



**BOSTON UNIVERSITY**

Independent 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, 2015

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*Government Auditing Standards* and Related Information

Year ended June 30, 2015

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**KPMG LLP**  
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Boston, MA 02110

## **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 (the University), which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, the related consolidated statements of activities and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, 2015 and 2014, and the changes in their net assets and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

***Other Matter - Supplementary Information***

Our audits were 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 16, 2015 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

**KPMG LLP**

September 16, 2015, except as to the supplementary schedule of expenditures of federal awards, which is as of December 10, 2015

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

June 30, 2015 and 2014  
(\$000)

	2015	2014
<b>ASSETS</b>		
Cash and cash equivalents . . . . .	\$ 590,011	\$ 572,114
Cash and cash equivalents-restricted . . . . .	190,048	163,436
Short-term investments . . . . .	4,151	1,705
Accounts and loans receivable, net. . . . .	182,832	188,641
Pledges receivable, net . . . . .	147,491	121,178
Prepaid expenses and other assets . . . . .	33,813	35,000
Investment in residual asset note . . . . .	50,542	53,285
Long-term investments. . . . .	1,663,056	1,611,101
Property, plant, and equipment, net. . . . .	2,185,496	2,136,638
<b>Total assets</b> . . . . .	<b>\$ 5,047,440</b>	<b>\$ 4,883,098</b>
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accrued payroll and related expenses . . . . .	\$ 111,692	\$ 108,601
Accounts payable and accrued expenses . . . . .	161,822	155,969
Deferred revenue . . . . .	84,694	82,588
Student deposits. . . . .	97,065	86,442
Fair value of interest rate exchange agreements. . . . .	297,603	242,303
Annuities payable . . . . .	13,620	15,092
Residual asset note obligation . . . . .	50,542	53,285
Capital lease obligation . . . . .	83,341	83,714
Bonds and notes payable, net . . . . .	1,306,857	1,323,929
<b>Total liabilities</b> . . . . .	2,207,236	2,151,923
Net assets:		
Unrestricted . . . . .	1,600,969	1,538,141
Temporarily restricted . . . . .	658,406	687,765
Permanently restricted . . . . .	580,829	505,269
<b>Total net assets</b> . . . . .	2,840,204	2,731,175
<b>Total liabilities and net assets</b> . . . . .	<b>\$ 5,047,440</b>	<b>\$ 4,883,098</b>

*See accompanying notes to consolidated financial statements.*

**BOSTON UNIVERSITY • CONSOLIDATED STATEMENTS OF ACTIVITIES**

For the years ended June 30, 2015 and 2014  
(\$000)

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>OPERATING REVENUES</b>				
Student tuition and fees . . . . .	\$ 1,256,099	\$	\$	\$1,256,099
Student aid . . . . .	(311,267)			(311,267)
Net student tuition and fees . . . . .	944,832			944,832
Sponsored programs . . . . .	224,360			224,360
Recovery of facilities and administrative costs . .	122,583			122,583
Contributions . . . . .	37,413			37,413
Sales and services . . . . .	96,070			96,070
Spending formula amount and other investment income . . . . .	49,251			49,251
Sponsored program income for student aid . . . .	14,957			14,957
Auxiliary enterprises . . . . .	268,385			268,385
Student aid . . . . .	(4,670)			(4,670)
Net auxiliary enterprises . . . . .	263,715			263,715
Contributions used for operations . . . . .	8,966			8,966
<b>Total operating revenues . . . . .</b>	<b>1,762,147</b>			<b>1,762,147</b>
<b>OPERATING EXPENSES</b>				
Instruction and departmental research . . . . .	820,012			820,012
Educational support activities . . . . .	150,885			150,885
Sponsored programs . . . . .	224,673			224,673
Libraries . . . . .	25,724			25,724
Institutional support . . . . .	205,580			205,580
Student support . . . . .	12,666			12,666
Auxiliary enterprises . . . . .	203,038			203,038
<b>Total operating expenses . . . . .</b>	<b>1,642,578</b>			<b>1,642,578</b>
<b>Change in net assets from operating activities . . .</b>	<b>119,569</b>			<b>119,569</b>
<b>NONOPERATING REVENUES AND (EXPENSES)</b>				
Contributions . . . . .		15,591	74,089	89,680
Contributions used for operations . . . . .		(8,966)		(8,966)
Reinvested endowment and other investment income . . . . .	2,342	4,183	753	7,278
Excess (deficit) of investment return over spending formula amount . . . . .	(10,797)	(12,519)	(1,022)	(24,338)
Net realized and unrealized losses on interest rate exchange agreements . . . . .	(81,935)			(81,935)
Change in value of designated non-core institutional real estate . . . . .	5,492			5,492
Post-retirement related changes other than net periodic cost . . . . .	(2,543)			(2,543)
Net assets released from restrictions-building funds . . . . .	31,956	(31,956)		
Other additions (deductions) and transfers, net . .	(1,256)	4,308	1,740	4,792
<b>Net nonoperating gain (loss) . . . . .</b>	<b>(56,741)</b>	<b>(29,359)</b>	<b>75,560</b>	<b>(10,540)</b>
<b>Change in net assets . . . . .</b>	<b>62,828</b>	<b>(29,359)</b>	<b>75,560</b>	<b>109,029</b>
Beginning net assets . . . . .	1,538,141	687,765	505,269	2,731,175
<b>Ending net assets . . . . .</b>	<b>\$ 1,600,969</b>	<b>\$ 658,406</b>	<b>\$ 580,829</b>	<b>\$2,840,204</b>

