .	24,848	15,070
Proceeds from sale of restricted gifts of securities and property . . . . .	3,607	
Settlements on swap replacement transactions, net . . . . .	(12,145)	(12,153)
Net cash provided by financing activities . . . . .	<u>1,860</u>	<u>92,109</u>
Unrealized loss (gain) on currency exchange . . . . .	4,756	(1,265)
Net increase in cash and cash equivalents . . . . .	20,339	126,891
Cash and cash equivalents beginning of year . . . . .	551,775	424,884
Cash and cash equivalents end of year . . . . .	<u>\$ 572,114</u>	<u>\$ 551,775</u>
<b>SUPPLEMENTAL INFORMATION:</b>		
Change in accounts payable for property, plant, and equipment . . . . .	\$ 1,995	\$ 2,254
Acquisition of property and equipment through borrowings . . . . .	\$ 623	\$ 1,020
Interest paid, net of capitalized interest of \$5,363 in 2014 and \$2,946 in 2013 . . . . .	\$ 41,821	\$ 39,343

See accompanying notes to consolidated financial statements.



## 1. Organization and Summary of Significant Accounting Policies

### *Organization:*

Boston University (the University) is an independent, nonprofit, coeducational, nonsectarian institute of higher education, founded in 1839 and chartered under the laws of the Commonwealth of Massachusetts on May 26, 1869. The University has two principal campuses, its Charles River Campus located in Boston's Back Bay and its Medical Campus located in the South End of Boston, offering students more than 250 areas of study in 16 schools and colleges.

The University is generally exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code, except to the extent the University has unrelated business income. There was no provision for income taxes due on unrelated business income in fiscal years 2014 and 2013. The University has no material uncertain tax positions.

### *Summary of Significant Accounting Policies:*

#### *Basis of Presentation:*

The accompanying consolidated financial statements have been prepared on the accrual basis in accordance with U.S. generally accepted accounting principles (GAAP).

The consolidated financial statements include the University and its wholly owned subsidiaries. All significant inter-company transactions and accounts have been eliminated.

Boston Medical Center is the primary teaching affiliate of the Boston University School of Medicine. Boston Medical Center is a separately governed legal entity organized as a 501(c)(3) and is not consolidated in the accompanying consolidated financial statements.

#### *Net Asset Classification:*

Net assets, revenues, and realized and unrealized gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes in net assets are classified as follows:

Unrestricted net assets are free of donor-imposed restrictions. Contributions, endowment income, gains, and investment income that are received and spent or whose restrictions are met in the same reporting period are reported as unrestricted. Unrestricted net assets may be designated by the Board of Trustees for specific purposes, including to function as endowments.

Temporarily restricted net assets include contributions, pledges, and endowment income for which donor-imposed restrictions as to time or purpose have not been met (primarily future capital projects) and pledges receivable for which the ultimate purpose of the proceeds is not permanently restricted. These net assets are released from restrictions when the specified time elapses or actions have been taken to meet the restrictions. The University is subject to the Massachusetts Uniform Prudent Management of Institutional Funds Act of 2009 (UPMIFA), under which donor-restricted endowment funds may be appropriated for expenditure by the Board of Trustees of the University in accordance with the standard of prudence prescribed by UPMIFA. Net assets of such funds in excess of the fair value of the original gift are classified as temporarily restricted until appropriated by the Board and spent in accordance with the standard of prudence imposed by UPMIFA.

Permanently restricted net assets include contributions, pledges, and income required to be permanently retained and primarily consist of the historic dollar value of contributions to donor-restricted endowment funds.

*For the years ended June 30, 2014 and 2013*

The composition of net assets as of June 30, 2014 and 2013, in thousands of dollars, is as follows:

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment principal:				
General purpose . . . . .	\$ 413,250	\$ 150,655	\$ 106,088	\$ 669,993
Scholarships . . . . .	70,293	176,498	145,479	392,270
Professorships . . . . .	82,515	127,893	125,205	335,613
Awards, prizes, fellowships, and other . . . . .	19,090	47,598	31,931	98,619
Research . . . . .	12,150	5,382	9,988	27,520
Annuities . . . . .		23,478		23,478
Total endowment funds . . . . .	<u>597,298</u>	<u>531,504</u>	<u>418,691</u>	<u>1,547,493</u>
Other funds:				
General and plant funds . . . . .	802,595			802,595
Building and gift funds . . . . .	66,146	89,921		156,067
Pledges . . . . .		61,851	59,326	121,177
Student loan funds . . . . .	25,875	1,668	27,252	54,795
Designated funds . . . . .	46,227	2,821		49,048
Total other funds . . . . .	<u>940,843</u>	<u>156,261</u>	<u>86,578</u>	<u>1,183,682</u>
Total net assets . . . . .	<u>\$ 1,538,141</u>	<u>\$ 687,765</u>	<u>\$ 505,269</u>	<u>\$ 2,731,175</u>
	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment principal:				
General purpose . . . . .	\$ 361,577	\$ 134,736	\$ 89,518	\$ 585,831
Scholarships . . . . .	60,321	142,247	136,918	339,486
Professorships . . . . .	64,669	101,460	117,043	283,172
Awards, prizes, fellowships, and other . . . . .	16,813	39,136	28,934	84,883
Research . . . . .	18,537	4,699	6,008	29,244
Annuities . . . . .		13,045		13,045
Total endowment funds . . . . .	<u>521,917</u>	<u>435,323</u>	<u>378,421</u>	<u>1,335,661</u>
Other funds:				
General and plant funds . . . . .	736,755			736,755
Building and gift funds . . . . .	61,313	92,509		153,822
Pledges . . . . .		64,530	60,171	124,701
Student loan funds . . . . .	26,143	1,481	26,409	54,033
Designated funds . . . . .	42,661			42,661
Total other funds . . . . .	<u>866,872</u>	<u>158,520</u>	<u>86,580</u>	<u>1,111,972</u>
Total net assets . . . . .	<u>\$ 1,388,789</u>	<u>\$ 593,843</u>	<u>\$ 465,001</u>	<u>\$ 2,447,633</u>

For the years ended June 30, 2014 and 2013

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*Collections:*

The University's collections, which were acquired through purchases and contributions since the University's inception, are not recognized as assets on the Consolidated Statements of Financial Position. Purchases of collection items are recorded as decreases in unrestricted net assets in the year in which the items are acquired. Proceeds from dispositions or insurance recoveries are reflected as increases in the appropriate net asset classes.

The University's collections are made up of artifacts of historical significance, scientific specimens, and art objects that are held for educational, research, scientific, and curatorial purposes. Each of the items is cataloged, preserved, and cared for, and activities verifying their existence and assessing their condition are performed regularly. The collections are subject to a policy that requires proceeds from dispositions to be used to acquire other items for collections.

*Use of Estimates:*

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results may differ from those estimates.

*Related Party Transactions:*

Under the University's conflict of interest policy, all business and financial relationships among the University and entities affiliated with Trustees or Officers of the University are subject to the review and approval of the Audit Committee of the Board of Trustees.

*Cash and Cash Equivalents:*

Cash equivalents include certain assets invested in the short-term pool, all of which can be liquidated within thirty (30) days. The University utilizes the short-term pool to fund daily cash needs, and such assets, reported at fair value, primarily consist of short-term U.S. Treasury securities and other short-term highly-liquid investments.

Cash and cash equivalents-restricted represent funds (a) held by bond trustees that will be drawn down to fund various capital projects and costs of issuance and (b) collateral posted with counterparties under the terms of certain derivative agreements.

*Fair Value Measurements:*

Investments and interest rate exchange agreements are reported at fair value in the University's consolidated financial statements. Fair value represents the price that would be received upon the sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants as of the measurement date. GAAP establishes a fair value hierarchy that prioritizes inputs used to measure fair value into three levels:

- Level 1—quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities.
- Level 2—observable prices that are based on inputs not quoted in active markets, but corroborated by market data. In addition, Level 2 includes investments reported using net asset value (NAV) as a practical expedient to estimate fair value that are redeemable in the near term (generally within one year).
- Level 3—unobservable inputs that are used when little or no market data is available. In addition, Level 3 includes investments reported at NAV that are not redeemable in the near term.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In determining fair value, the University utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

The majority of the University's investments are held through limited partnerships and commingled funds for which fair value is estimated using NAVs reported by fund managers as a practical expedient. For such investments, GAAP requires that classification within the fair value hierarchy be based on the University's ability to timely redeem its interest rather than on inputs used.

The NAVs or their equivalents, as estimated and reported by the general partners or investment managers, are reviewed and evaluated by the University's Investment Office, in accordance with valuation procedures established by the University's Investment Committee, the Chief Investment Officer, and the Senior Vice President, CFO, and Treasurer.

For the years ended June 30, 2014 and 2013

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Valuation results, changes in valuation policies and procedures, and issues regarding valuation that may arise from time to time are reviewed with the University Investment Committee, the Chief Investment Officer, and the Senior Vice President, CFO, and Treasurer.

Non-core institutional real estate is valued using one or more of the following valuation techniques: the use of prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities; or an income approach determining valuation by direct capitalization of net income or discounting future cash flows. Inputs such as capitalization rates, price information, operating statistics, specific and broad credit data, recent transactions, discount rates, and other factors are used in the valuation calculations.

The University discloses fair value information for financial assets and liabilities for which it is practicable to estimate fair value. Financial assets and liabilities not reported at fair value are generally carried at net realizable value, which approximates fair value. Such financial assets and liabilities include cash and equivalents, receivables, accounts payable, and accrued liabilities.

*Investments in Perpetual Trusts Held by Others and Split-Interest Agreements:*

The University is the beneficiary of certain perpetual trusts held and administered by outside trustees. The University's interests are reported at estimated fair value, based on the value of the underlying assets which approximates the present value of future income from these trusts. These assets fall within Level 3 of the hierarchy. Income distributions from these trusts are recorded as investment income for current operations.

The University's split-interest agreements with donors consist of irrevocable charitable gift annuities and charitable remainder trusts held and administered by others. For annuity contracts, the contributed assets are included in investments at fair value. Contribution revenue, net of the accompanying obligation, is recognized as of the date the donated assets are transferred to the University, and liabilities are recorded at the present value of estimated future payments to the donors and beneficiaries under these agreements. The liabilities are adjusted during the term of the annuities to reflect actuarial gains and losses.

The present values of the estimated future cash receipts from charitable remainder trusts are recognized as assets and contribution revenues as of the dates the trusts are established. Distributions from these trusts are recorded as contributions, and the carrying value of the assets is adjusted for changes in the estimates of future receipts.

*Property, Plant, and Equipment:*

Land, buildings, equipment, and library books are reported at cost or estimated fair value at the date of contribution. Maintenance and repairs are expensed as incurred and improvements that increase the useful life of the asset are capitalized. Costs associated with the construction of new facilities are reported as additions to construction in progress when expended until such projects are completed. Equipment includes general and scientific equipment, computers, furniture, and vehicles.

The University acquired equipment or other assets of approximately \$2,990,000 in 2014 and \$4,057,000 in 2013 through the use of federal funds. In most cases, the University continues to maintain the assets after the granting agreement expires.

Depreciation is computed on a straight-line basis over the remaining useful lives of assets as follows: buildings, 50 years; renovations and improvements, 20 years or lease term, if shorter; University buildings used in sponsored research activities, 12 to 50 years, by using the distinct useful lives for each major building component; equipment, 2 to 20 years; internally used software, 20 years; and library books, 10 years. Depreciation expense for the years ended June 30, 2014 and 2013 was \$96,480,000 and \$93,780,000, respectively.

Long-lived assets and certain intangibles are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. When such events or changes in circumstances indicate an asset may not be recoverable, an impairment loss is recognized in an amount by which the asset's net carrying value exceeds its estimated fair value.

*Conditional Asset Retirement Obligations:*

The University recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which the obligation is incurred. When the liability is initially recorded, the cost of the asset retirement obligation is capi-

For the years ended June 30, 2014 and 2013

talized by increasing the carrying amount of the related long-lived asset. The liability is accreted to its present value each period, and the capitalized cost associated with the retirement obligation is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the Consolidated Statements of Activities.

The asset retirement obligation at June 30, 2014 and 2013, was \$15,090,000 and \$13,704,000, respectively, and is included in accounts payable and accrued expenses in the Consolidated Statements of Financial Position.

*Tuition and Fees:*

Student tuition and fees are reported as revenue in the year the related academic services are rendered. Student tuition and fees received in advance of services to be rendered are reported as student deposits.

*Student Aid:*

Student aid in the amount of \$299,838,000 and \$291,566,000 for the years ended June 30, 2014 and 2013, respectively, has been classified as a reduction of student tuition and fees. In addition, student aid in the amount of \$4,420,000 and \$4,426,000 for the years ended June 30, 2014 and 2013, respectively, has been presented as a reduction of auxiliary enterprises (room and board) revenue.

In addition to tuition, fees, room and board, student support in the amount of \$11,173,000 and \$12,560,000 for the years ended June 30, 2014 and 2013, respectively, has been presented as an operating expense.

*Sponsored Programs:*

Revenues associated with contracts and grants are recognized as the related expenses or capital expenditures are incurred. Grant revenue used for the construction or acquisition of plant is reported within nonoperating activities. The University recognized reimbursement of facilities and administrative costs relating to government contracts and grants at authorized rates each year. All funds expended in connection with government grants and contracts are subject to audit by granting agencies. In the opinion of management, any potential liability resulting from these audits will not have a material effect on the University's financial position.

*Contributions:*

Contributions, including unconditional promises to give, are recognized upon receipt. Contributions other than cash are recorded at fair value at the date of contribution. Contributions with donor-imposed restrictions, which are reported as temporarily restricted revenues, are reclassified to unrestricted net assets when an expenditure is incurred that satisfies the restriction. Pledges receivable are carried at estimated net present value, net of allowance for uncollectible amounts. Conditional promises to give are not recognized until the conditions on which they depend are substantially met.

*Allocation of Expenses:*

Certain indirect costs have been allocated to functional expenses in the Consolidated Statements of Activities. These expenses are comprised of, in thousands of dollars:

	2014	2013
Operation and maintenance of plant. . . . .	\$ 106,872	\$ 108,631
Interest on indebtedness . . . . .	42,155	40,407
Depreciation . . . . .	96,480	93,780

*Nonoperating Activities:*

Nonoperating activities reflect transactions of a long-term investment or capital nature, including contributions to be received in the future, gains and losses on interest rate exchange agreements, the excess of investment returns over the spending formula amount, post-retirement benefit related changes other than net periodic cost, and certain other nonrecurring activities.

*Reclassifications:*

Certain 2013 balances previously reported have been reclassified to conform to the 2014 presentation. These reclassifications are not considered material.

During 2014, the University determined that certain obligations and deferred revenue amounts, totaling \$8,000,000 as of June 30, 2012 and \$46,367,000 as of June 30, 2013, that had been previously associated with the University's endowments, are more appropriately classified as offsets to the University's general and plant funds.

For the years ended June 30, 2014 and 2013

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Effective in fiscal 2014, the University adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2012-05, *Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows*, which is effective for fiscal years beginning after June 15, 2013. This standard clarifies that donated securities that are nearly immediately converted to cash and are not restricted for long-term purposes should be presented as cash flows from operating activities in the statement of cash flows.

## 2. Investments

### *Basis of Reporting:*

Investments consist of directly held equity and fixed income securities, registered mutual funds, exchange traded funds, commingled funds, limited partnerships, non-core institutional real estate, and split-interest agreements. Investments are reported at estimated fair value.