**BOSTON UNIVERSITY • CONSOLIDATED STATEMENTS OF ACTIVITIES**

For the years ended June 30, 2015 and 2014  
(\$000)

2014				
Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
\$ 1,204,646	\$	\$	\$1,204,646	<b>OPERATING REVENUES</b>
(299,838)			(299,838)	Student tuition and fees
904,808			904,808	Student aid
236,952			236,952	Net student tuition and fees
123,547			123,547	Sponsored programs
30,261			30,261	Recovery of facilities and administrative costs
108,528			108,528	Contributions
44,528			44,528	Sales and services
				Spending formula amount and other investment income
14,684			14,684	Sponsored program income for student aid
260,992			260,992	Auxiliary enterprises
(4,420)			(4,420)	Student aid
256,572			256,572	Net auxiliary enterprises
7,728			7,728	Contributions used for operations
1,727,608			1,727,608	<b>Total operating revenues</b>
				<b>OPERATING EXPENSES</b>
789,807			789,807	Instruction and departmental research
145,757			145,757	Educational support activities
235,702			235,702	Sponsored programs
26,716			26,716	Libraries
210,311			210,311	Institutional support
11,173			11,173	Student support
196,514			196,514	Auxiliary enterprises
1,615,980			1,615,980	<b>Total operating expenses</b>
111,628			111,628	<b>Change in net assets from operating activities</b>
	11,591	36,458	48,049	<b>NONOPERATING REVENUES AND (EXPENSES)</b>
	(7,728)		(7,728)	Contributions
				Contributions used for operations
2,236	2,251	651	5,138	Reinvested endowment and other investment income
				Excess (deficit) of investment return over spending formula amount
64,853	97,158	4,788	166,799	Net realized and unrealized losses 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)	Net assets released from restrictions-building funds
9,748	(9,748)			Other additions (deductions) and transfers, net
(640)	398	(1,629)	(1,871)	<b>Net nonoperating gain (loss)</b>
37,724	93,922	40,268	171,914	<b>Change in net assets</b>
149,352	93,922	40,268	283,542	Beginning net assets
1,388,789	593,843	465,001	2,447,633	<b>Ending net assets</b>
\$ 1,538,141	\$ 687,765	\$ 505,269	\$2,731,175	

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

For the years ended June 30, 2015 and 2014  
(\$000)

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets . . . . .	\$ 109,029	\$ 283,542
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation . . . . .	103,354	96,480
Amortization . . . . .	(420)	(844)
Loss on disposal of property and equipment . . . . .	1,549	1,316
Change in value of designated non-core institutional real estate . . . . .	(5,492)	(3,976)
Unrealized losses on interest rate exchange agreements . . . . .	55,300	14,468
Settlements on swap replacement transactions, net . . . . .	13,793	12,145
Net realized and unrealized gains on investments . . . . .	(21,449)	(202,351)
Contributions and pledge payments restricted for long-term investment . . . . .	(63,367)	(61,312)
Gifts of securities and property . . . . .	(6,235)	(4,131)
Unrealized (gain) loss on currency exchange . . . . .	(3,355)	4,756
Changes in operating assets and liabilities:		
Decrease (increase) in accounts and loans receivable, net . . . . .	5,809	(1,764)
(Increase) decrease in pledges receivable, net . . . . .	(26,313)	3,523
Decrease in prepaid expenses and other assets . . . . .	1,187	4,042
Increase in accrued payroll and related expenses . . . . .	3,091	918
Increase (decrease) in accounts payable and accrued expenses . . . . .	6,688	(9,203)
Increase (decrease) in deferred revenue . . . . .	2,106	(4,075)
Increase in student deposits . . . . .	10,623	3,312
Net cash provided by operating activities . . . . .	<u>185,898</u>	<u>136,846</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of investments . . . . .	(219,346)	(211,057)
Proceeds from sales and maturities of investments . . . . .	191,887	223,887
Purchases of property and equipment . . . . .	(154,596)	(188,003)
(Increase) decrease in cash and cash equivalents-restricted . . . . .	(26,612)	20,577
Net cash used in investing activities . . . . .	<u>(208,667)</u>	<u>(154,596)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from bonds . . . . .	108,370	
Payment of bonds, notes, and mortgages . . . . .	(121,399)	(12,998)
Payment of bond issuance costs . . . . .	(642)	
Decrease in annuity obligations . . . . .	(1,472)	(1,687)
Contributions and pledge payments restricted for long-term investment . . . . .	63,367	61,312
Proceeds from sale of restricted gifts of securities . . . . .	6,235	3,607
Settlements on swap replacement transactions, net . . . . .	(13,793)	(12,145)
Net cash provided by financing activities . . . . .	<u>40,666</u>	<u>38,089</u>
Net increase in cash and cash equivalents . . . . .	17,897	20,339
Cash and cash equivalents beginning of year . . . . .	572,114	551,775
Cash and cash equivalents end of year . . . . .	<u>\$ 590,011</u>	<u>\$ 572,114</u>
<b>SUPPLEMENTAL INFORMATION:</b>		
Change in accounts payable for property, plant, and equipment . . . . .	\$ (835)	\$ 1,995
Acquisition of property and equipment through borrowings . . . . .	\$	\$ 623
Interest paid in cash, net of capitalized interest of \$3,274 in 2015 and \$5,363 in 2014 . . . . .	\$ 42,105	\$ 41,821



## 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 17 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 2015 and 2014. 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, 2015 and 2014

The composition of net assets as of June 30, 2015 and 2014, in thousands of dollars, is as follows:

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment:				
General purpose . . . . .	\$ 403,548	\$ 143,516	\$ 120,757	\$ 667,821
Scholarships . . . . .	71,684	170,807	156,132	398,623
Professorships . . . . .	85,736	129,441	140,000	355,177
Awards, prizes, fellowships, and other . . . . .	19,251	45,683	34,080	99,014
Research . . . . .	12,021	6,680	12,546	31,247
Annuities . . . . .		24,712		24,712
Total endowment funds . . . . .	<u>592,240</u>	<u>520,839</u>	<u>463,515</u>	<u>1,576,594</u>
Other funds:				
General and plant funds . . . . .	867,464			867,464
Building and gift funds . . . . .	70,887	67,590		138,477
Pledges . . . . .		58,011	89,480	147,491
Student loan funds . . . . .	25,926	1,866	27,834	55,626
Unexpended endowment distributions . . . . .	44,452	10,100		54,552
Total other funds . . . . .	<u>1,008,729</u>	<u>137,567</u>	<u>117,314</u>	<u>1,263,610</u>
Total net assets . . . . .	<u>\$ 1,600,969</u>	<u>\$ 658,406</u>	<u>\$ 580,829</u>	<u>\$ 2,840,204</u>

  

	2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment:				
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
Unexpended endowment distributions . . . . .	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>

For the years ended June 30, 2015 and 2014

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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.
- Level 3-unobservable inputs that are used when little or no market data is available.

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 net asset value (NAV) reported by fund managers as a practical expedient.

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.

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

For the years ended June 30, 2015 and 2014

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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 cash equivalents, receivables, accounts payable, and accrued expenses.

*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 \$7,071,000 in 2015 and \$2,990,000 in 2014 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, 2015 and 2014 was \$103,354,000 and \$96,480,000, 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 capitalized 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

For the years ended June 30, 2015 and 2014

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, 2015 and 2014, was \$14,807,000 and \$15,090,000, 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 \$311,267,000 and \$299,838,000 for the years ended June 30, 2015 and 2014, respectively, has been classified as a reduction of student tuition and fees. In addition, student aid in the amount of \$4,670,000 and \$4,420,000 for the years ended June 30, 2015 and 2014, respectively, has been presented as a reduction of auxiliary enterprises (room and board) revenue.

In addition to tuition, fees, and room and board, student support in the amount of \$12,666,000 and \$11,173,000 for the years ended June 30, 2015 and 2014, 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 recognizes 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. For the years ended June 30, 2015 and 2014, these expenses are comprised of, in thousands of dollars:

	2015	2014
Operation and maintenance of plant . . . . .	\$ 107,598	\$ 106,872
Interest on indebtedness . . . . .	41,987	42,155
Depreciation . . . . .	103,354	96,480

*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.

*Changes in Accounting Policies:*

Effective in fiscal year 2015, the University retroactively adopted the provisions of Accounting Standards Update (ASU) No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs* (ASU 2015-03). ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the Consolidated Statements of Financial Position as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. Accordingly, bonds, loans, and notes payable originally stated at \$1,328,518,000 in the June 30, 2014 Consolidated Statements of Financial Position have been restated to \$1,323,929,000 to reflect \$4,589,000 of unamortized issuance costs previously included in prepaid expenses and other assets.

For the years ended June 30, 2015 and 2014

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The adoption of ASU 2015-03 did not affect the University's net assets, Consolidated Statements of Activities, or Consolidated Statements of Cash Flows for the fiscal years ended June 30, 2015 and 2014.

Effective in fiscal year 2015, the University retroactively adopted the provisions of ASU No. 2015-07, *Fair Value Measurement: Disclosures for Investments in Certain Entities that Calculate Net Asset Value (NAV) per Share (or its Equivalent)* (ASU 2015-07). ASU 2015-07 removes the requirement to classify within the fair value hierarchy table in Levels 2 or 3 investments in certain funds measured at NAV as a practical expedient to estimate fair value. The ASU also requires that any NAV-measured investments excluded from the fair value hierarchy table be summarized as an adjustment to the table so that total investments can be reconciled to the Consolidated Statements of Financial Position. As a result of the adoption, the June 30, 2014 fair value hierarchy table was restated to reflect the removal of NAV-measured investments of \$637,816,000 previously classified in Level 2 and \$385,093,000 in Level 3. In addition, the June 30, 2013 opening balance in the Level 3 roll forward was restated to reflect the removal of NAV-measured investments aggregating \$336,161,000.

*Reclassifications:*

Certain 2014 balances previously reported have been reclassified to conform to the 2015 presentation. These reclassifications are not considered material.