If an investment is held directly by the University and an active market with quoted prices exists, the market price of an identical security is used as reported fair value. The majority of the University's investments are in shares or units of institutional commingled funds and limited partnerships invested in equity, fixed income, hedge, natural resources, private equity, or real estate strategies. Hedge strategies involve funds whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. Funds with hedge strategies generally hold securities or other financial instruments for which a ready market exists and may include stocks, bonds, put or call options, swaps, currency hedges and other instruments, which are valued by the investment manager accordingly. Private equity funds employ buyout, growth and venture capital, and distressed security strategies. Real estate and natural resources funds generally hold interests in private real estate, oil and gas partnerships and mineral holdings.

The University's interests in commingled investment funds are generally reported at the NAV reported by the fund managers and assessed as reasonable by the University. NAV is used as a practical expedient to estimate the fair value of the University's interest therein, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2014 and 2013, the University had no plans or intentions to sell investments at amounts different from NAV.

Although the University's alternative fund managers adhere to fair value accounting as required by ASC 820, *Fair Value Measurements and Disclosures*, because of inherent uncertainties in valuation assumptions, the estimated fair values for alternative investments such as private equity and private real estate may differ significantly from values that would have been used had a ready market existed, and the differences could be material. Such valuations are determined by fund managers and generally consider variables such as operating results, comparable earnings multiples, projected cash flows, recent sales prices, and other pertinent information.

The fair value of non-core institutional real estate is based on independent appraisals and broker opinions of value, including recent sales of similar properties in the same region and in an active market. The determination of whether a real estate market is active is based on the median number of days to sale for properties with a similar geographic location, type, size, condition, and long-term occupancy rate. When independent appraisals have not been carried out and where comparable sales information is not available, a direct capitalization model is used, with significant assumptions including rental rates ranging from \$11 to \$35 per square foot, vacancy rates of between zero and 20%, and capitalization rates of between 6% and 13%. Significant changes in these inputs in isolation may result in a significantly lower or higher fair value measure.

For the years ended June 30, 2014 and 2013

Cash and investments included in the Consolidated Statements of Financial Position at June 30, 2014 and 2013 were as follows, in thousands of dollars:

	<u>2014</u>	<u>2013</u>
Cash and cash equivalents	\$ 572,114	\$ 551,775
Cash and cash equivalents-restricted	163,436	184,013
Short-term investments	1,705	1,454
Residual asset note receivable	53,285	53,014
Long-term investments	<u>1,611,101</u>	<u>1,417,331</u>
	2,401,641	2,207,587
Less assets not at fair value:		
Residual asset note receivable	(53,285)	(53,014)
Real estate partnerships accounted for under the equity method	<u>(27,738)</u>	<u>(25,518)</u>
Cash and investments at fair value	<u>\$2,320,618</u>	<u>\$2,129,055</u>

The following tables summarize in the fair value hierarchy the University's cash and investments as of June 30, 2014 and 2013, in thousands of dollars:

<u>As of June 30, 2014</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total Fair Value</u>
Cash and cash equivalents . . . . .	\$ 735,550	\$	\$	\$ 735,550
Common and preferred equities:				
Domestic . . . . .	81,083	96,685		177,768
International . . . . .	<u>154,556</u>	<u>132,424</u>	1,077	<u>288,057</u>
	235,639	229,109	1,077	465,825
Fixed Income:				
Domestic . . . . .	1,795	258		2,053
International . . . . .	204			204
US government and agencies . . . . .	<u>92,379</u>			<u>92,379</u>
	94,378	258		94,636
Alternatives:				
Hedge . . . . .		408,707	84,803	493,510
Natural resources . . . . .			35,113	35,113
Private . . . . .			190,253	190,253
Real estate . . . . .			<u>300,848</u>	<u>300,848</u>
		408,707	611,017	1,019,724
Split-interest agreements held by third parties . . . . .			<u>4,883</u>	<u>4,883</u>
Total . . . . .	<u>\$ 1,065,567</u>	<u>\$ 638,074</u>	<u>\$ 616,977</u>	<u>\$ 2,320,618</u>

For the years ended June 30, 2014 and 2013

As of June 30, 2013	Level 1	Level 2	Level 3	Total Fair Value
Cash and cash equivalents . . . . .	\$ 735,788	\$	\$	\$ 735,788
Common and preferred equities:				
Domestic . . . . .	72,293	54,953		127,246
International . . . . .	44,965	146,714	1,099	192,778
	117,258	201,667	1,099	320,024
Fixed Income:				
Domestic . . . . .	2,508	246		2,754
International . . . . .	356			356
US government and agencies . . . . .	99,751			99,751
	102,615	246		102,861
Alternatives:				
Hedge . . . . .		365,606	72,718	438,324
Natural resources . . . . .	1,508	13,982	25,899	41,389
Private . . . . .			192,609	192,609
Real estate . . . . .		130,209	163,274	293,483
	1,508	509,797	454,500	965,805
Split-interest agreements held by third parties . . . . .			4,577	4,577
Total . . . . .	\$ 957,169	\$ 711,710	\$ 460,176	\$ 2,129,055

Registered mutual funds and exchange traded funds are classified in Level 1 of the fair value hierarchy, as are most securities custodied in the University’s name because their fair values are based on quoted prices for identical securities. Investments classified in Levels 2 and 3 consist primarily of shares or units in funds as opposed to direct interests in the funds’ underlying securities, which may be readily marketable and not difficult to value. The majority of these funds’ investment managers are now registered as required by the Securities and Exchange Commission or similar international regulatory bodies.

The NAV reported by each fund categorized in Level 2 or 3 of the fair value hierarchy is used as a practical expedient to estimate the fair value of the University’s interest therein. Its classification in Level 2 or 3 is based on the University’s ability to redeem its interest at or near the date of the Consolidated Statement of Financial Position. If the interest can be redeemed in the near term (generally within one year), the investment is classified in Level 2. Accordingly, the inputs or methodology used for valuing or classifying investments for leveling purposes are not necessarily an indication of the risks associated with those investments or the degree of difficulty in estimating the fair value of each fund’s underlying assets and liabilities.

Certain hedge funds contain lockup provisions. Under such provisions, share classes of the investment are available for redemption at various times in accordance with the management agreement with the fund.



For the years ended June 30, 2014 and 2013

The following tables present a summary of the University's activity for the years ended June 30, 2014 and 2013 for investments classified in Level 3, in thousands of dollars:

2014	Common and Preferred Equities		Alternatives			Split-Interest Agreements Held by Third Parties	Total Assets at Fair Value
	International	Hedge	Natural Resources		Real Estate		
			Private				
Fair value, July 1, 2013 . . . . .	\$ 1,099	\$ 72,718	\$ 25,899	\$192,609	\$163,274	\$ 4,577	\$460,176
Purchases . . . . .	1,087	22,000	9,442	22,618	8,285	1,303	64,735
Sales or redemptions . . . . .	(1,105)	(428)	(1,780)	(54,966)	(13,316)		(71,595)
Realized gains (losses) . . . . .				25,492	2,835	(3,192)	25,135
Unrealized gains (losses) . . . . .	(4)	13,767	1,552	4,500	3,650	2,195	25,660
Transfers to Level 3 . . . . .		11,142			136,120		147,262
Transfers from Level 3 . . . . .		(34,396)					(34,396)
Fair value, June 30, 2014 . . . . .	<u>\$ 1,077</u>	<u>\$ 84,803</u>	<u>\$ 35,113</u>	<u>\$190,253</u>	<u>\$300,848</u>	<u>\$ 4,883</u>	<u>\$616,977</u>

2013	Common and Preferred Equities		Alternatives			Split-Interest Agreements Held by Third Parties	Total Assets at Fair Value
	International	Hedge	Natural Resources		Real Estate		
			Private				
Fair value, July 1, 2012 . . . . .	\$ 1,021	\$ 29,646	\$ 17,152	\$200,385	\$195,735	\$ 4,392	\$448,331
Purchases . . . . .	792	4,170	7,598	19,921	10,786		43,267
Sales or redemptions . . . . .	(1,653)	(1,486)	(782)	(53,550)	(41,042)		(98,513)
Realized gains (losses) . . . . .		94	301	13,029	(3,582)		9,842
Unrealized gains (losses) . . . . .	38	1,577	1,630	12,824	1,377	185	17,631
Transfers to Level 3 . . . . .	901	46,801					47,702
Transfers from Level 3 . . . . .		(8,084)					(8,084)
Fair value, June 30, 2013 . . . . .	<u>\$ 1,099</u>	<u>\$ 72,718</u>	<u>\$ 25,899</u>	<u>\$192,609</u>	<u>\$163,274</u>	<u>\$ 4,577</u>	<u>\$460,176</u>

There have been no significant changes in valuation techniques and related inputs used by the University.

The realized and unrealized gains (losses) in the tables above reflect the excess of investment return over the spending formula amount in the accompanying Consolidated Statements of Activities. Unrealized gains (losses) relate to those investments held by the University at June 30, 2014 and 2013. Transfers from Level 3 to Level 2 relate primarily to the release of lockup features on commingled vehicles having redemption terms that provide for liquidity within the 12 months following the reporting period. The University's policy is to recognize transfers as of the end of the year. Transfers from Level 2 to Level 3 were due to changes in the underlying investments and refinements to the valuation methodology applied.

For the years ended June 30, 2014 and 2013, there were no transfers between Level 1 and Level 2.

For the years ended June 30, 2014 and 2013

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*Investment Related Derivatives:*

The endowment employs certain derivative financial instruments to replicate long asset positions more cost effectively than through purchases or sales of the underlying assets.

As a result of entering investment derivative agreements, the University is subject to market volatility consistent with the underlying asset classes. The University has established policies, procedures, and internal controls governing the use of derivatives.

The purchase and sale of exchange-traded derivatives require collateral deposits with the Futures Commission Merchant (FCM). Collateral is posted and moved on a daily basis as required by the rules of the exchange on which the derivatives are traded. In the event of an FCM's insolvency, recovery may be limited to the University's pro-rata share of segregated customer funds available. It is possible that the recovery amount could be less than the total cash or other collateral posted. The collateral is generally in the form of debt obligations issued by the U.S. Treasury or cash. Cash collateral and certain securities owned by the University were held at counterparty brokers to collateralize these positions and are included in cash and cash equivalents-restricted on the Consolidated Statements of Financial Position. As of June 30, 2014 and 2013, the aggregate notional exposure on long-term assets was \$127,385,000 and \$143,384,000, respectively. The associated unrealized gain (loss) on these assets was \$87,000 and \$(6,563,000), respectively, as of June 30, 2014 and 2013. The notional amount of these derivatives is not recorded on the University's Consolidated Statements of Financial Position.

*Residual Asset Note:*

In June 2006, the University securitized its interest in an investment banking partnership that owned rights to residual future cash flows. To effect the securitization, the rights to receive the future cash flows were transferred from the University to a 100% owned, bankruptcy remote, special purpose limited liability corporation called BU Funding, LLC (LLC). To finance the transaction, the LLC issued a zero coupon note to Deutsche Bank Litigation Fee Trust (DBLF), collateralized by the LLC's rights to the future cash flow stream. The note had an initial face value of \$88,227,000, the aggregate amount of scheduled cash flows to be received between 2007 and 2021. The purchase price of the note was \$25,244,000 and is non-recourse to the University. As of June 30, 2014 and 2013, the carrying value of the discounted residual asset note receivable and related obligation was \$53,285,000 and \$53,014,000, respectively.

The LLC is consolidated in the financial statements of the University. The LLC's discounted note obligation is recorded as a liability and its investment has been recorded as an asset on the Consolidated Statements of Financial Position. The valuation of this investment was based on a present value analysis using readily available observable market discount factors applied to contractually committed cash inflows and outflows. The discount on the note is amortized over its scheduled maturity using the effective interest method and the note obligation decreases as future residual cash flows are received. As a result, the note and the related asset are expected to decline to a balance of zero in 2021. Upon expected extinguishment of the note in 2021, the University remains the beneficiary of \$39,700,000 of cash flows scheduled for 2022–2025. Consistent with GAAP, due to the uncertainty of the timing and ultimate amount of the additional cash flows, the University recorded a nominal value at inception of the transaction for these future cash flows even though disruption of such cash flows is unlikely.

*Real Estate Partnerships:*

The University owns shares ranging from 45% to 50% in certain University business-related real estate partnerships with a related party, which have been accounted for using the equity method. The University's ownership interest in these partnerships has been recorded within long-term investments on the Consolidated Statements of Financial Position.

For the years ended June 30, 2014 and 2013

*Investment Return:*

The following summarizes, in thousands of dollars, the investment return, as reflected in the Consolidated Statements of Activities:

For the year ended June 30, 2014	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Dividend and interest income . . . . .	\$ 6,993	\$ 8,127	\$ 606	\$ 15,726
Net realized and unrealized gains. . . . .	77,811	118,095	4,833	200,739
Total return on investments. . . . .	84,804	126,222	5,439	216,465
Less: Spending formula . . . . .	(18,262)	(29,064)	(651)	(47,977)
Less: Other non-endowment income . . . . .	(1,689)			(1,689)
	(19,951)	(29,064)	(651)	(49,666)
Excess of investment return over spending formula amount . . . . .	\$ 64,853	\$ 97,158	\$ 4,788	\$ 166,799
For the year ended June 30, 2013	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Dividend and interest income . . . . .	\$ 8,302	\$ 7,628	\$ 755	\$ 16,685
Net realized and unrealized gains. . . . .	33,773	81,189	1,780	116,742
Total return on investments. . . . .	42,075	88,817	2,535	133,427
Less: Spending formula . . . . .	(5,933)	(36,395)	(1,424)	(43,752)
Less: Other investment income	(2,746)		(30)	(2,776)
	(8,679)	(36,395)	(1,454)	(46,528)
Excess of investment return over spending formula amount . . . . .	\$ 33,396	\$ 52,422	\$ 1,081	\$ 86,899

*Commitments:*

Private equity, natural resources, and real estate investments are generally made through private limited partnerships. Under the terms of the partnership agreements, the University makes a commitment of a specific amount of capital to a partnership and is obligated to remit committed funding periodically when capital calls are exercised by the General Partner as the partnership executes on its investment strategy. Private equity, natural resources, and real estate funds are typically structured with investment periods of 3 to 7 years. Subsequent to the expiration of the investment period, a fund is usually prohibited from calling capital for new investments. The aggregate amount of unfunded commitments associated with private limited partnerships as of June 30, 2014 and 2013 was \$145,083,000 and \$108,088,000, respectively. Of this amount, approximately 16% of commitments were for funds whose investment period had expired. The timing and amount of future capital calls expected to be exercised in any particular future year is uncertain.

For the years ended June 30, 2014 and 2013

*Liquidity:*

Investment liquidity as of June 30, 2014, is aggregated below based on redemption or sale period, in thousands of dollars:

	Daily	Monthly	Quarterly	Annually	>1 Year	Total
Cash and cash equivalents . . . . .	\$ 735,550	\$	\$	\$	\$	\$ 735,550
Common and preferred equities:						
Domestic . . . . .	80,922	232	96,614			177,768
International . . . . .	133,907	105,914	47,159		1,077	288,057
	<u>214,829</u>	<u>106,146</u>	<u>143,773</u>		<u>1,077</u>	<u>465,825</u>
Fixed income:						
Domestic . . . . .	1,795	258				2,053
International . . . . .	185	19				204
US government and agencies . .	92,379					92,379
	<u>94,359</u>	<u>277</u>				<u>94,636</u>
Alternatives:						
Hedge . . . . .			206,533	202,174	84,803	493,510
Natural resources . . . . .					35,113	35,113
Private . . . . .					190,253	190,253
Real estate . . . . .				219,360	81,488	300,848
			<u>206,533</u>	<u>421,534</u>	<u>391,657</u>	<u>1,019,724</u>
Split-interest agreements held by third parties . . . . .					4,883	4,883
	<u>\$1,044,738</u>	<u>\$ 106,423</u>	<u>\$ 350,306</u>	<u>\$ 421,534</u>	<u>\$ 397,617</u>	<u>\$2,320,618</u>

The University has sole discretion to liquidate its direct holdings in non-core real estate included in the table above under “Annually.” These assets are located in the greater Boston market, which is generally active. Notwithstanding that relevant market assumptions have been incorporated where applicable, determining the fair values of such assets involves significant judgment and their ultimate sales price may be materially different than the values reported.

Investments in the “>1 Year” category include non-redeemable assets totaling \$374,084,000, as well as investments with rolling lockup periods totaling \$23,533,000.

**3. Endowment Funds**

Total endowment assets at June 30, 2014 and 2013 are \$1,616,004,000 and \$1,403,061,000, respectively. A pooled endowment fund is included as part of the University’s investments. The amounts distributed from the investment return of pooled investments in any one year may include interest, dividends, and a portion of accumulated investment gains. The distribution amount is established annually and is between 3% and 5% of the market value per share as of the most recent December 31. The actual distribution amount is recommended by management, and approved by the Trustee Executive Committee. If interest, dividends, and gains are not sufficient to support the current year drawdown, the balance is provided from prior year accumulated earnings. Income attributable to shares from newly established endowment funds is reinvested to principal during the initial six months. For the fiscal years ended June 30, 2014 and 2013, the distribution as a percentage of the prior December 31 fair value of the pooled endowment fund was 3.4% and 3.6%, respectively.

At June 30, 2014 and 2013, respectively, approximately \$411,000 and \$1,024,000 of unrealized losses on permanently restricted endowment funds were classified as a reduction in unrestricted net assets as the fair value of these funds was less than their original gift value. Unrestricted net assets will be replenished when the fair value equals or exceeds the original gift value.

*For the years ended June 30, 2014 and 2013*

The University’s endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The University classifies as permanently restricted net assets (a) the original value of contributions donated to the permanent endowment, (b) the original value of subsequent contributions 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 in 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. In accordance with UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the organization

The University has investment and spending policies for its endowment and similar funds that emphasize long-term capital appreciation as a primary source of return while balancing the dual objectives of growth in capital and principal preservation. Investments are expected to earn inflation-adjusted long-term returns sufficient to maintain or grow the purchasing power of assets, net of spending and investment expenses, within acceptable risk parameters. To satisfy its long-term rate of return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation and current yield. The University targets a diversified asset allocation of U.S. Treasury bills, common and preferred equities, fixed income, hedge funds, natural resources, private equity, and real estate. The portfolio is expected to produce risk-adjusted returns that exceed the policy benchmarks, a blended rate of indices.

The following table represents endowment net asset composition by type of fund as of June 30, 2014, in thousands of dollars:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted. . . . .	\$ (411)	\$ 531,504	\$ 418,691	\$ 949,784
Board designated. . . . .	597,709			597,709
Endowment net assets at end of year. . . . .	<u>\$ 597,298</u>	<u>\$ 531,504</u>	<u>\$ 418,691</u>	<u>\$1,547,493</u>

For the years ended June 30, 2014 and 2013

The following table represents changes in endowment net assets for the fiscal year ended June 30, 2014, in thousands of dollars:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at beginning of year . . . .	\$ 521,917	\$ 435,323	\$ 378,421	\$1,335,661
Reclassification of net assets . . . . .	613	(613)		
Endowment net assets . . . . .	<u>522,530</u>	<u>434,710</u>	<u>378,421</u>	<u>1,335,661</u>
Reinvested income distribution . . . . .	2,236	1,295	651	4,182
Net undistributed realized and unrealized gains . . . . .	<u>61,007</u>	<u>97,142</u>	<u>4,786</u>	<u>162,935</u>
Undistributed investment returns . . . . .	<u>63,243</u>	<u>98,437</u>	<u>5,437</u>	<u>167,117</u>
Contributions . . . . .	2,773	1,636	17,125	21,534
Other additions (deductions) . . . . .	<u>8,752</u>	<u>(3,279)</u>	<u>17,708</u>	<u>23,181</u>
Endowment net assets at end of year . . . . .	<u>\$ 597,298</u>	<u>\$ 531,504</u>	<u>\$ 418,691</u>	<u>\$1,547,493</u>

The following table represents endowment net asset composition by type of fund as of June 30, 2013, in thousands of dollars:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted . . . . .	\$ (1,024)	\$ 435,323	\$ 378,421	\$ 812,720
Board designated . . . . .	<u>522,941</u>			<u>522,941</u>
Endowment net assets at end of year . . . . .	<u>\$ 521,917</u>	<u>\$ 435,323</u>	<u>\$ 378,421</u>	<u>\$1,335,661</u>

The following table represents changes in endowment net assets for the fiscal year ended June 30, 2013, in thousands of dollars:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at beginning of year . . . .	\$ 407,322	\$ 380,140	\$ 343,800	\$1,131,262
Reclassification of net assets . . . . .	566	(566)		
Endowment net assets . . . . .	<u>407,888</u>	<u>379,574</u>	<u>343,800</u>	<u>1,131,262</u>
Reinvested income distribution . . . . .	2,868	1,240	1,424	5,532
Net undistributed realized and unrealized gains . . . . .	<u>33,332</u>	<u>52,422</u>	<u>1,075</u>	<u>86,829</u>
Undistributed investment returns . . . . .	<u>36,200</u>	<u>53,662</u>	<u>2,499</u>	<u>92,361</u>
Contributions . . . . .	2,655	1,262	12,764	16,681
Other additions . . . . .	<u>75,174</u>	<u>825</u>	<u>19,358</u>	<u>95,357</u>
Endowment net assets at end of year . . . . .	<u>\$ 521,917</u>	<u>\$ 435,323</u>	<u>\$ 378,421</u>	<u>\$1,335,661</u>

For the years ended June 30, 2014 and 2013

**4. Accounts Receivable and Pledges Receivable**

*Accounts Receivable:*

Accounts and loans receivable at June 30, 2014 and 2013, in thousands of dollars, consist of the following:

	2014	2013
Accounts receivable, net:		
Students . . . . .	\$ 17,921	\$ 18,092
Less: allowances . . . . .	(7,292)	(7,131)
	10,629	10,961
Grants and contracts . . . . .	55,388	52,257
Departmental sales, services, and other . . . . .	55,636	54,895
Less: allowances . . . . .	(11,184)	(7,487)
	99,840	99,665
Student loans . . . . .	81,484	79,388
Less: allowances . . . . .	(3,312)	(3,137)
	78,172	76,251
Total	\$ 188,641	\$ 186,877

Federally sponsored student loans receivable represented \$46,013,000 and \$46,262,000 as of June 30, 2014 and 2013, respectively, of total student loans receivable, which consist of amounts due from current and former students under various federal government loan programs, including Perkins and other health professional programs offered to graduate and undergraduate students. The University has the right to assign loans disbursed under these programs to the federal government upon default by the borrower; therefore, no allowance has been provided for these loans.

The University considered the allowance recorded at June 30, 2014 and 2013 to be reasonable and adequate to absorb potential credit losses inherent in the student loan portfolio.

Departmental sales, services, and other receivables include outstanding notes, mortgages, and advances bearing interest at rates up to 5.21% at June 30, 2014 and 2013, to certain employees. The aggregate amount as of June 30, 2014 and 2013 is \$7,577,000 and \$7,397,000, respectively.

*Pledges Receivable:*

Pledges consist of unconditional written promises by donors to contribute to the University in the future. At June 30, 2014 and 2013, pledges, in thousands of dollars, are expected to be realized in the following time frame:

	2014	2013
In one year or less . . . . .	\$ 39,606	\$ 34,201
Between one year and five years . . . . .	91,295	96,821
More than five years . . . . .	6,291	11,663
	137,192	142,685
Discount to present value . . . . .	(7,714)	(9,684)
Less allowance for unfulfilled pledges . . . . .	(8,300)	(8,300)
Pledges receivable . . . . .	\$ 121,178	\$ 124,701

For the years ended June 30, 2014 and 2013

### 5. Property, Plant, and Equipment

Property, plant, and equipment and related accumulated depreciation at June 30, 2014 and 2013, in thousands of dollars, consist of the following:

	2014	2013
Land . . . . .	\$ 100,278	\$ 100,278
Buildings and improvements . . . . .	2,505,677	2,425,955
Construction in progress . . . . .	288,347	212,427
Software . . . . .	54,087	54,087
Equipment . . . . .	228,817	212,941
Library books . . . . .	192,463	181,795
	<u>3,369,669</u>	<u>3,187,483</u>
Less: accumulated depreciation . . . . .	(1,233,031)	(1,143,669)
Property, plant, and equipment, net . . . . .	<u>\$ 2,136,638</u>	<u>\$ 2,043,814</u>

As of June 30, 2014 and 2013, buildings and improvements include \$94,293,000 associated with office and research space under capital lease.

Software costs related to Enterprise Resource System implementation projects of \$724,000 were incurred during fiscal year 2013. During 2013, software of \$1,208,000 was placed in service.

As of June 30, 2014 and 2013, capital expenditures of \$199,521,000 were incurred for construction of the National Emerging Infectious Diseases Laboratories (NEIDL). Of this, \$117,796,000 was placed in service during the year ended June 30, 2012. The remaining expenditures are included within construction in progress at June 30, 2014 and 2013, and will be placed in service when the construction is complete and the project is ready for its intended use.

On June 30, 1998, the University entered into an arrangement with a private investor to lease/leaseback four properties with an estimated fair value at that date of approximately \$223,000,000. The lease terms expire between 2039 and 2050, with sublease terms expiring from 2031 through 2040. The University has options to purchase the investor's leasehold interest in the properties at predetermined prices on dates specific to each property from 2015 through 2022. An irrevocable trust sufficient to fund required annual sublease obligations and lease purchase options, all of which the University intends to exercise, was established at the time of the transaction. The transaction did not result in a sale of the properties, which remain on the University's Consolidated Statements of Financial Position and have a net carrying value of \$162,466,000 and \$166,415,000, respectively, as of June 30, 2014 and 2013.



For the years ended June 30, 2014 and 2013

6. Indebtedness

*Bonds and Notes Payable:*

The principal amounts of bonds and notes payable at June 30, 2014 and 2013, in thousands of dollars, are summarized in the table below. Tax exempt and certain taxable bonds were issued through the Massachusetts Development Finance Agency (MDFA) and the Massachusetts Health and Educational Facilities Authority (HEFA) prior to its merger with MDFA.

	Final Maturity	Interest Rate at June 30, 2014	Outstanding Principal	
			2014	2013
Fixed rate bonds and notes payable:				
MDFA Series P, blended fixed rate . . . . .	5/15/59	5.63%	\$ 100,000	\$ 100,000
HEFA Series S, blended fixed rate . . . . .	10/1/39	4.71%	35,000	35,000
MDFA Series T-1 . . . . .	10/1/39	5.00%	162,740	162,740
MDFA Series T-2 (taxable) . . . . .	10/1/30	5.27%	4,260	4,260
MDFA Series U-4 . . . . .	10/1/40	5.65%	50,000	50,000
MDFA Series V-1 . . . . .	10/1/29	5.00%	44,000	44,000
MDFA Series V-2 . . . . .	10/1/14	2.88%	63,170	63,170
MDFA Series V-3 . . . . .	10/1/14	2.88%	10,200	10,200
MDFA Series W (taxable) . . . . .	10/1/45	5.20%	100,470	100,470
MDFA Series X, blended fixed rate . . . . .	10/1/48	4.78%	111,485	111,485
Century notes (taxable) . . . . .	7/15/97	7.63%	100,000	100,000
Boston Medical Center note (taxable) . . . . .	5/12/16	2.00%	11,626	17,438
Boston Redevelopment Authority note (taxable) . .	6/15/21	0.00%	8,015	9,160
Aetna loan (taxable) . . . . .	9/15/18	10.20%	3,822	4,463
Various notes payable (taxable) . . . . .	various	various	4,916	5,747
Total fixed rate bonds and notes payable . . . . .			<u>\$ 809,704</u>	<u>\$ 818,133</u>
Variable rate bonds payable:				
HEFA Series H . . . . .	12/1/29	0.06%	\$ 25,000	\$ 25,000
HEFA Series N (taxable) . . . . .	10/1/34	0.11%	30,725	31,020
MDFA Series U-1 . . . . .	10/1/40	0.64%	50,000	50,000
MDFA Series U-2 . . . . .	10/1/40	0.86%	50,000	50,000
MDFA Series U-3 . . . . .	10/1/40	0.04%	50,000	50,000
MDFA Series U-5A . . . . .	10/1/31	0.03%	36,700	37,600
MDFA Series U-5B . . . . .	10/1/31	0.07%	38,400	39,300
MDFA Series U-6A . . . . .	10/1/42	0.66%	62,850	62,850
MDFA Series U-6C . . . . .	10/1/42	0.03%	52,545	52,545
MDFA Series U-6E . . . . .	10/1/42	0.61%	62,695	62,695
Royal Bank of Scotland (taxable) . . . . .	8/15/29	0.97%	41,948	38,807
Total variable rate bonds payable . . . . .			<u>\$ 500,863</u>	<u>\$ 499,817</u>
Total bonds and notes payable . . . . .			<u>\$ 1,310,567</u>	<u>\$ 1,317,950</u>
Add: Unamortized net premium . . . . .			17,951	18,438
Total bonds and notes payable, net . . . . .			<u>\$ 1,328,518</u>	<u>\$ 1,336,388</u>

Certain bond and bank obligations are collateralized by a pledge on tuition revenues, and certain other notes payable are collateralized by plant and property with a net carrying value of \$49,812,000 and \$50,773,000 as of June 30, 2014 and 2013, respectively. The University's bank agreements require annual compliance with financial covenants, including a minimum level of debt service coverage and a minimum level of expendable resources relative to debt. The University was in compliance with financial debt covenants as of June 30, 2014 and 2013.

For the years ended June 30, 2014 and 2013

The fair value of the University’s outstanding fixed rate long-term debt was estimated based on recent market data for each debt issue when available. When market data was not available, fair value was estimated based on calculating the present value of the remaining debt service cash flows using a discount rate that takes into consideration comparable terms and estimated yields for similar transactions and obligors. For variable rate debt, the fair value is equal to the carrying value. The inputs to the assumptions used to determine the estimated fair value of debt are based on primarily observable inputs and are classified in Level 2 of the fair value hierarchy. The estimated fair value of the debt portfolio as of June 30, 2014 and June 30, 2013 is \$1,418,963,000 and \$1,372,622,000, respectively.

Scheduled principal payments on bonds and notes payable, in thousands of dollars, are presented in the table below:

Year	Scheduled Principal Maturities
2015	\$ 86,395
2016	12,947
2017	7,760
2018	8,732
2019	8,670
Thereafter	<u>1,186,063</u>
Total	<u>\$1,310,567</u>

Scheduled principal maturities represent aggregate annual payments as required under long-term debt repayment schedules. As of June 30, 2014 and 2013, the University’s debt portfolio includes variable rate demand bonds (VRDBs) of \$233,370,000 that are supported by irrevocable letters of credit (LOCs). The LOCs are provided by a diverse group of financial institutions to secure bond repayment and interest obligations and have various maturity dates between July 2015 and June 2018. In the event that a VRDB cannot be remarketed, the bond may be “put” to the LOC provider, resulting in a loan to the University to fund redemption of the bond. If all outstanding VRDBs had been “put” as of June 30, 2014, aggregate scheduled loan repayments under the VRDB-related LOCs would be as follows: \$38,895,000, \$77,790,000, \$77,790,000, and \$38,895,000 in 2015, 2016, 2017, and 2018, respectively. The University has used VRDBs backed by bank LOCs for over 25 years, during which time there have been no instances where a bond failed to be remarketed and was put back to the University.