## **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 the 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. 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, 2015 and 2014, 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 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, earnings of the underlying holding, 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 12%. Significant changes in these inputs may result in a significantly lower or higher fair value measure.

For the years ended June 30, 2015 and 2014

Cash and investments included in the Consolidated Statements of Financial Position at June 30, 2015 and 2014 were as follows, in thousands of dollars.

	2015	2014
Cash and cash equivalents . . . . .	\$ 590,011	\$ 572,114
Cash and cash equivalents-restricted . . . . .	190,048	163,436
Short-term investments . . . . .	4,151	1,705
Investment in residual asset note . . . . .	50,542	53,285
Long-term investments . . . . .	<u>1,663,056</u>	<u>1,611,101</u>
	2,497,808	2,401,641
Less assets not reported at fair value:		
Investment in residual asset note . . . . .	(50,542)	(53,285)
Real estate partnerships accounted for under the . . . . . equity method . . . . .	<u>(30,014)</u>	<u>(27,738)</u>
Cash and investments at fair value . . . . .	<u>\$ 2,417,252</u>	<u>\$2,320,618</u>

The following tables summarize the fair value hierarchy of the University's cash and investments as of June 30, 2015 and 2014, in thousands of dollars:

As of June 30, 2015	Investments Measured at NAV	Investments Classified in the Fair Value Hierarchy			Total Fair Value
		Level 1	Level 2	Level 3	
Assets at fair value					
Cash and cash equivalents . . . . .	\$	\$ 780,059	\$	\$	\$ 780,059
Common and preferred equities:					
Domestic . . . . .	109,208	76,428			185,636
International . . . . .	219,886	67,517			287,403
	<u>329,094</u>	<u>143,945</u>			<u>473,039</u>
Fixed income:					
Domestic . . . . .		466	1,557		2,023
International . . . . .		2	135		137
US government and agencies . . . . .		92,640	751		93,391
		<u>93,108</u>	<u>2,443</u>		<u>95,551</u>
Alternatives:					
Hedge . . . . .	501,242				501,242
Natural resources . . . . .	52,976				52,976
Private . . . . .	207,274			3,363	210,637
Real estate . . . . .	70,943			227,700	298,643
	<u>832,435</u>			<u>231,063</u>	<u>1,063,498</u>
Split-interest agreements held by third parties . . . . .				5,105	5,105
Total assets at fair value . . . . .	<u>\$ 1,161,529</u>	<u>\$ 1,017,112</u>	<u>\$ 2,443</u>	<u>\$ 236,168</u>	<u>\$ 2,417,252</u>

For the years ended June 30, 2015 and 2014

As of June 30, 2014	Investments Measured at NAV	Investments Classified in the Fair Value Hierarchy			Total Fair Value
		Level 1	Level 2	Level 3	
<b>Assets at fair value</b>					
Cash and cash equivalents . . . . .	\$	\$ 735,550	\$	\$	\$ 735,550
Common and preferred equities:					
Domestic . . . . .	96,685	81,083			177,768
International . . . . .	214,828	73,229			288,057
	<u>311,513</u>	<u>154,312</u>			<u>465,825</u>
Fixed income:					
Domestic . . . . .		430	1,623		2,053
International . . . . .		2	202		204
US government and agencies . . . . .		91,533	846		92,379
		<u>91,965</u>	<u>2,671</u>		<u>94,636</u>
Alternatives:					
Hedge . . . . .	493,510				493,510
Natural resources . . . . .	35,113				35,113
Private . . . . .	187,029			3,224	190,253
Real estate . . . . .	77,071			223,777	300,848
	<u>792,723</u>			<u>227,001</u>	<u>1,019,724</u>
Split-interest agreements held by third parties . . . . .					
				4,883	4,883
Total assets at fair value . . . . .	<u>\$ 1,104,236</u>	<u>\$ 981,827</u>	<u>\$ 2,671</u>	<u>\$ 231,884</u>	<u>\$ 2,320,618</u>

The following tables present a summary of the University's activity for the years ended June 30, 2015 and 2014 for investment classified in Level 3, in thousands of dollars:

2015	Alternatives		Split-interest agreements held by third parties	Total Assets at Level 3
	Private	Real Estate		
Fair Value, July 1, 2014 . . . . .	\$ 3,224	\$ 223,777	\$ 4,883	\$ 231,884
Purchases . . . . .	139	1,025		1,164
Sales or redemptions . . . . .		(2,571)		(2,571)
Unrealized gains . . . . .		5,469	222	5,691
Fair Value, June 30, 2015 . . . . .	<u>\$ 3,363</u>	<u>\$ 227,700</u>	<u>\$ 5,105</u>	<u>\$ 236,168</u>

2014	Alternatives		Split-interest agreements held by third parties	Total Assets at Level 3
	Private	Real Estate		
Fair Value, July 1, 2013 . . . . .	\$ 4,627	\$ 88,150	\$ 4,577	\$ 97,354
Purchases . . . . .		149	1,303	1,452
Unrealized losses . . . . .	(1,403)	(642)	(997)	(3,042)
Transfers to Level 3 . . . . .		136,120		136,120
Fair Value, June 30, 2014 . . . . .	<u>\$ 3,224</u>	<u>\$ 223,777</u>	<u>\$ 4,883</u>	<u>\$ 231,884</u>

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



For the years ended June 30, 2015 and 2014

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The University's policy is to recognize transfers as of the end of the year. For the years ended June 30, 2015 and 2014, there were no transfers between Level 1 and Level 2. Transfers from Level 2 to Level 3 were due to changes in the underlying investments and refinements to the valuation methodology applied.

*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 the 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, 2015 and 2014, the aggregate notional exposure on long-term assets was \$103,480,000 and \$127,385,000, respectively. The associated unrealized gain (loss) on these assets was \$(870,000) and \$87,000, respectively, as of June 30, 2015 and 2014. 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, 2015 and 2014, the carrying value of the investment in residual asset note receivable and related obligation was \$50,542,000 and \$53,285,000, 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, 2015 and 2014

*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, 2015	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Dividend and interest income . . . . .	\$ 9,878	\$ 7,119	\$ 442	\$ 17,439
Net realized and unrealized gains. . . . .	3,777	11,686	(711)	14,752
Total return on investments. . . . .	13,655	18,805	(269)	32,191
Less: Spending formula . . . . .	(19,352)	(31,324)	(753)	(51,429)
Less: Other non-endowment income . . . . .	(5,100)			(5,100)
	(24,452)	(31,324)	(753)	(56,529)
Excess (deficit) of investment return over spending formula amount . . . . .	\$ (10,797)	\$ (12,519)	\$ (1,022)	\$ (24,338)
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

*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, 2015 and 2014 was \$183,071,000 and \$145,083,000, respectively. Of this amount, approximately 15% and 16% of commitments as of June 30, 2015 and 2014, respectively, were for funds whose investment period had expired. The timing and amount of capital calls expected to be exercised in any particular future year is uncertain.

For the years ended June 30, 2015 and 2014

*Liquidity:*

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

As of June 30, 2015	Daily	Monthly	Quarterly	Annually	>1 Year	Total
Cash and cash equivalents* . . . . .	\$ 780,059	\$	\$	\$	\$	\$ 780,059
Common and preferred equities:						
Domestic . . . . .	76,273	225	109,138			185,636
International . . . . .	125,365	114,164	46,807		1,067	287,403
	201,638	114,389	155,945		1,067	473,039
Fixed income:						
Domestic . . . . .	1,764	259				2,023
International . . . . .	118	19				137
US government and agencies . .	93,391					93,391
	95,273	278				95,551
Alternatives:						
Hedge . . . . .			208,727	219,138	73,377	501,242
Natural resources. . . . .			16,500		36,476	52,976
Private . . . . .					210,637	210,637
Real estate . . . . .				225,048	73,595	298,643
			225,227	444,186	394,085	1,063,498
Split-interest agreements held by third parties . . . . .					5,105	5,105
	\$1,076,970	\$ 114,667	\$ 381,172	\$ 444,186	\$ 400,257	\$2,417,252

\*Cash and cash equivalents includes \$189,587,000 of collateral posted with counterparties under the terms of certain derivative agreements; these funds are held in escrow and earn interest at short term rates.

As of June 30, 2014	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
	214,829	106,146	143,773		1,077	465,825
Fixed income:						
Domestic . . . . .	1,795	258				2,053
International . . . . .	185	19				204
US government and agencies . .	92,379					92,379
	94,359	277				94,636
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
			206,533	421,534	391,657	1,019,724
Split-interest agreements held by third parties . . . . .					4,883	4,883
	\$1,044,738	\$ 106,423	\$ 350,306	\$ 421,534	\$ 397,617	\$2,320,618

\*Cash and cash equivalents includes \$140,616,000 of collateral posted with counterparties under the terms of certain derivative agreements; these funds are held in escrow and earn interest at short term rates.

*For the years ended June 30, 2015 and 2014*

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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.

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 \$382,398,000 and \$374,084,000 as well as investments with rolling lockup periods totaling \$17,859,000 and \$23,533,000 as of June 30, 2015 and 2014, respectively.

### **3. Endowment Funds**

Total endowment assets as of June 30, 2015 and 2014 are \$1,644,117,000 and \$1,616,004,000, 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 new donor restricted and institution designated endowment funds during the first six months after establishment is not spent; such income is included in unrestricted or temporarily restricted net assets, depending on the nature of the endowment fund. For the fiscal years ended June 30, 2015 and 2014, the distribution as a percentage of the prior December 31 fair value of the pooled endowment fund was 3.4% and 3.7%.

At June 30, 2015 and 2014, respectively, approximately \$234,000 and \$411,000 of unrealized losses on permanently restricted endowment funds were classified as a reduction in the 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 the original gift value.