In April 2013, the University issued its \$111,485,000 Series X tax exempt fixed rate bonds with a final maturity in 2048. The bonds were issued at a premium and generated proceeds of \$120,737,000, which will be used to fund designated capital expenditures and to pay bond issuance costs. Interest is payable at a blended fixed interest rate of 4.78% per annum.

In March 2013, the HEFA Series E Capital Asset Program loan was fully repaid on its scheduled maturity date in the amount of \$18,000,000.

For the years ended June 30, 2014 and 2013

*Bank Lines:*

The University has \$140,000,000 in committed 364-day lines of credit with five financial institutions. There were no draws or outstanding loans under these lines of credit as of and for the years ended June 30, 2014 and 2013. The current expiration date for all lines of credit is April 2015.

*Debt Related Derivatives:*

The University has entered into various long-term interest rate exchange agreements to hedge all or a portion of the variable interest rate exposure on certain debt issues, thereby managing the interest cost and risk associated with its outstanding debt. The contracts require the University to make fixed rate interest payments in exchange for variable rate interest payments on the respective notional principal amounts. The variable rate payments received are expected to approximate the interest payable on the underlying variable rate debt. Scheduled reductions of the notional amounts under the swap agreements also generally match the scheduled amortization of the underlying debt.

In connection with its Series V-2 and V-3 fixed rate bonds, the University is also a party to a fixed rate receiver swap. This agreement offsets a portion of the cost of the continuing long-term interest rate exchange agreements associated with refunded bonds.

Below is a summary of the terms of the University's outstanding debt related derivatives as of June 30, 2014 and 2013, in thousands of dollars:

Swap/Swaption Agreement	Notional Amount	Fair Value		Effective Date	Termination Date	University Pays	University Receives
		6/30/14	6/30/13				
Series H	\$ 25,000	\$ 8,218	\$ 8,279	10/30/1997	12/01/2027	5.28%	SIFMA
Series N	23,485	9,350	9,661	10/30/1997	10/01/2027	6.79%	LIBOR
Series U1-3	150,000	44,968	42,826	10/01/2007	10/01/2040	3.97%*	69% of 1-Mo. USD LIBOR
Series U5	75,100	16,302	16,917	10/30/2001	10/01/2031	4.10%	67% of 1-Mo. USD LIBOR
Series U6	10,700	1,966	2,126	10/01/2002	10/01/2022	4.16%	67% of 1-Mo. USD LIBOR
Series U6, V	239,500	112,079	107,727	7/01/2008	10/01/2042	5.42%*	SIFMA
Series V	73,370	(681)	(1,908)	12/04/2009	10/01/2014	SIFMA	1.94%
Royal Bank of Scotland	41,948	8,697	9,113	8/15/2006	8/15/2029	5.65%	3-Mo. GBP LIBOR +45 basis points
Series S swaption	35,000	10,103	8,189	10/01/2014	on exercise	4.7%**	SIFMA
Series T swaption	162,740	45,463	38,260	10/01/2015	on exercise	4.95%**	SIFMA
Less: Credit valuation adjustment		(14,162)	(13,355)				
		<u>\$ 242,303</u>	<u>\$ 227,835</u>				

SIFMA—Securities Industry and Financial Markets Association Municipal Swap Index

LIBOR—London Interbank Offered Rate

\*Represents a blended interest rate

\*\*If exercised

Interest rate exchange liabilities are valued using observable inputs, such as quotations received from the counterparty, dealers, or brokers, whenever available and considered reliable. In instances where models are used to validate extended quotations, the value of the interest rate exchange liability depends upon the contractual terms of, and specific risks inherent in, the instrument as well as the availability and reliability of observable inputs. Such inputs include market prices for reference securities, credit curves, assumptions for nonperformance risk, and correlations of such inputs. The fair value of interest rate exchange agreements is included within Level 2 of the valuation hierarchy.

*For the years ended June 30, 2014 and 2013*

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In 2014 and 2013, the University paid net settlement costs on interest rate exchange agreements of \$25,438,000 and \$25,391,000, respectively. These net settlement costs have been reported in nonoperating activities on the Consolidated Statements of Activities.

For purposes of the Consolidated Statements of Cash Flows, net settlements under the University's interest rate exchange agreements are generally included in cash flows from operating activities. However, in October 2008, the University elected to terminate its existing interest rate exchange agreements with a subsidiary of Lehman Brothers after that firm's bankruptcy and simultaneously entered replacement agreements with new counterparties who provided cash to facilitate settlement of the existing agreements. Accordingly, future net settlements under various replacement agreements, with a total notional amount of \$359,035,000 at June 30, 2014, are considered financing activities. During 2014 and 2013, respectively, net settlement payments of \$12,145,000 and \$12,153,000, were classified as cash flows used in financing activities.

The University's interest rate exchange agreements necessarily involve counterparty credit exposure. The counterparties for the University's agreements are a diversified group of major financial institutions that meet the University's criteria for financial stability and creditworthiness. Interest rate exchange agreements provide for two-way collateral posting requirements intended to mitigate credit risk. At June 30, 2014 and 2013, the University was required to post collateral of \$106,494,000 and \$91,520,000, respectively. Posted collateral balances are included on the consolidated statement of financial position in cash and cash equivalents-restricted. Contractual bilateral collateral posting levels are based on counterparty public debt ratings; current University posting amounts could increase or decrease should the University's credit ratings change. Additionally, interest rate exchange contracts provide for early termination should either counterparty's credit ratings fall below investment grade.

## **7. Pension and Other Employee Benefits**

### *Defined Contribution Plan:*

The University funds retirement plan contributions to Teachers Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF), and Fidelity Investments for employees. This 403(b) plan is a defined contribution plan available to all employees who work at least 50% of a full-time schedule, and have an appointment or an expected assignment duration of at least nine months. The expenses for this program amounted to \$63,859,000 in fiscal year 2014 and \$62,103,000 in fiscal year 2013.

### *Pension and Other Post-Retirement Benefit Plans:*

The Boston University Retirement Plan, a qualified defined benefit plan, covered certain University retirees and eligible employees who had elected to participate before December 31, 1986 when the plan was closed to new participants. During 2008, the University initiated the plan termination process. As part of this process, plan assets were used to purchase guaranteed annuities on behalf of the participants to settle the pension liability, and all assets remaining were used to purchase additional benefits for the participants. After receipt of an acceptance of the plan termination filing from the Internal Revenue Service and upon finalization of a plan audit by the Pension Benefit Guarantee Corporation in 2013, the University completed the plan termination process, including the distribution of remaining plan assets to participants and final required filings in 2014.

During fiscal year 2009, the University initiated the process to discontinue a plan option that offers subsidized health care coverage to employees who retire from the University after age 55 until age 65, provided they have at least ten consecutive years of participation in the Plan at the time they retire. Reflecting an extension of the termination date made in fiscal year 2010, the change applied to employees terminating from the University on or after September 1, 2009. The University provides modest life insurance benefits to retirees in the Plan as of January 1, 2007.

In 2013, the University transferred its benefit obligation to provide medical and life insurance benefits for permanently disabled individuals from this plan to its self-insured long term disability plan obligation, included in Accrued Payroll and Related Expenses in the Consolidated Statements of Financial Position. This change resulted in the one-time recognition of net outstanding actuarial losses for these individuals of \$5,500,000. Obligations transferred from the post-retirement obligation to the long-term disability plan obligation totaled \$5,349,000 at July 1, 2012.

For the years ended June 30, 2014 and 2013

Beginning in 2013, the valuation process for the University’s post-retirement benefits plan liability was simplified, to reflect actual claims, interest cost, and the amortization of actuarial gains and losses over their expected life. Claims paid, in 2014 and 2013, net of interest cost totaled \$1,000,000 and \$1,100,000 respectively. Actuarial losses and prior service credits previously recognized in the Consolidated Statements of Activities as nonoperating gains and losses are being amortized into operations over time. In 2014 and 2013, this amortization resulted in a net credit to operating expense of \$2,543,000. The University’s accrued post-retirement benefit obligation reflected in the Consolidated Statement of Financial Position totaled \$4,900,000 and \$5,900,000 in 2014 and 2013, respectively.

**8. Commitments and Contingencies**

*Leases:*

The University is committed to minimum annual rent payments under several long-term non-cancellable operating and capital leases for educational and office space through fiscal year 2033. Amounts scheduled include options to extend capital leases through the year 2066, in thousands of dollars, and are summarized below:

	<u>Operating</u>	<u>Capital</u>
2015	\$ 21,964	\$ 3,956
2016	21,753	4,021
2017	20,723	4,021
2018	20,422	4,021
2019	20,679	4,021
Thereafter	<u>104,324</u>	<u>188,792</u>
	\$ 209,865	\$ 208,832
Less: Amounts representing interest		<u>(125,118)</u>
Capital lease obligation		<u>\$ 83,714</u>

For 2014 and 2013, rent expense for educational facilities and office space was \$27,807,000 and \$27,859,000, respectively. Certain of these leases provide an option to purchase the properties at fair value.

The University has two leases recorded as capital lease obligations related to a biomedical research facility at 670 Albany Street in Boston. Future minimum lease payments are approximately \$83,714,000 to be paid over the 60-year term of the lease.

*Joint Venture Commitments:*

The University has entered into certain non-cancellable operating leases expiring through 2030 with its equity-method real estate partnerships. The partnerships have total assets of \$109,233,000 and \$111,510,000 and total liabilities of \$44,266,000 and \$49,541,000 as of June 30, 2014 and 2013, respectively. The total outstanding debt is equal to \$37,469,000 and \$42,086,000 as of June 30, 2014 and 2013, respectively. The University’s share of the debt is \$18,290,000 and \$20,593,000 as of June 30, 2014 and 2013, respectively. The total minimum annual lease payments associated with these leases of approximately \$7,505,000 and \$7,486,000 for the years ended June 30, 2014 and 2013, respectively, are included in the table above.

*NEIDL:*

In September 2003 the University received an award from the National Institutes of Health (NIH) for the construction of a Biosafety Level (BSL) 4 NEIDL on the University’s Medical Campus. The NEIDL is to be used by the University and other organizations to study infectious diseases and to support the federal government’s bio-defense effort.

Construction of the NEIDL was substantially completed in 2009. The use of the building for BSL-4 research has been delayed due to pending litigation; with the dismissal of litigation in Massachusetts Superior Court in April 2014, all pending litigation has been resolved, and the University is working to obtain regulatory approval for BSL-4 research from the Boston Public Health Commission. In March of 2012 the University received clearance from the Massachusetts Executive Office of Energy and Environmental Affairs to begin research at NEIDL at Biosafety Level 2 and as of March 15, 2012, the related portion of the facility was placed into service and research began.

*For the years ended June 30, 2014 and 2013*

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The University and Boston Medical Center each committed \$28,300,000 toward construction, and each held a 50% equity interest in the project with the right to share equally in the future operating activities of the NEIDL. In May 2010, in accordance with the terms of the agreement between the University and Boston Medical Center, Boston Medical Center notified the University of its intent to withdraw from further participation in the NEIDL as of May 1, 2011. The agreement required the University to repay Boston Medical Center's equity commitment of \$29,064,000. Repayment terms for this obligation were finalized in February of 2012, with repayment to be made over 5 years at an interest rate of 2%. The balance of this obligation as of June 30, 2014 and 2013, of \$11,626,000 and \$17,438,000, respectively, is reflected in bonds and notes payable.

Total original construction costs were \$199,521,000 as of June 30, 2014 and 2013. NIH has reimbursed \$140,625,000 as of June 30, 2014 and 2013. When initially received by the University, NIH funding for NEIDL construction was recorded as an increase to temporarily restricted net assets, to be released from restriction when the asset is placed in service. As noted above, over 60% of the building was placed into service during 2012, and as a result, in 2012, a pro-rata share of NIH funding, \$86,507,000, was transferred from temporarily restricted net assets to unrestricted net assets.

*Other:*

As of June 30, 2014, the University has commitments of approximately \$292,750,000, primarily related to open construction contracts and capital acquisitions. This amount is expected to be financed from operating cash flow, federal government grants, and borrowings.

In December 2012, in connection with the sale of a non-core asset, the University entered into a 75-year ground agreement to lease the land to the purchaser of the building. The lease term is through 2087. In connection with this transaction, the University received a prepaid lease payment of \$38,625,000 that is included in deferred revenue on the Consolidated Statements of Financial Position and will be amortized on a straight-line basis over the term of the lease. For the years ended June 30, 2014 and 2013, the University recognized rental revenue of \$515,000 and \$257,500, respectively, related to the ground lease. The unamortized deferred rent as of June 30, 2014 and 2013 is \$37,853,000 and \$38,368,000, respectively.

Effective July 1, 1996, the University entered into a support agreement with Boston Medical Corporation, which was formed from the merger of Boston City Hospital and Boston Medical Center Hospital. The University's commitment for fiscal year 2014 is approximately \$8,000,000.

The University is a defendant in various legal actions arising in the normal course of its operations. Although the final outcome of such actions cannot currently be determined, the University believes that eventual liability, if any, will not have a material effect on the University's financial position.

## **9. Subsequent Events**

In July 2014, in connection with an existing \$35,000,000 swaption contract related to its Series S bonds, the University was notified of the counterparty's intent to exercise its option effective as of October 1, 2014. Under the terms of the resulting swap, the University will pay a fixed rate of 4.7% and receive the SIFMA index from October 1, 2014 through October 1, 2039. The University expects to refinance the Series S bonds on their October 1, 2014 call date with proceeds of a new tax exempt variable rate bond issue (Series Y) with amortization and final maturity identical to the existing Series S bonds and hedged with the new interest rate exchange agreement. In addition, the University expects to refinance \$73,400,000 of existing tax exempt fixed rate Series V-2 and V-3 bonds at their maturity on October 1, 2014, funded with proceeds of new five-year tax exempt fixed rate Series Z-1 and Z-2 bonds.

The University has assessed the impact of subsequent events through September 17, 2014, the date the Consolidated Financial Statements were issued.