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 preserva-

For the years ended June 30, 2015 and 2014

tion. 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, 2015, in thousands of dollars:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted. . . . .	\$ (234)	\$ 520,839	\$ 463,515	\$ 984,120
Institution designated. . . . .	592,474			592,474
Endowment net assets at end of year. . . . .	<u>\$ 592,240</u>	<u>\$ 520,839</u>	<u>\$ 463,515</u>	<u>\$1,576,594</u>

The following table represents changes in endowment net assets for the fiscal year ended June 30, 2015, in thousands of dollars:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets at beginning of year . . . .	\$ 597,298	\$ 531,504	\$ 418,691	\$1,547,493
Reclassification of net assets . . . . .	177	(177)		
Endowment net assets after reclassification . . . .	<u>597,475</u>	<u>531,327</u>	<u>418,691</u>	<u>1,547,493</u>
Reinvested income distribution . . . . .	2,342	1,170	753	4,265
Realized and unrealized gains (losses) . . . . .	9,999	14,807	(270)	24,536
Less: spending formula . . . . .	<u>(19,352)</u>	<u>(31,324)</u>	<u>(753)</u>	<u>(51,429)</u>
Undistributed investment income. . . . .	(7,011)	(15,347)	(270)	(22,628)
Contributions . . . . .	2,992	1,194	4,737	8,923
Other additions (deductions), transfers, and pledge payments. . . . .	<u>(1,216)</u>	<u>3,665</u>	<u>40,357</u>	<u>42,806</u>
Endowment net assets at end of year. . . . .	<u>\$ 592,240</u>	<u>\$ 520,839</u>	<u>\$ 463,515</u>	<u>\$1,576,594</u>

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted. . . . .	\$ (411)	\$ 531,504	\$ 418,691	\$ 949,784
Institution 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, 2015 and 2014

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 after reclassification . . . . .	<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
Realized and unrealized gains . . . . .	79,269	126,206	5,437	210,912
Less: spending formula . . . . .	<u>(18,262)</u>	<u>(29,064)</u>	<u>(651)</u>	<u>(47,977)</u>
Undistributed investment income . . . . .	63,243	98,437	5,437	167,117
Contributions . . . . .	2,773	1,636	17,125	21,534
Other additions (deductions), transfers, and pledge payments . . . . .	<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>

**4. Accounts Receivable and Pledges Receivable**

*Accounts Receivable:*

Accounts and loans receivable at June 30, 2015 and 2014, in thousands of dollars, consist of the following:

	2015	2014
Accounts receivable, net:		
Students . . . . .	\$ 17,807	\$ 17,921
Less: allowances . . . . .	<u>(7,100)</u>	<u>(7,292)</u>
	10,707	10,629
Grants and contracts . . . . .	58,150	55,388
Departmental sales, services, and other . . . . .	48,265	55,636
Less: allowances . . . . .	<u>(10,939)</u>	<u>(11,184)</u>
	95,476	99,840
Student loans . . . . .	79,897	81,484
Less: allowances . . . . .	<u>(3,248)</u>	<u>(3,312)</u>
	76,649	78,172
Total	<u>\$ 182,832</u>	<u>\$ 188,641</u>

Federally sponsored student loans receivable represented \$44,945,000 and \$46,013,000 as of June 30, 2015 and 2014, 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 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, 2015 and 2014 to be reasonable and sufficient 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, 2015 and 2014, to certain employees. The aggregate amount as of June 30, 2015 and 2014 is \$7,256,000 and \$7,577,000, respectively.

For the years ended June 30, 2015 and 2014

*Pledges Receivable:*

Pledges consist of unconditional written promises by donors to contribute to the University in the future. At June 30, 2015 and 2014, pledges, in thousands of dollars, are expected to be realized in the following time frame:

	2015	2014
In one year or less . . . . .	\$ 50,760	\$ 39,606
Between one year and five years . . . . .	95,867	91,295
More than five years . . . . .	31,739	6,291
	178,366	137,192
Discount to present value . . . . .	(19,275)	(7,714)
Less allowance for unfulfilled pledges . . . . .	(11,600)	(8,300)
Pledges receivable . . . . .	\$ 147,491	\$ 121,178

ASC 958-230 requires cash received from pledges restricted for long-term purposes to be reported as cash flows from financing activities in the statement of cash flows. Through fiscal year 2014, the University’s historical practice was to report such receipts as cash flows from operating activities. Beginning in 2015, the University changed this practice to conform to ASC 958-230. Accordingly, the University has adjusted the 2014 Consolidated Statements of Cash Flows to report as cash flows from financing activities \$36,464,000 of cash received from such pledges that were previously categorized as cash flows from operating activities.

**5. Property, Plant, and Equipment**

Property, plant, and equipment and related accumulated depreciation at June 30, 2015 and 2014, in thousands of dollars, consist of the following:

	2015	2014
Land . . . . .	\$ 100,261	\$ 100,278
Buildings and improvements . . . . .	2,728,435	2,505,677
Construction in progress . . . . .	178,721	288,347
Software . . . . .	55,722	54,087
Equipment . . . . .	250,075	228,817
Library books . . . . .	203,488	192,463
	3,516,702	3,369,669
Less: accumulated depreciation . . . . .	(1,331,206)	(1,233,031)
Property, plant, and equipment, net . . . . .	\$ 2,185,496	\$ 2,136,638

As of June 30, 2015 and 2014, buildings and improvements include \$94,544,000 and \$94,293,000 associated with office and research space under capital lease.