**BOSTON UNIVERSITY**  
 Supplementary Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2014

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA number	Federal expenditures
Research and Development Cluster:		
Direct Awards:		
Agency for International Development:		
Agency for International Development	98	\$ 206,673
Agency for International Development	98.001	428,586
Agency for International Development Total		<u>635,259</u>
Department of Agriculture:		
Department of Agriculture	10	25,813
Department of Agriculture	10.310	364,461
Department of Agriculture Total		<u>390,274</u>
Department of Commerce:		
Department of Commerce	11	81,204
Department of Commerce	11.420	(198)
Department of Commerce	11.440	(4,164)
Department of Commerce Total		<u>76,842</u>
Department of Defense:		
Air Force	12	922,363
Air Force	12.800	1,693,958
Air Force	12.910	144,918
Army	12	380,079
Army	12.420	3,311,950
Army	12.431	1,982,660
Army	12.630	361,361
Army	12.910	337,577
Defense Threat Reduction Agency	12.351	534,721
Defense Threat Reduction Agency	12.630	86,811
National Security Agency	12.901	19,155
Navy	12	116,127
Navy	12.300	4,574,188
Department of Defense Total		<u>14,465,868</u>
Department of Education:		
Department of Education	84.133	1,761,350
Department of Education	84.305	241,047
Department of Education	84.324	459,311
Department of Education Total		<u>2,461,708</u>
Department of Energy:		
Department of Energy	81.049	4,280,937
Department of Energy	81.087	358,986
Department of Energy	81.089	278,697
Department of Energy	81.135	713,477
National Energy Technology Lab	81.089	119
Department of Energy Total		<u>5,632,216</u>
Department of Health and Human Services:		
Administration on Aging	93.048	111,587
Agency for Healthcare Research And Quality	93	174,850
Agency for Healthcare Research And Quality	93.226	722,836
Center for Disease Control	93.067	3,444,505
Center for Disease Control	93.135	23,925
Center for Disease Control	93.283	217,626
Center for Disease Control	93.542	585,649
Eunice Kennedy Shriver National Institute of Child Health and Human Development	93.865	5,741,556
Eunice Kennedy Shriver National Institute of Child Health and Human Development – ARRA	93.701	(637)
Fogarty International Center	93.989	33,763
Health Resources and Services Administration	93.110	486,570
Health Resources and Services Administration	93.145	1,269,803
Health Resources and Services Administration	93.250	11,027
Health Resources and Services Administration	93.928	455,941
National Cancer Institute	93	335,248
National Cancer Institute	93.310	203,336
National Cancer Institute	93.393	5,053,178
National Cancer Institute	93.394	464,711
National Cancer Institute	93.395	1,202,949
National Cancer Institute	93.396	1,888,291
National Cancer Institute	93.398	227,602
National Cancer Institute	93.838	687,845
National Cancer Institute – ARRA	93.701	(6,084)
National Center for Complementary and Alternative Medicine	93.213	1,083,547
National Center for Complementary and Alternative Medicine – ARRA	93.701	(6,486)

**BOSTON UNIVERSITY**

Supplementary Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

<b>Federal Grantor/Pass-through Grantor/Program or Cluster Title</b>	<b>CFDA number</b>	<b>Federal expenditures</b>
National Center for Health Research Resources	93.350	\$ 3,567,155
National Center for Health Research Resources	93.389	(142,608)
National Center for Health Research Resources – ARRA	93.701	29,798
National Center on Minority Health and Health Disparities	93.307	610,339
National Eye Institute	93.867	2,429,508
National Eye Institute – ARRA	93.701	(166)
National Heart, Lung, and Blood Institute	93	10,964,963
National Heart, Lung, and Blood Institute	93.310	409,319
National Heart, Lung, and Blood Institute	93.837	9,819,628
National Heart, Lung, and Blood Institute	93.838	6,580,644
National Heart, Lung, and Blood Institute	93.839	3,249,483
National Heart, Lung, and Blood Institute – ARRA	93.701	(13,963)
National Human Genome Research Institute	93.172	1,563,702
National Institute of Allergy and Infectious Diseases	93	1,282,461
National Institute of Allergy and Infectious Diseases	93.855	19,503,982
National Institute of Allergy and Infectious Diseases – ARRA	93.701	(2,416)
National Institute of Arthritis and Musculoskeletal and Skin Diseases	93.310	394,394
National Institute of Arthritis and Musculoskeletal and Skin Diseases	93.846	8,348,083
National Institute of Biomedical Imaging and Bioengineering	93.286	3,407,349
National Institute of Dental and Craniofacial Research	93.121	5,720,292
National Institute of Dental and Craniofacial Research – ARRA	93.701	(78,531)
National Institute of Dental and Craniofacial Research – ARRA	93.715	(18,383)
National Institute of Diabetes and Digestive and Kidney Diseases	93.847	6,709,863
National Institute of Environmental Health Sciences	93.113	2,493,859
National Institute of Environmental Health Sciences	93.143	2,629,521
National Institute of General Medical Sciences	93.859	9,753,975
National Institute of General Medical Sciences – ARRA	93.701	(30,030)
National Institute of Mental Health	93.242	9,890,452
National Institute of Mental Health	93.281	121,049
National Institute of Mental Health	93.310	8,563
National Institute of Neurological Disorders and Stroke	93.242	235,300
National Institute of Neurological Disorders and Stroke	93.310	560,615
National Institute of Neurological Disorders and Stroke	93.853	8,721,639
National Institute of Neurological Disorders and Stroke – ARRA	93.701	(60)
National Institute on Aging	93.866	10,484,524
National Institute on Aging – ARRA	93.701	(904)
National Institute on Alcohol Abuse and Alcoholism	93.273	2,159,408
National Institute on Deafness and Other Communication Disorders	93.173	6,279,509
National Institute on Drug Abuse	93.279	1,718,437
NIH Clinical Center	93	895,516
Office of Assistant Secretary for Preparedness and Response	93	286,270
Office of the Director, National Institutes of Health	93.310	570,900
Substance Abuse and Mental Health Service Administration	93.243	224,965
Department of Health and Human Services Total		<u>165,751,542</u>
Department of Homeland Security:		
Department of Homeland Security	97.077	<u>83,965</u>
Department of Homeland Security Total		<u>83,965</u>
Department of Housing and Urban Development:		
Department of Housing and Urban Development	14.906	<u>173,050</u>
Department of Housing And Urban Development Total		<u>173,050</u>



**BOSTON UNIVERSITY**  
Supplementary Schedule of Expenditures of Federal Awards  
Year ended June 30, 2014

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA number	Federal expenditures
Department of Justice:		
Department of Justice	16	\$ 457,432
Department of Justice	16.560	44,399
Department of Justice Total		<u>501,831</u>
Department of Labor:		
Department of Labor	17	(5,675)
Department of Labor Total		<u>(5,675)</u>
Department of the Interior:		
Department of Interior	15	624,059
Department of Interior	15.944	70,992
Department of Interior	15.979	526
Department of the Interior Total		<u>695,577</u>
Department of Transportation:		
Department of Transportation	20.109	184,767
Department of Transportation Total		<u>184,767</u>
Department of Veterans Affairs:		
Department of Veterans Affairs	64	5,029,674
Department of Veterans Affairs Total		<u>5,029,674</u>
Environmental Protection Agency:		
Environmental Protection Agency	66.509	321,584
Environmental Protection Agency	66.514	12,906
Environmental Protection Agency Total		<u>334,490</u>
Executive Office of the President:		
Executive Office of the President	95	(20,188)
Executive Office of the President Total		<u>(20,188)</u>
National Aeronautics and Space Administration:		
National Aeronautics and Space Administration	43	85,384
National Aeronautics and Space Administration	43.001	3,048,434
National Aeronautics and Space Administration	43.003	392,362
National Aeronautics and Space Administration Total		<u>3,526,180</u>
National Endowment for the Humanities:		
National Endowment for the Humanities	45.161	17,802
National Endowment for the Humanities	47.075	46,197
National Endowment for the Humanities Total		<u>63,999</u>
National Science Foundation:		
National Science Foundation	47.041	2,506,898
National Science Foundation	47.049	6,279,360
National Science Foundation	47.050	3,490,046
National Science Foundation	47.070	4,441,558
National Science Foundation	47.074	2,552,198
National Science Foundation	47.075	5,252,776
National Science Foundation	47.076	3,158,382
National Science Foundation	47.078	113,685
National Science Foundation	47.079	87,036
National Science Foundation	47.080	318,254
National Science Foundation – ARRA	47.082	1,689,023
National Science Foundation Total		<u>29,889,216</u>
Research and Development Direct Awards Total		<u>229,870,595</u>

**BOSTON UNIVERSITY**

Supplementary Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA number	Pass-through number	Federal expenditures
Research and Development Cluster:			
Research and Development Pass-through Awards:			
Agency for International Development:			
Abt Associates, Inc.	98	ABT ASSOCIATES---USAID	\$ (2,168)
Johns Hopkins University	98.001	106744	149,163
Pharmaccess Namibia	98	41125	23,948
Right To Care	98	Not Available	130,097
Save The Children International In Zambia	98.001	84000825	149,249
United States Pharmacopeial Convention	98.001	GHS-A-00-09-00003-00	164,927
Wits Health Consortium	98.001	HERO-002	195,020
Agency for International Development Total			<u>810,236</u>
Department of Agriculture:			
Boston Medical Center	10	3182	50,730
Boston Medical Center	10.500	3518	22,770
Impaq International, LLC	10	2151	16,364
Kidscook, LLC	10.212	2012-04061	57,378
University of New Hampshire	10.652	PZ10-0009	1,381
University of Wisconsin	10.255	471K494	30,758
Department of Agriculture Total			<u>179,381</u>
Department of Commerce:			
University of Maryland	11.440	Z765201	(925)
University of Massachusetts, Boston	11.417	5710002776	12,947
University of Rhode Island	11.417	4055-031414	33,128
University of Rhode Island/Sea Grant Program	11.417	0002470/021613	25,000
University of Rhode Island/Sea Grant Program	11.417	040510/0002476	23,486
Woods Hole Oceanographic Institution	11.417	A100704	9,101
Woods Hole Oceanographic Institution	11.417	A100924	73,569
Department of Commerce Total			<u>176,306</u>
Department of Defense:			
Bae Systems, Inc.	12	678520	(1,458)
Battelle Memorial Institute	12	PO 356390	28,660
Battelle Memorial Institute	12	Not Available	(90)
Beth Israel Deaconess Medical Center	12.420	MOA dated 7/15/11	(3)
Boston VA Research Institute, Inc.	12.420	1	14,156
Bronx Veterans Medical Research Foundation	12.420	GW110054	58,642
Charles River Analytics, Inc.	12	SC1105601	125,309
Charles River Analytics, Inc.	12	SC1201801	152,918
Charles River Analytics, Inc.	12	SC1224401	37,327
Charles Stark Draper Laboratory, Inc.	12	PO 001-0001026345	7,554
City College of New York	12.800	47194A	52,676
DCG Systems, Inc.	12	IRP3-BU	215,902
Energenis Pharmaceuticals, Inc	12	W81XWH-11-C-0517	97,707
Hansjorg Wyss Institute for Biologically Inspired Engineering	12	167837-5054561	58,878
Harvard University	12	167824.0003	467,959
Harvard University	12.420	133160-02	8,693
Henry M. Jackson Foundation	12.420	739614	18,581
Henry M. Jackson Foundation	12.420	W81XWH-11-2-0174	65,435
HRL Laboratories, LLC	12	11090-200926-DS	161,174
Infinium Metals Inc.	12	N00014-13-P-1138	39,846
LGS Innovations, LLC	12	LGS131140G	25,571
Longshortway, Inc	12	FA8650-13-M-1564	51,984
Massachusetts Institute of Technology	12	5710003194-04	125,513
Massachusetts Institute of Technology	12.300	5710002582	23,038
Massachusetts Institute of Technology	12.300	5710002632	50,833
Massachusetts Institute of Technology	12.300	5710002645	180,737
Massachusetts Institute of Technology	12.300	5710003312	97,724
Massachusetts Institute of Technology	12.431	5710003052	47,534
Massachusetts Institute of Technology – Lincoln Laboratory	12	7000141894	(12,159)
Neostem, Inc	12.420	W81XWH-10-2-0039	118,406
Neurala, LLC	12	FA8750-12-1-0123	32,216
Northeastern University	12.800	504321	90,367
Photon Systems, Inc.	12.431	035BU	(77,043)
Photonic Glass Corporation	12	FA-9550-10-C-0066	(1,850)
Raytheon Company	12	9500010646	66,678
Science Research Laboratory, Inc.	12	C-0297-393	976
Scientific Systems Company, Inc.	12	1542-B.U.	102,323
Spaceworks, Inc	12	PO-12-7060M-01B	25,043
The Geneva Foundation	12.351	S-1340-01	18,083
The Optical Sciences Company	12	HZ0147-14-C-7908	814

**BOSTON UNIVERSITY**

Supplementary Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA number	Pass-through number	Federal expenditures
Tufts University	12.431	ARM168	\$ (1,341)
University of California, San Diego	12.800	10312239-SUB	201,975
University of Illinois, Urbana-Champaign	12.300	2013-03174-03 (AA669)	80,558
University of Illinois, Urbana-Champaign	12.800	2010-07331-01	175,653
University of Maryland, Baltimore County	12.910	12012	460,553
University of Massachusetts, Dartmouth	12.300	14270	6,000
University of Michigan	12	3003005118	12,478
University of Rochester	12.431	415338-G	3,933
University of Texas At Austin	12.431	UTA12-001015	338,954
University of Utah	12.630	10028801-BU-APP	500,535
University of Utah	12.630	10028801-BU-BPP	219,287
University of Washington	12.300	705016	600,751
Washington University	12.420	WU-13-62	48,924
Woods Hole Oceanographic Institution	12.300	A100728	(849)
Woods Hole Oceanographic Institution	12.300	A101110	31,430
Department of Defense Total			<u>5,255,495</u>
Department of Education:			
Commonwealth of Massachusetts	84.181	INTF3601HH2706811119	29,346
Kent State University	84.133	401006-BU	45,590
Public Broadcasting Service	84.295	U295A100025	152,693
Temple University	84.305	300132-BU	14,628
Trustees of Dartmouth College	84.133	960	10,627
University of Pittsburgh	84	0024730 (601047-1)	(582)
Department of Education Total			<u>252,302</u>
Department of Energy:			
Battelle Energy Alliance, LLC	81	128776	221,487
Battelle Memorial Inst/Pacific Northwest National Laboratory	81	176254	10,710
Battelle Memorial Inst/Pacific Northwest National Laboratory	81	179721	1,169
Battelle Memorial Inst/Pacific Northwest National Laboratory	81	225805	7,945
Columbia University	81	6 (GG009028)	100,359
Decision Detective Corporation	81.049	DESC0006262	41,125
Fermi National Accelerator Laboratory	81	611002	24,478
Fermi National Accelerator Laboratory	81	613421	65,178
Fermi National Accelerator Laboratory	81	613881	32,000
Fermi National Accelerator Laboratory	81	616060	6,549
Fermi National Accelerator Laboratory	81	PO 606923	34,774
Fermi National Accelerator Laboratory	81	PO 610132	(1,328)
Fermi National Accelerator Laboratory	81	PO 611357	64,336
Fermi National Accelerator Laboratory	81	PO 615323	3,850
Fermi National Accelerator Laboratory	81	Not Available	219,416
Fermi National Accelerator Laboratory	81.049	607489	93,724
Harvard University	81.049	133183-5041151	213,187
Infinium Metals Inc.	81	DE-AR0000412	69,989
Los Alamos National Laboratory	81	214476	31,157
Moxst, Inc.	81.086	DE-EE0005547	37,738
Pennsylvania State University	81.049	4331-BU-SU-9105	50,655
Sandia National Laboratories	81	1222895	77,506
Sandia National Laboratories	81	1344135	34,866
URS Energy & Construction	81	RES1301924	28,409
URS Energy & Construction	81	RES1302658	36,061
UT-Battelle, LLC/Oak Ridge National Laboratory	81	4000091123	5,479
UT-Battelle, LLC/Oak Ridge National Laboratory	81	4000127105	29,993
Xradia Corp	81.049	DE-SC0009733	61,074
Department of Energy Total			<u>1,601,886</u>
Department of Health and Human Services:			
Acetylon Pharmaceuticals, Inc.	93.837	NHLBI-Acetylon-BU	167,686
Acpharis, Inc.	93.859	1R41GM097907-01	(103)
Acpharis, Inc.	93.859	1R41GM101907	5,611
Agiltron, Inc	93.113	NIH1018001III	127,090
Albert Einstein College of Medicine	93.866	9-526-2762	(449)
Allina Health System	93.213	1 R21 AT003315-01A2	(117)
American Heart Association	93.077	FX-ATRAC-BU-01	118,209
Arthritis Foundation	93.068	DP003828	9,999
Beth Israel Deaconess Medical Center	93.173	1026514	206,716
Beth Israel Deaconess Medical Center	93.213	1026085	17,263
Beth Israel Deaconess Medical Center	93.286	1025934	87,386
Beth Israel Deaconess Medical Center	93.393	1027119	53,044
Beth Israel Deaconess Medical Center	93.395	1026146	197,651

**BOSTON UNIVERSITY**

Supplementary Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA number	Pass-through number	Federal expenditures
Beth Israel Deaconess Medical Center	93.395	057-816-4435-5	\$ (7,268)
Beth Israel Deaconess Medical Center	93.846	1026873	60,650
Biohelix Corporation	93.855	1R41AI092913-01	31,013
Board of Trustees of The Leland Stanford Junior University	93	23057560-41466-F	262,154
Boston College	93.855	1520-1	(316)
Boston College	93.865	1521-1	18,428
Boston Medical Center	93	2344	70,586
Boston Medical Center	93.104	3638	8,062
Boston Medical Center	93.121	333701	114,188
Boston Medical Center	93.121	3816	35,158
Boston Medical Center	93.136	286302	(315)
Boston Medical Center	93.242	1793	14,546
Boston Medical Center	93.273	3014	83,883
Boston Medical Center	93.279	326901	36,990
Boston Medical Center	93.279	1991	125,136
Boston Medical Center	93.279	1992	137,561
Boston Medical Center	93.279	2115	127,198
Boston Medical Center	93.279	2138	92,958
Boston Medical Center	93.279	2563	277,660
Boston Medical Center	93.279	2765	14,373
Boston Medical Center	93.283	2370	16,169
Boston Medical Center	93.393	268301	(7,651)
Boston Medical Center	93.393	1592	29,573
Boston Medical Center	93.395	2165	(218)
Boston Medical Center	93.837	1869	239,829
Boston Medical Center	93.837	3985	45,897
Boston Medical Center	93.838	2309	67,552
Boston Medical Center	93.839	2139	160,814
Boston Medical Center	93.847	187011	22,111
Boston Medical Center	93.847	2616	22,168
Boston Medical Center	93.847	2620	23,668
Boston Medical Center	93.847	2819	5,904
Boston Medical Center	93.853	1783	30,726
Boston Medical Center	93.855	325401	82,436
Boston Medical Center	93.866	252701	(364)
Boston Medical Center	93.866	1857	7,260
Boston Medical Center	93.866	2133	23,009
Boston Medical Center	93.866	2189	30,101
Boston Medical Center	93.866	2533	151,370
Boston Medical Center	93.866	2579	36,282
Boston Nutrition Obesity Research Center	93.847	3809	9,756
Brandeis University	93.575	402283	33,197
Brandeis University	93.866	4-02075	13,406
Brigham and Women's Hospital	93	101949	43,843
Brigham and Women's Hospital	93.172	106933	58,859
Brigham and Women's Hospital	93.172	107049	966
Brigham and Women's Hospital	93.279	108285	11,094
Brigham and Women's Hospital	93.838	104228	325,165
Brigham and Women's Hospital	93.838	106776	103,694
Brigham and Women's Hospital	93.846	108331	73,305
Brigham and Women's Hospital	93.846	109379	75,527
Brigham and Women's Hospital	93.847	108909	67,154
Brigham and Women's Hospital	93.855	104684	2,641
Brigham and Women's Hospital	93.855	110233	10,524
Brigham and Women's Hospital	93.864	104182	7,894
Brigham and Women's Hospital	93.865	143891	(47)
Brigham and Women's Hospital	93.866	109517	15,248
Brigham and Women's Hospital	93.866	109638	73,820
Broad Institute	93.847	520346-5500000592	110,866
Brown University	93.242	474	7,202
Butler Hospital	93.242	9032-8311	17,196
California Pacific Medical Center	93.866	2803226-S160	46,355
Carmot Therapeutics, Inc.	93.395	2R44CA153676-02	82,516
Casa Esperanza, Inc.	93.243	1H79TI024693-01	41,596
Casa Esperanza, Inc.	93.243	1H79TI025272-01	86,090
Case Western Reserve University	93.867	RES508494	26,524
Children's Hospital, Boston	93.837	326029	(100)
Children's Hospital, Boston	93.847	535928	157,894
Children's Hospital, Boston	93.855	PO RSTFD00000540521	24,508
Children's Hospital, Seattle	93.838	10215SUB	15,923
Cincinnati Children's Hospital Medical Center	93.837	109363	488
Cincinnati Children's Hospital Medical Center	93.837	131950	20,271

**BOSTON UNIVERSITY**

Supplementary Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

<b>Federal Grantor/Pass-through Grantor/Program or Cluster Title</b>	<b>CFDA number</b>	<b>Pass-through number</b>	<b>Federal expenditures</b>
Cleveland Clinic Foundation	93.847	308-SUB	\$ 122,981
Cleveland Clinic Lerner College of Medicine of Case Western	93	HHSN268200700018C	14,961
Colorado State University	93.855	G-4887-2	16,027
Columbia University	93.390	G03506	25,172
Columbia University	93.394	1 (GG004019)	61,320
Columbia University	93.394	1 (GG004958)	23,693
Commonwealth of Massachusetts	93	INTF3122HH2W97913014	76,134
Commonwealth of Massachusetts	93	INTF6207HH4300522527	(1,641)
Commonwealth of Massachusetts	93.074	INTF6208HH4300522127	335,991
Commonwealth of Massachusetts – Department of Public Health	93	200-2001-00082	(2,482)
Commonwealth of Massachusetts – Department of Public Health	93.077	INTF122HH2706811032	116,153
Dana-Farber Cancer Institute	93.172	1158102	400
Dana-Farber Cancer Institute	93.396	1187905	(3,232)
Dartmouth College	93.242	1257	14,248
Dartmouth College	93.859	1281	230,042
Dartmouth College	93.999	791	41,753
Dimagi, Inc.	93	DIMAGI INC.--NIH NCI	(1)
Duke University	93	2031988	1,466,735
Duke University	93	HHSN272201100025C	10,468
Duke University	93.837	203-9989	42,098
Duke University	93.838	203-9813	25,705
Duke University	93.855	2031952	(72,320)
Duke University	93.855	2032065	85,552
Duke University	93.855	2032655	316,943
East Carolina University	93.242	A11-0125-S003	20,237
Evanston Northwestern Healthcare Research Institute	93	EH03-339-S4	(1)
Feinstein Institute for Medical Research	93	BOS-01-NON-ARRA	59,184
Fenway Community Health Center	93.865	BU176-3	23,161
Forsyth Institute	93.307	006964-BUMC2390	(11,957)
Fraunhofer USA	93.855	3358-SUBA	141,393
Fraunhofer USA	93.855	3358-SUBC	72,726
Genetic Alliance	93.110	U22MC04100	2,341
George Washington University	93.262	13-M95	22,510
Georgetown University	93.393	RX 4442-003-BU	45,055
Georgetown University	93.866	RX2462-189-BU	45,340
Georgia Institute of Technology	93.855	RC670-G1	71,473
Georgia Regents University	93.847	25732-19	50,783
Georgia Regents University	93.855	23069-38	113,397
Griffin Laboratories, Inc	93.173	2R42DC011212-02	33,980
Harvard School of Public Health	93.061	116198 – Project 1	(225)
Harvard School of Public Health	93.135	5031928-114855	7,985
Harvard School of Public Health	93.859	114041.5027	45,823
Harvard School of Public Health	93.859	23570-114041	(199)
Harvard School of Public Health	93.864	23570-114045	247,238
Hebrew Rehabilitation Center for the Aged	93.846	10.10.90038	820
Hebrew Rehabilitation Center for the Aged	93.846	90054	129,640
Hebrew Rehabilitation Center for the Aged	93.866	10.10.90049	35,308
Hebrew Rehabilitation Center for the Aged	93.866	10.10.90053	87,894
Hebrew Rehabilitation Center for the Aged	93.866	90060	5,918
Hebrew Seniorlife	93.846	10.10.90052	(4,249)
Hektoen Institute For Medical Research, L.L.C.	93.855	50612-324-BU1-AI034993	31,868
Hektoen Institute For Medical Research, L.L.C.	93.855	50667-324-BU-AI034993-S1	43,697
Henry Ford Health System	93.393	B40540	7,218
Henry Ford Health System	93.393	R01CA140754-04	19,617
Indiana University	93.242	IN-4694751-BU	13,668
Indiana University	93.847	IN4694015BU	104,349
Jackson Laboratory	93.856	201719	27,030
JBS International, Inc.	93	541712	(1)
Johns Hopkins University	93.273	2001374983	462,677
Johns Hopkins University	93.397	2002014652	22,057
Johns Hopkins University	93.848	8202-80102-6	(441)
Johns Hopkins University – ARRA	93.701	3R01 DK076770-04S1	(3,069)
Joslin Diabetes Center	93.847	Sub_P30DK036836_Kasif	362,709
Joslin Diabetes Center	93.847	Sub_P30DK036836_P&F	46,053
JSI Research Training Institute Inc	93.928	INTF4971M04603614082	102,952
JSI Research Training Institute Inc	93.940	INTF4971M04603614082	24,602
Judge Baker Children’s Center (Harvard Affiliate)	93.242	47000-12000-47777	(2,206)
Kaiser Permanente – ARRA	93.701	115-9155-01-M1	(43,221)
KBD, Inc.	93.866	1R43AG030246-01A2	(9,420)
Legacy Research	93.853	MH083973	37,140
Mass Eye and Ear Infirmary	93.173	5R01DC005775-09	28,565
Mass Eye and Ear Infirmary	93.867	30408	10,842

**BOSTON UNIVERSITY**

Supplementary Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA number	Pass-through number	Federal expenditures
Massachusetts General Hospital	93.242	216307	\$ 66,387
Massachusetts General Hospital	93.242	216648	121,354
Massachusetts General Hospital	93.242	223260	47,788
Massachusetts General Hospital	93.242	218390	14,993
Massachusetts General Hospital	93.286	221149	139,194
Massachusetts General Hospital	93.837	218179	136,914
Massachusetts General Hospital	93.837	222359	298,340
Massachusetts General Hospital	93.838	205123	6,601
Massachusetts General Hospital	93.847	207092	(5,217)
Massachusetts General Hospital	93.847	218446	379,816
Massachusetts General Hospital	93.847	221228	19,791
Massachusetts General Hospital	93.847	223192	63,251
Massachusetts General Hospital	93.853	208128	(427)
Massachusetts General Hospital	93.854	MGH--NIH NINDS	(116)
Massachusetts General Hospital	93.854	MGH--NINDS	(40,850)
Massachusetts Institute of Technology	93.173	5710003037	153,773
Massachusetts Institute of Technology	93.397	5710003443	54,742
Massachusetts Institute of Technology	93.853	5710003080	23,225
Massachusetts Institute of Technology	93.855	5710003335	61,593
Mattek Corporation	93.855	1R21A1104385-02A1	81,965
Mattek Corporation	93.855	UAI070914A	(3)
Mayo Clinic	93	MCRN-0054-CPN	12,435
Mayo Clinic	93.867	MAYO CLINIC---NIH NEI	(58)
Methodist Hospital Research Institute Houston	93.397	27010012-0008	14,258
Mt. Sinai School of Medicine	93.866	0255-3171-4609	165,264
National Committee For Quality Assurance	93	Not Available	15,257
National Jewish Health – ARRA	93.701	NATIONAL JEWISH HEALTH	(759)
Neostem, Inc	93.846	1R43AR062432-01A1	72,308
New England Research Institutes	93.847	NIDDK-NERI-BU	55,557
New England Research Institutes	93.866	NIA-NERI-BU	(6,922)
New Jersey Institute of Technology	93.286	R01-EB009100	(2,202)
New York University	93.307	F7447-01	92,835
New York University School of Medicine	93.859	PA 07-0585	(494)
Northern California Institute For Research And Education	93.242	VIN1478-02	15,403
Northwestern University	93.173	SP0019717-PROJ0004965	165,771
Northwestern University	93.865	SP0014607-PROJ0004971	34,780
Northwestern University	93.866	60034742 BU	99,579
Northwestern University	93.867	SP0004560/PROJ0001556	56,666
Oklahoma Medical Research Foundation	93.855	5 U19 AI062629-07	284,429
Oregon State University	93.866	P0330A-A	85,107
Phoencia Biosciences, Inc.	93.395	R43CA153474-01A1	(1)
Phoencia Biosciences, Inc.	93.837	1R41 HL108515-01A1	116,493
Phoencia Biosciences, Inc.	93.859	R41 GM101869-01A1	60,578
Places for People	93.242	BU110607IMR-3	19,390
President And Fellows of Harvard College	93.113	112116.5039	5,019
President And Fellows of Harvard College	93.279	152373.5073034.0002	9,036
President And Fellows of Harvard College	93.292	5044460-114897	38,804
President And Fellows of Harvard College	93.838	113063-5037484	44,014
President And Fellows of Harvard College	93.866	AG008812	(8,096)
Professional & Scientific Associates	93	118678	117
Prothera, Inc.	93.855	5R42 A1062095-05	62,038
Public Health Institute	93.273	1016104R	(3,719)
Purdue University	93.866	4102-45155	(6,484)
Roswell Park Cancer Institute	93.393	63-01	937,737
RTI International	93	1-312-0213520-51349L	41,235
RTI International	93	13-312-0209853	(4,898)
Rutgers University	93.286	PO S1889249	127,640
Schepens Eye Research Institute	93.867	1DP2OD006649-SUB2	31,828
Scimetrika	93	HHSN272201100025C	20,900
Seattle Institute For Biomedical And Clinical Research – ARRA	93.701	BJ18-BOSTON-ARRA	(62)
Simbex, LLC	93.865	R24HD065703	25,269
Spaulding Rehabilitation Hospital	93.837	500173	(11)
Spaulding Rehabilitation Hospital	93.866	500187	99,625
Tapestry Health Systems, Inc.	93.243	HIV OATTS	73,643
The Children’s Hospital of Philadelphia	93.110	960676RSUB	3,488
The Children’s Hospital of Philadelphia	93.110	ACTIVITY 320896	16,109
The Institute of Living	93.242	126191	(6)
The Regents of The University of California	93	108731	8,095
The Regents of The University of California	93.866	PO 10323238	(1,965)
The University of Iowa	93.837	W000507502	9,732
The Wistar Institute	93.839	23584-02-314	20,960
Tufts	93.113	HS2651	219,572