As of June 30, 2015 and 2014, capital expenditures of \$203,879,000 and \$202,489,000, respectively, were incurred for construction of the National Emerging Infectious Diseases Laboratories (NEIDL). Of this, \$42,815,000 and \$117,796,000 was placed in service during the years ended June 30, 2015 and 2012, respectively. The remaining expenditures are included within construction in progress at June 30, 2015 and 2014, and will be placed in service when the construction is complete and the project is ready for its intended use.

For the years ended June 30, 2015 and 2014

6. Indebtedness

*Bonds and Notes Payable:*

The principal amounts of bonds and notes payable at June 30, 2015 and 2014, 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 through the Massachusetts Health and Educational Facilities Authority (HEFA) prior to its merger with MDFA.

	Final Bond Maturity	Interest Rate at June 30, 2015	Interest Rate at June 30, 2014	Outstanding Principal	
				2015	2014
Fixed rate bonds and notes payable:					
MDFA Series P, blended fixed rate . . . . .	5/15/59	5.63%	5.63%	\$ 100,000	\$ 100,000
HEFA Series S, blended fixed rate . . . . .	10/1/39	4.71%	4.71%		35,000
MDFA Series T-1 . . . . .	10/1/39	5.00%	5.00%	162,740	162,740
MDFA Series T-2 (taxable) . . . . .	10/1/30	5.27%	5.27%	4,260	4,260
MDFA Series U-4 . . . . .	10/1/40	5.65%	5.65%	50,000	50,000
MDFA Series V-1 . . . . .	10/1/29	5.00%	5.00%	44,000	44,000
MDFA Series V-2 . . . . .	10/1/14	2.88%	2.88%		63,170
MDFA Series V-3 . . . . .	10/1/14	2.88%	2.88%		10,200
MDFA Series W (taxable) . . . . .	10/1/45	5.20%	5.20%	100,470	100,470
MDFA Series X, blended fixed rate . . . . .	10/1/48	4.78%	4.78%	111,485	111,485
MDFA Series Z-1 . . . . .	10/1/19	1.50%	n/a	63,170	
MDFA Series Z-2 . . . . .	10/1/19	1.50%	n/a	10,200	
Century notes (taxable) . . . . .	7/15/97	7.63%	7.63%	100,000	100,000
Boston Medical Center note (taxable) . . . . .	5/12/16	2.00%	2.00%	5,813	11,626
Boston Redevelopment Authority note (taxable) . . . . .	6/15/21	0.00%	0.00%	6,870	8,015
Aetna loan (taxable) . . . . .	9/15/18	10.20%	10.20%	3,114	3,822
Various notes payable (taxable) . . . . .	various	various	various	3,562	4,916
Total fixed rate bonds and notes payable . . . . .				\$ 765,684	\$ 809,704
Variable rate bonds payable:					
HEFA Series H . . . . .	12/1/29	0.05%	0.06%	\$ 25,000	\$ 25,000
HEFA Series N (taxable) . . . . .	10/1/34	0.11%	0.11%	30,385	30,725
MDFA Series U-1 . . . . .	10/1/40	0.65%	0.64%	50,000	50,000
MDFA Series U-2 . . . . .	10/1/40	0.53%	0.86%	50,000	50,000
MDFA Series U-3 . . . . .	10/1/40	0.04%	0.04%	50,000	50,000
MDFA Series U-5A . . . . .	10/1/31	0.05%	0.03%	35,800	36,700
MDFA Series U-5B . . . . .	10/1/31	0.07%	0.07%	37,300	38,400
MDFA Series U-6A . . . . .	10/1/42	0.47%	0.66%	62,850	62,850
MDFA Series U-6C . . . . .	10/1/42	0.02%	0.03%	52,545	52,545
MDFA Series U-6E . . . . .	10/1/42	0.62%	0.61%	62,695	62,695
Royal Bank of Scotland (taxable) . . . . .	8/15/29	1.04%	0.97%	36,924	41,948
MDFA Series Y . . . . .	10/1/39	0.44%	n/a	35,000	
Total variable rate bonds payable . . . . .				\$ 528,499	\$ 500,863
Total bonds and notes payable . . . . .				\$ 1,294,183	\$ 1,310,567
Plus: unamortized bond premium and discount . . . . .				17,213	17,951
Less: bond issuance costs . . . . .				(4,539)	(4,589)
Total bonds and notes payable, net . . . . .				\$ 1,306,857	\$ 1,323,929



*For the years ended June 30, 2015 and 2014*

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 \$48,579,000 and \$49,812,000 as of June 30, 2015 and 2014, 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, 2015 and 2014.

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, 2015 and 2014 is \$1,376,960,000 and \$1,418,963,000, respectively.

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

Year	Scheduled Principal Maturities
2016	\$ 12,929
2017	7,760
2018	8,732
2019	82,040
2020	8,363
Thereafter	<u>1,174,359</u>
Total	<u>\$1,294,183</u>

Scheduled principal maturities represent aggregate annual payments as required under long-term debt repayment schedules. As of June 30, 2015, the University’s debt portfolio includes variable rate demand bonds (VRDBs) of \$231,030,000 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, 2015, aggregate scheduled loan repayments under the VRDB-related LOCs would be as follows: \$38,505,000, \$77,010,000, \$77,010,000, and \$38,505,000 in 2016, 2017, 2018, and 2019, 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 October 2014, the University issued its Series Y tax exempt variable rate bonds in the amount of \$35,000,000. The proceeds from the Series Y bonds were used to refinance Series S bonds on their October 1, 2014 call date and the new bonds have an amortization schedule and a final maturity date identical to the Series S bonds. The remaining unamortized bond issuance costs of \$1,308,000 for Series S is included in other additions (deductions) and transfers, net in the Consolidated Statements of Activities for the year ending June 30, 2015.