**BOSTON UNIVERSITY**

Supplementary Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA number	Pass-through number	Federal expenditures
Tufts – New England Medical Center	93	5005911-SERV	\$ 15,660
Tufts – New England Medical Center	93.837	5007361-SERV	82,989
Tufts – New England Medical Center	93.846	5004324-SERV	27,982
Tufts – New England Medical Center	93.859	5009023-SERV	69,518
Tufts University	93.113	P01ES011624	35,255
Tufts University	93.121	5U01DE017788-05	(548)
Tufts University	93.286	HS4976	309,773
Tufts University	93.837	HS2037	104,275
Tufts University	93.855	HS1371	41,364
University of Alabama	93	38408	7,715
University of Alabama	93.837	000393678-001	103,400
University of British Columbia	93.853	F09-04856	(61,032)
University of California, Irvine	93.113	2012-2845	7,012
University of California, Los Angeles	93.393	1562GQB312	315,633
University of California, Los Angeles	93.394	1562 G QB844	42,675
University of California, Los Angeles	93.394	1562GNC385	308,655
University of California, Los Angeles	93.866	150052.5014357.0010	416
University of California, Riverside	93.866	S-000369	2,315
University of California, San Diego	93.866	10304007-004	31,444
University of California, San Diego	93.866	UC SAN DIEGO---NIH NIA	6,400
University of California, San Francisco	93.928	6767sc	87,906
University of Cincinnati	93.859	COEUS 008632-003	20,651
University of Colorado, Denver	93.853	FY14.414.001	3,751
University of Colorado, Denver	93.853	PO 1000105902	144,377
University of Connecticut	93.213	7067	83,430
University of Florida	93.847	UF10103	(1,151)
University of Illinois, Urbana-Champaign	93.859	2010-00365-03	185,051
University of Kansas	93.866	FY2010-040-M3	43,907
University of Louisville	93.866	09-1398	(3,828)
University of Maryland, Baltimore County	93.837	101330A	132,127
University of Massachusetts, Medical School	93.846	6143085/RFS2013012	29,099
University of Massachusetts, Medical School	93.855	WA00130973/RFS2014040	59,144
University of Massachusetts, Medical School	93.865	WA00117816/RFS2014022	56,522
University of Massachusetts, Worcester	93.846	WA00112562/RFS2014007	101,052
University of Massachusetts, Worcester	93.846	WA00118839/RFS2013013	301,317
University of Massachusetts, Worcester	93.855	WA00130936/RFS2014037	331,394
University of Mississippi	93.837	67841-BU04	117,939
University of Mississippi Medical Center	93	66102690414-04BU	42,156
University of Mississippi Medical Center	93.837	66100160213-BU	89,488
University of New Mexico	93.859	889265-8710	(66)
University of Oklahoma	93.855	AA-5-46173	95,075
University of Pennsylvania	93.103	559467	3,499
University of Pennsylvania	93.837	559908	15,743
University of Pennsylvania	93.837	561970	180,528
University of Pennsylvania	93.837	561160	108,978
University of Pennsylvania	93.846	560224	10,923
University of Pennsylvania	93.846	562000	116,413
University of Pennsylvania	93.866	563259	532,888
University of Puerto Rico	93.389	3 P40 RR003640-23S1	(2,335)
University of Rochester	93.855	415558-G	24,853
University of Rochester	93.999	415158-G	(1)
University of Southern California	93.859	47735772	33,433
University of Texas	93.859	0009483A	66,783
University of Texas – ARRA	93.701	UTA09-001041	(14,604)
University of Texas At Austin	93.279	UTA14-000122	15,689
University of Texas Health Science Center, San Antonio	93.394	155028	116,029
University of Texas Medical Branch	93.865	13-097	14,361
University of Texas Medical Branch – ARRA	93.701	UOSPC-0000000549	(10,976)
University of Texas Southwestern Medical School – ARRA	93.701	GMO-100905	(6,471)
University of Utah	93.396	10026603-2	141,817
University of Utah	93.837	10022504-00	22,921
University of Vermont	93.837	25337 BOSTON UNIVERSITY	9,021
University of Vermont – ARRA	93.701	24807 Amendment 2	13,744
University of Washington	93.242	730860	21,038
University of Washington	93.273	736376	706
University of Washington	93.393	716776	5,555
University of Washington	93.837	749258	46,403
University of Washington	93.837	756861	23,513
University of Washington	93.837	740599	117,213
University of Washington	93.837	759444	3,266
University of Washington	93.847	646910	31,492
University of Washington	93.866	752694	45,382

**BOSTON UNIVERSITY**

Supplementary Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA number	Pass-through number	Federal expenditures
University of Washington – ARRA	93.701	675144Z	\$ (290)
University of Wisconsin	93.394	188K661	92,624
University of Wisconsin	93.856	X561164	1,466,610
University of Wisconsin	93.866	399K873	2,346
Vanderbilt University	93.394	VUMC38556	2,768
Vanderbilt University	93.847	VUMC30937	686
Veterans Affairs Medical Center of Washington DC	93	688-D42019	15,962
Veterans Medical Research Foundation	93.242	08152-02-311175	40,128
Washington University	93.837	WU-12-93	(156,489)
Washington University	93.837	WU-13-91	106,059
Washington University	93.837	WU-14-110	116,465
Washington University	93.837	WU-14-244-MOD-1	5,988
Washington University	93.847	WU-11-196-MOD-4	168,147
Washington University	93.855	WU-13-111	50,323
Washington University	93.865	WU-14-121	97,616
Washington University	93.865	WU-14-144	104,325
Washington University	93.866	WU-14-311	6,000
Wave 80 Biosciences, Inc.	93	W802010001	68,805
Westat, Inc.	93	6182-S02	50,000
Whitehead Institute for Biomedical Research	93.395	11-1766-9902	219,882
Yale University	93.226	M13A11548 (A09061)	108,386
Yale University	93.279	M14A11732 (A09415)	147,344
Yale University	93.310	C11A10967	9,866
Yale University – ARRA	93.701	M10A10467 (AS0190)	(1,445)
Zoira Technologies, Inc.	93.847	R43 DK083167-01	(927)
Department of Health and Human Services Total			<u>23,049,236</u>
Department of Homeland Security:			
Ionsense, Inc.	97	HSHQDC-13-C-B0025	13,192
Northeastern University	97	504996-78051	42,232
Northeastern University	97	505020	24,653
Northeastern University	97.061	504928P0902638	181,737
Northeastern University	97.061	504987-78050	20,347
Northeastern University	97.061	504989	(461)
Northeastern University	97.061	505035-78050	194,639
Department of Homeland Security Total			<u>476,339</u>
Department of Housing and Urban Development:			
Boston Public Health Commission	14	BPHC	7,387
Department of Housing and Urban Development Total			<u>7,387</u>
Department of Justice:			
Boston Medical Center	16.560	3984	2,265
Portland State University	16.726	203KEL366	13,881
University of Maryland	16.734	Z918501	102,290
University of Massachusetts, Boston	16.726	Not Available	3,452
Department of Justice Total			<u>121,888</u>
Department of Labor:			
Institute For Educational Leadership	17.720	2010-07331-01	103,708
Department of Labor Total			<u>103,708</u>
Department of the Interior:			
Massachusetts Institute of Technology	15	5710003509	17,999
University of Massachusetts, Amherst	15.805	11-006501 E 00	4,960
University of Washington	15.945	2013NPS George M. Wright Fellowship	5,804
Department of the Interior Total			<u>28,763</u>
Department of the Treasury:			
Boston Medical Center	21	93354	(231)
Department of the Treasury Total			<u>(231)</u>
Department of Transportation:			
Harvard University	20	112413-5042723-0007	27,911
Department of Transportation Total			<u>27,911</u>
Department of Veterans Affairs:			
National Academy of Sciences	64	IOM – 2000002826	21,980
Department of Veterans Affairs Total			<u>21,980</u>
Environmental Protection Agency:			
New England Interstate Water Pollution Control Commission	66.437	2013-039	24,852
Environmental Protection Agency Total			<u>24,852</u>



**BOSTON UNIVERSITY**

Supplementary Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA number	Pass-through number	Federal expenditures
National Aeronautics and Space Administration:			
Atmospheric And Environmental Research, Inc	43	P1864-001	\$ 34,178
Boston Micromachines Corporation	43	NNX11CB22C	54,120
Boston Micromachines Corporation	43	NNX10CE08P	(834)
Jet Propulsion Laboratory	43	1259071	47,748
Jet Propulsion Laboratory	43	1439600	2,769
Jet Propulsion Laboratory	43	1472312	140,154
Jet Propulsion Laboratory	43	1500040	36,798
Jet Propulsion Laboratory	43	1503094	26
Jet Propulsion Laboratory	43	RSA No. 1440385	16,050
Johns Hopkins University Applied Physics Laboratory	43	103473	23,061
Johns Hopkins University Applied Physics Laboratory	43	923497	(2,301)
Montana State University	43.001	G143-14-W3913	8,256
National Space Biomedical Research Institute	43.002	NCC 9-58-130	16,052
Neurala, LLC	43	NNX13CL63C	101,102
Oregon State University	43.001	NS239A-A	41,417
Pennsylvania State University	43.001	4719-BU-NASA-J02G	8,205
Space Telescope Science Institute	43.001	1220	11,834
Space Telescope Science Institute	43.001	E99019MO	10,993
Space Telescope Science Institute	43	HST-GO-11970.01-A	(622)
Planetary Science Institute	43	HST-GO-12176.01-A	37,623
Southwest Research Institute	43	HST-GO-12235.01-A	(24)
Space Telescope Science Institute	43	HST-GO-12538.01-A	15,204
Space Telescope Science Institute	43	HST-GO-12601.01-A	34,639
Space Telescope Science Institute	43	HST-GO-12883.01-A	11,350
Space Telescope Science Institute	43	HST-GO-13012.01-A	32,053
Space Telescope Science Institute	43	HST-GO-13047.01-A	24,456
Space Telescope Science Institute	43	HST-GO-13329.01-A	40,643
Space Telescope Science Institute	43	HST-GO-13396.001-A	10,047
Space Telescope Science Institute	43	1000320450	41,399
Space Telescope Science Institute	43.002	1000025587	53,906
Space Telescope Science Institute	43.001	S20130000022528	97,456
University of Colorado	43.001	S52000000022032	37,003
University of Colorado	43.001	397K740	39,236
University of Massachusetts, Boston	43.001	WHRC-JG0866-01	42,646
National Aeronautics and Space Administration Total			<u>1,066,643</u>
National Science Foundation:			
Adicep Technologies	47.041	IIP-1152605	57,384
Administrators of the Tulane Educational Fund – ARRA	47.082	TUL-588-09/10	24,163
Aeolus Building Efficiency	47.041	IIP-1346436	25,821
Boston Medical Center	47.079	3772	5,241
Columbia University	47.049	1 (GG006141)	220,266
Columbia University	47.049	2 (Acct. 5-24324)	(1,470)
Columbia University	47.049	2 (GG006141)	555,085
Consortium For Ocean Leadership	47	T346B6	56,721
Consortium For Ocean Leadership	47.050	PO T329A6	(5,905)
Consortium For Ocean Leadership	47.050	PO T333A6	1,631
Consortium For Ocean Leadership	47.050	T346A6	10,136
Cornell University	47.074	61468-10043	16,755
Education Development Center Inc	47.076	11479	33,633
Fast Ceramics LLC	47.041	1315774	52,209
Gallaudet University	47.075	Not Available	(1,048)
Johns Hopkins University	47.049	2001597619	5,000
Massachusetts Institute of Technology	47.050	5710003379	69,043
Massachusetts Institute of Technology	47.050	5710003495	4,916
National Radio Astronomy Observatory	47.049	SOSP12A-009	17,139
Northeastern University	47.041	400013P104935	(887)
Northwest Research Associates, Inc.	47.050	NWRA-09-S-121	(19)
Pennsylvania State University	47.050	4754-BU-NSF-0507	105,503
Pennsylvania State University	47.075	4676-BU-NSF-7440	77,155
Physics Teacher Education Coalition (Phystec)	47.049	MOU DTD 7-31-13	79,307
President And Fellows of Harvard College	47.074	131706-5056666	32,692
Raytheon Bbn Technologies Corp.	47.070	9500012010	30,873
Rensselaer Polytechnic Institute	47.041	A12020	635,409
Rutgers University	47.076	4204	30,150
State University of New York At Stony Brook	47.041	58149-1096358-2	68
University of California, Davis	47.049	09000769-BU	90,000
University of California, Los Angeles	47.049	1000 G HD770	(13,085)
University of Cincinnati	47.076	8932	20,244
University of Colorado	47.071	1000049858	(4,187)
University of Denver	47.074	SC37096-01-01	22,292

**BOSTON UNIVERSITY**

Supplementary Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA number	Pass-through number	Federal expenditures
University of Illinois, Urbana-Champaign	47.070	2013-01010-02	\$ 33,390
University of Illinois, Urbana-Champaign	47.074	2011-00975-01	106,326
University of Illinois, Urbana-Champaign	47.078	2010-03733-02	1,258
University of Massachusetts, Amherst	47.076	05-003146 G 07	4,944
University of Massachusetts, Amherst	47.076	11006701A00	4,140
University of Virginia	47.074	GA10618-127104	15,583
University of Virginia	47.074	GA11020-142303	5,368
University of Wisconsin	47.076	406K055	20,806
Vanderbilt University – ARRA	47.082	20743-51	(15)
National Science Foundation Total			<u>2,444,035</u>
Research and Development Pass-through Total			<u>35,648,117</u>
Research Training Direct Awards:			
Department of Defense:			
National Security Agency	12.900		72,833
National Security Agency	12.901		33,000
National Security Agency	12.902		119,102
Department of Defense Total			<u>224,935</u>
Department of Education:			
Department of Education	84.015		260,728
Department of Education	84.022		66,146
Department of Education	84.063		13,480
Department of Education	84.133		894,893
Department of Education	84.200		209,698
Department of Education Total			<u>1,444,945</u>
Department of Health and Human Services:			
Eunice Kennedy Shriver National Institute of Child Health and Human Development	93.865		528,731
Health Resources and Services Administration	93.110		206,271
Health Resources and Services Administration	93.516		301,562
Health Resources and Services Administration	93.732		174,306
Health Resources and Services Administration	93.884		178,139
Health Resources and Services Administration	93.924		684,352
National Cancer Institute	93.398		487,421
National Center for Health Research Resources	93.350		(6,065)
National Center for Health Research Resources	93.389		(6,236)
National Center for Health Research Resources – ARRA	93.701		(60)
National Heart, Lung, and Blood Institute	93.837		1,296,833
National Heart, Lung, and Blood Institute	93.838		743,858
National Heart, Lung, and Blood Institute	93.839		235,523
National Institute of Allergy and Infectious Diseases	93.855		1,003,709
National Institute of Arthritis and Musculoskeletal and Skin Diseases	93.846		437,791
National Institute of Biomedical Imaging and Bioengineering	93.286		112,991
National Institute of Diabetes and Digestive and Kidney Diseases	93.847		30,202
National Institute of Environmental Health Sciences	93.113		156,780
National Institute of General Medical Sciences	93.859		1,461,734
National Institute of Mental Health	93.242		451,529
National Institute of Mental Health	93.282		26,000
National Institute of Neurological Disorders and Stroke	93.853		240,469
National Institute on Aging	93.866		471,110
National Institute on Deafness and Other Communication Disorders	93.173		143,160
National Institute on Drug Abuse	93.279		144,731
Office of the Director, National Institutes of Health	93.351		159,465
Department of Health and Human Services Total			<u>9,664,306</u>
Environmental Protection Agency:			
Environmental Protection Agency	66.514		40,513
Environmental Protection Agency Total			<u>40,513</u>
National Aeronautics and Space Administration:			
National Aeronautics and Space Administration	43.001		110,972
National Aeronautics and Space Administration	43.008		75,463
National Aeronautics and Space Administration Total			<u>186,435</u>

**BOSTON UNIVERSITY**

Supplementary Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>CFDA number</u>	<u>Pass-through number</u>	<u>Federal expenditures</u>
National Science Foundation:			
National Science Foundation	47.041		\$ 66,021
National Science Foundation	47.076		85,209
National Science Foundation Total			<u>151,230</u>
Research Training Direct Awards Total			<u>11,712,364</u>
Research Training Pass-through Awards:			
Department of Defense:			
Draper Laboratory, Inc.	12	P001-0001029956	33,633
Institute of International Education	12.357	2013-GO-BU	153,902
Institute of International Education	12.357	2012-GO-BU	265,091
Department of Defense Total			<u>452,626</u>
Department of Education:			
Commonwealth of Massachusetts/Department of Elementary and Secondary Education	84.366	150-020-9-3412-J	(7)
Department of Education Total			<u>(7)</u>
Department of Health and Human Services:			
Association of Maternal And Child Health Programs	93.110	5-37826	47,188
Boston Medical Center	93.156	1556	213,688
Brigham & Women's Hospital	93.846	109304	34,360
Commonwealth of Massachusetts	93.069	INTF6208HH4300522131	597,166
Dartmouth College	93.999	468	9,187
Dartmouth College Medical School	93.989	1268	27,812
Harvard University	93.879	151844.5057320.2014	10,063
Partners Healthcare System, Inc.	93.846	109304, 108152	22,645
University of Massachusetts Memorial Medical Center	93.107	6126071	(1,113)
University of Massachusetts, Worcester	93.107	WA00143108/RFS2014090	29,282
University of Massachusetts, Worcester	93.145	6136286ETC-14	(1,491)
University of Massachusetts, Worcester	93.145	WA00120874-ETC-14	25,483
Department of Health and Human Services Total			<u>1,014,270</u>
Department of Labor:			
City of Boston	17.268	EDIC – 191-261-112	251,968
Department of Labor Total			<u>251,968</u>
Department of State:			
Institute of International Education	19.010	S-ECAAS-12-CA-005	26
Department of State Total			<u>26</u>
National Aeronautics and Space Administration:			
Smithsonian Astrophysical Observatory	43.001	PF2-130097	89,325
Space Telescope Science Institute	43	HST-HF-51326.01-A	111,224
National Aeronautics and Space Administration Total			<u>200,549</u>
National Science Foundation:			
Computing Research Association	47.070	CIF-A-235	(5,250)
University of Wisconsin	47.076	490K755	27,978
National Science Foundation Total			<u>22,728</u>
Research Training Pass-through Total			<u>1,942,160</u>
Total Research and Development Cluster			<u>279,173,236</u>

**BOSTON UNIVERSITY**  
Supplementary Schedule of Expenditures of Federal Awards  
Year ended June 30, 2014

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>CFDA number</u>	<u>Federal expenditures</u>
Student Financial Assistance Programs Cluster:		
Department of Education:		
Federal Pell Grant Program	84.063	\$ 11,037,130
Federal Supplemental Educational Opportunity Grants	84.007	2,757,706
Federal Work Study	84.033	2,600,643
Teacher Education Assistance for College and Higher Education Grants	84.379	29,729
Department of Education Total		<u>16,425,208</u>
Student Financial Assistance Programs Cluster Total		<u>16,425,208</u>
Other Program Awards:		
TRIO Cluster:		
Trio Direct Programs:		
Department of Education	84.047	606,457
Department of Education Total		<u>606,457</u>
TRIO Cluster Total		<u>606,457</u>
Child Nutrition Cluster:		
Child Nutrition Pass-through Programs:		
Commonwealth of Massachusetts:		
Department of Agriculture	10.559	18,529
Commonwealth of Massachusetts Total		<u>18,529</u>
Child Nutrition Cluster Total		<u>18,529</u>
Special Education Cluster (IDEA):		
Special Education Pass-through Programs:		
Commonwealth of Massachusetts:		
Department of Education	84.027	96,025
Commonwealth of Massachusetts Total		<u>96,025</u>
Special Education Cluster Total		<u>96,025</u>
Direct Programs:		
Agency for International Development		
Agency for International Development	98.001	225,224
Agency for International Development Total		<u>225,224</u>
Department of Defense:		
Army		
Army	12	190,349
Department of Defense Total		<u>190,349</u>
Department of Education:		
Department of Education		
Department of Education	84.015	138,364
Department of Education	84.133	389,918
Department of Education Total		<u>528,282</u>
Department of Energy:		
Department of Energy		
Department of Energy	81	214,400
Department of Energy	81.108	(2)
Department of Energy Total		<u>214,398</u>

**BOSTON UNIVERSITY**  
 Supplementary Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2014

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>CFDA number</u>	<u>Federal expenditures</u>
Department of Health and Human Services:		
Agency for Healthcare Research And Quality	93.226	\$ 25,741
Eunice Kennedy Shriver National Institute of Child Health and Human Development	93.865	14,204
Health Resources and Services Administration	93.928	79
National Institute of Arthritis and Musculoskeletal and Skin Diseases	93.846	23,397
National Institute of Nursing Research	93.361	(41,480)
National Institute on Aging	93.866	45,443
NIH Clinical Center	93	206,995
Office of the Director, National Institutes of Health	93.351	357,810
Department of Health and Human Services Total		<u>632,189</u>
Department of Justice:		
Department of Justice	16	77,357
Department of Justice Total		<u>77,357</u>
Department of State:		
Department of State	19.014	71,000
Department of State	19.021	287,375
Department of State	19.900	3,071
Department of State Total		<u>361,446</u>
Department of Veterans Affairs:		
Department of Veterans Affairs	64	311,172
Department of Veterans Affairs Total		<u>311,172</u>
National Endowment For The Arts:		
National Endowment For The Arts	45.024	69,795
National Endowment for the Arts Total		<u>69,795</u>
National Endowment For The Humanities:		
National Endowment For The Humanities	45.149	102,882
National Endowment For The Humanities	45.160	22,199
National Endowment For The Humanities	45.163	148,147
National Endowment For The Humanities Total		<u>273,228</u>
National Science Foundation:		
National Science Foundation	47	66,400
National Science Foundation	47.049	47,631
National Science Foundation	47.070	12,068
National Science Foundation	47.079	1,813
National Science Foundation Total		<u>127,912</u>
Other Program Awards Total		<u>3,732,363</u>

**BOSTON UNIVERSITY**

Supplementary Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA number	Pass-through number	Federal expenditures
Other Program Awards:			
Pass-through Awards:			
Corporation for National and Community Service Jumpstart For Young Children, Inc.	94.006	CFDA-94.006-JS-SITE #84	\$ 51,589
Corporation for National and Community Service Total			<u>51,589</u>
Department of Defense:			
Beth Israel Deaconess Medical Center	12	US001-0000295807	655
Beth Israel Deaconess Medical Center	12	W81XWH-13-1-0050	32,669
Massachusetts Institute of Technology – Lincoln Laboratory	12	POEM	33,056
Boston VA Research Institute, Inc.	12.420	0072-FEDS-T	136,179
Boston VA Research Institute, Inc.	12.420	0150C	8,960
Boston VA Research Institute, Inc.	12.420	CIMIT 11-189, 0159-FEDS-B1	9,878
Henry M. Jackson Foundation	12.420	779195	2,154
Massachusetts General Hospital	12.420	218415	(1)
Department of Defense Total			<u>223,550</u>
Department of Education:			
Boston Medical Center	84.133	239101	(556)
Center for Civic Education	84.304	Not Available	(11)
American Institutes for Research	84.326	313000001	15,460
Department of Education Total			<u>14,893</u>
Department of Energy:			
Battelle Memorial Inst/Pacific Northwest National Laboratory	81	200623	365,187
President And Fellows of Harvard College	81	BA_FY13_DICARLO	27,505
President And Fellows of Harvard College	81	BA_FY13_Sun	24,886
Harvard University Medical School	81.049	SA5283-11210	(11,167)
Department of Energy Total			<u>406,411</u>
Department of Health and Human Services:			
Boston VA Research Institute, Inc.	93	306924	(282)
Boston VA Research Institute, Inc.	93	Interpersonal Agreement	19,107
Center for Social Innovation, LLC	93	BRSS TACS-OY2-BU	5,763
Commonwealth of Massachusetts	93	7213	15,585
Commonwealth of Massachusetts	93	INTF2330M04703015074	72,547
The Lewin Group	93	TLG-11-076-5269	112,110
The Lewin Group	93	TLG13056-5176.20	90,958
Commonwealth of Massachusetts	93.069	INTF6208HH4005212094	(1,111)
Commonwealth of Massachusetts – Department of Public Health	93.074	300522	147,659
University of Massachusetts, Worcester	93.172	6145913/RFS2013078	26,857
Casa Esperanza, Inc.	93.243	Tu Bienestar	39,199
Casa Esperanza, Inc.	93.243	H79TI02110	(123)
Casa Esperanza, Inc.	93.243	5H79TI022578-03	37,749
Institute for Health And Recovery, Inc.	93.243	2U79SM059460-04	77,894
Tapestry Health Systems, Inc.	93.243	H79 TI020726	28,956
Tapestry Health Systems, Inc.	93.243	U79SP015081	31,238
Hansjorg Wyss Institute for Biologically Inspired Engineering	93.286	Chen.NIH.UH2	66,264
Massachusetts General Hospital	93.286	220050	34,020
Broad Institute	93.393	2013-BU-4	5,946
Feinstein Institute for Medical Research	93.610	500559-BOS-01	148,456
Boston VA Research Institute, Inc. – ARRA	93.701	5RC2HL101628-02	(38)
Miami University	93.791	G02205	8,755
Massachusetts General Hospital	93.837	216089	4,175
Boston VA Research Institute, Inc.	93.846	Interpersonal Agreement	13,440
Joslin Diabetes Center	93.847	2-20-877-37	2,323
Joslin Diabetes Center	93.847	BUJRC	30,000
Joslin Diabetes Center	93.847	2P30DK036836	26,095
Boston VA Research Institute, Inc.	93.866	0029-FEDS-A3	7,219
Crecare, LLC	93.866	CRECARE, LLC---NIH NIA	(2,851)
Department of Health and Human Services Total			<u>1,047,910</u>

**BOSTON UNIVERSITY**  
Supplementary Schedule of Expenditures of Federal Awards  
Year ended June 30, 2014

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>CFDA number</u>	<u>Pass-through number</u>	<u>Federal expenditures</u>
Department of State:			
Institute of International Education	19.401	48130689	\$ 19,999
Institute of International Education	19.401	48130959	<u>22,879</u>
Department of State Total			<u>42,878</u>
Leveraging Educational Assistance Partnership (Note 7):			
Commonwealth of Massachusetts	84.069	Not Available	577,500
Commonwealth of Pennsylvania	84.069	Not Available	59,673
State of Connecticut	84.069	Not Available	12,600
State of Delaware	84.069	Not Available	500
State of Pennsylvania	84.069	Not Available	138
State of Rhode Island	84.069	Not Available	30,575
State of Vermont	84.069	Not Available	<u>19,425</u>
Leveraging Educational Assistance Partnership Total			<u>700,411</u>
National Aeronautics and Space Administration:			
Start International, Inc.	43	NNX11AE35G	26,676
Massachusetts General Hospital	43.001	217923	<u>27,783</u>
National Aeronautics and Space Administration Total			<u>54,459</u>
Other Program Awards Pass-through Total			<u>2,542,101</u>
Other Program Awards Total			<u>6,274,464</u>
Total Expenditures of Federal Awards			<u>\$ 301,872,908</u>

See accompanying notes to supplementary schedule of expenditures of federal awards.

## **BOSTON UNIVERSITY**

### Notes to Supplementary Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

#### **(1) Basis of Presentation**

The accompanying supplementary schedule of expenditures of federal awards (the Schedule) summarizes the expenditures of Boston University (the University) under programs of the federal government for the year ended June 30, 2014. The information in this Schedule is presented in accordance with the requirements of U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 and cash flows of the University.

For purposes of the Schedule, federal awards include all grants, contracts and similar agreements entered into directly between the University and agencies and departments of the federal government and all subawards to the University by nonfederal organizations pursuant to federal grants, contracts and similar agreements.

#### **(2) Significant Accounting Policies**

Expenditures for direct costs are recognized as incurred using the accrual method of accounting and the cost accounting principles contained in OMB Circular A-21, *Cost Principles for Educational Institutions*. Under those cost principles, certain types of expenditures are not allowable or are limited as to reimbursement. Expenditures also include a portion of costs associated with general University activities (facilities and administrative costs) which are allocated to awards under negotiated formulas commonly referred to as facilities and administrative cost rates (note 3). The negative amounts represent adjustments or credits, in the normal course of business, to amounts reported as expenditures in prior years.

#### **(3) Facilities and Administrative Costs**

The University has an approved predetermined facilities and administrative cost rate effective through fiscal year June 30, 2014 for on-campus and off-campus sponsored research activities. The base rates in effect for the year ended June 30, 2014 were 63.7% for on-campus research and 26.0% for off-campus research. Facilities and administrative cost recoveries are reported as part of federal expenditures on the Schedule.



**BOSTON UNIVERSITY**

Notes to Supplementary Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

**(4) Federal Student Financial Assistance**

***Student Loan Programs***

The federal student loan programs listed below are administered directly by the University, and balances and transactions relating to these programs are included in the University's consolidated financial statements. Loan activities and balances consist of the following:

<u>Program</u>	<u>Federal CFDA number</u>	<u>Loans issued during year ended June 30, 2014</u>	<u>Outstanding balance as of June 30, 2014</u>
Perkins Loan Program	84.038	\$ 6,253,035	42,649,788
Medical-Primary Care	93.342	4,700	1,578,475
Health Professions Student Loans (HPSL):			
Medical	93.342	—	4,876
Dental	93.342	142,500	968,332
Loans for Disadvantaged Students (LDS):			
Medical	93.342	20,000	299,564
Dental	93.342	60,000	512,036
Total		\$ <u>6,480,235</u>	<u>46,013,071</u>

The University recovered an administrative cost allowance from the Perkins Loan Program (CFDA #84.038) of \$535,757 for the year ended June 30, 2014. There were no new federal capital contributions during the year ended June 30, 2014. Perkins loan cancellations (CFDA #84.037) totaled \$361,563 for the year ended June 30, 2014.

***Federal Direct Loans***

Federally guaranteed loans distributed to students of the University by the Federal Direct Loan Program during the year ended June 30, 2014 are summarized as follows:

	<u>Federal CFDA number</u>	<u>Loans distributed</u>
Federal Direct Stafford Loan Program	84.268	\$ 163,022,994
Federal Direct PLUS Loan Program	84.268	75,924,064
Total		\$ <u>238,947,058</u>

These distributions and related funding sources are not included in the University's consolidated financial statements.

**BOSTON UNIVERSITY**

Notes to Supplementary Schedule of Expenditures of Federal Awards

Year ended June 30, 2014

**(5) Awards to Subrecipients**

Certain funds are provided to subrecipient organizations by the University. The following expenditures incurred by these subrecipients are reimbursed by the University and included on the Schedule for the year ended June 30, 2014:

	<b><u>Total federal expenditures</u></b>
Research and Development Cluster	\$ 37,271,256
Other Program Awards	<u>218,305</u>
Total	<u>\$ 37,489,561</u>

**(6) Leveraging Educational Assistance Partnership**

Included on the Schedule under Other Programs, Pass-through Awards are grants (CFDA # 84.069, totaling \$700,411) received from the following states: Massachusetts, Pennsylvania, Connecticut, Delaware, Rhode Island, and Vermont.

None of the states have been able to confirm with the University which portion of the award relates to amounts received from the federal government. Therefore, the University has included the full amounts received from the states on the Schedule.



**KPMG LLP**  
Two Financial Center  
60 South Street  
Boston, MA 02111

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

The Board of Trustees  
Boston University:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Boston University and its subsidiaries (the University), which comprise the consolidated statement of financial position as of June 30, 2014, the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 17, 2014.

**Internal Control Over Financial Reporting**

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

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

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



### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

**KPMG LLP**

September 17, 2014



KPMG LLP  
Two Financial Center  
60 South Street  
Boston, MA 02111

## **Independent Auditors' Reports on Compliance for Each Major Federal Program and on Internal Control Over Compliance**

The Board of Trustees  
Boston University:

### **Report on Compliance for Each Major Federal Program**

We have audited Boston University's (the University's) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2014. The University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

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

#### ***Auditors' Responsibility***

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

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

#### ***Opinion on Each Major Federal Program***

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.



## Report on Internal Control Over Compliance

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

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

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

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

**KPMG LLP**

December 10, 2014

**BOSTON UNIVERSITY**  
 Schedule of Findings and Questioned Costs  
 Year ended June 30, 2014

**(1) Summary of Auditors' Results**

***Financial Statements***

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ yes   x   no
- Significant deficiency(s) identified that are not considered to be material weakness(es)? \_\_\_\_\_ yes   x   none reported

Noncompliance material to the financial statements noted? \_\_\_\_\_ yes   x   no

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ yes   x   no
- Significant deficiency(s) identified that are not considered to be material weaknesses? \_\_\_\_\_ yes   x   none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings that are required to be reported in accordance with section 510(a) of OMB Circular A-133? \_\_\_\_\_ yes   x   no

***Identification of Major Programs***

<b>Name of federal program/cluster</b>	<b>CFDA numbers</b>
Research and Development Cluster	Various
Student Financial Assistance Programs Cluster	Various

Dollar threshold used to distinguish between type A and type B programs: \$3,000,000

Auditee qualified as low risk auditee? \_\_\_\_\_   x   yes \_\_\_\_\_ no

**BOSTON UNIVERSITY**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2014

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

None.

(3) **Findings and Questioned Costs Relating to Federal Awards**

None.