In October 2014, the University issued its Series Z-1 and Z-2 tax exempt fixed rate bonds in the aggregate amount of \$73,370,000 with a final maturity in 2019. The bonds were issued at par and proceeds were used to refinance existing Series V-2 and V-3 tax exempt fixed rate bonds that matured on October 1, 2014. Interest is payable semi-annually at a fixed rate of 1.5% per annum.

*Bank Lines:*

The University has \$140,000,000 in committed 364-day lines of credit with six financial institutions. There were no draws or outstanding loans under these lines of credit as of and for the years ended June 30, 2015 and 2014. The current expiration date for all lines of credit is in April 2016.

For the years ended June 30, 2015 and 2014

*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 the counterparty's exercise of an existing swaption contract related to its Series S bonds, the University entered into a swap with a notional amount of \$35,000,000 effective October 1, 2014. Under the terms of the swap, the University pays a fixed rate of 4.7% and receives the SIFMA index from October 1, 2014 through October 1, 2039.

In connection with the October 2014 issuance of its Series Z-1 and Z-2 fixed rate bonds, the University entered into a fixed receiver swap with a notional amount of \$73,370,000 effective October 1, 2014 with a lump-sum maturity matching the Series Z-1 and Z-2 bonds. Under the terms of the Swap, the University receives a fixed rate of 1.265% and pays the SIFMA Index from October 1, 2014 to October 1, 2019. This agreement was effected to offset a portion of the cost of the continuing long-term fixed payer swap agreements associated with Series Z-1 and Z-2 bonds.

Below is a summary of the terms of the University's outstanding debt related derivatives as of June 30, 2015 and 2014, in thousands of dollars:

Swap/Swaption Agreement	Notional Amount	Fair Value		Effective Date	Termination Date	University Pays	University Receives
		6/30/15	6/30/14				
Series H	\$ 25,000	\$ 8,997	\$ 8,218	10/30/1997	12/01/2027	5.28%	SIFMA
Series N	23,200	9,291	9,350	10/30/1997	10/01/2027	6.79%	LIBOR
Series U1-3	150,000	51,736	44,968	10/01/2007	10/01/2040	3.97%	69% of 1-Mo. USD LIBOR
Series U5	73,100	16,278	16,302	10/30/2001	10/01/2031	4.10%	67% of 1-Mo. USD LIBOR
Series U6	10,700	1,796	1,966	10/01/2002	10/01/2022	4.16%	67% of 1-Mo. USD LIBOR
Series U6, V	239,500	136,755	112,079	07/01/2008	10/01/2042	5.42%	SIFMA
Series V	73,370		(681)	12/04/2009	10/01/2014	SIFMA	1.94%
Royal Bank of Scotland	36,924	9,135	8,697	08/15/2006	08/15/2029	5.65%	3-Mo. GBP LIBOR +45 basis points
Series Z	73,370	(1,232)		10/01/2014	10/01/2019	SIFMA	1.265%
Series Y	35,000	14,134	10,103	10/01/2014	10/01/2039	4.70%	SIFMA
Series T swaption	162,740	66,052	45,463	10/01/2015	on exercise	4.95%*	SIFMA
Less: Credit valuation adjustment		(15,339)	(14,162)				
		<u>\$ 297,603</u>	<u>\$ 242,303</u>				

SIFMA—Securities Industry and Financial Markets Association Municipal Swap Index

LIBOR—London Interbank Offered 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, 2015 and 2014

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In 2015 and 2014, the University's net settlement payments on interest rate exchange agreements were \$26,635,000 and \$25,438,000, respectively. These net settlement payments 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 \$356,750,000 at June 30, 2015, are considered financing activities. During 2015 and 2014, respectively, \$13,793,000 and \$12,145,000 of the net settlement payments 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, 2015 and 2014, the University was required to post collateral of \$163,604,000 and \$106,494,000, respectively. Posted collateral balances are included on the Consolidated Statements 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 a 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 \$65,625,000 and \$63,859,000 in fiscal years 2015 and 2014, respectively.

### *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.

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 2015 and 2014, net of interest cost totaled \$900,000 and \$1,000,000, 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 2015 and 2014, 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 Statements of Financial Position totaled \$4,000,000 and \$4,900,000 in 2015 and 2014, respectively.

For the years ended June 30, 2015 and 2014

## 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 as of June 30, 2015:

	Operating	Capital
2016	\$ 22,032	\$ 4,021
2017	20,881	4,021
2018	20,586	4,021
2019	20,844	4,021
2020	16,189	4,064
Thereafter	<u>88,306</u>	<u>184,729</u>
	\$ 188,838	\$ 204,877
Less: Amounts representing interest		<u>(121,536)</u>
Capital lease obligation		<u>\$ 83,341</u>

For 2015 and 2014, rent expense for educational facilities and office space was \$25,391,000 and \$27,807,000, 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 \$83,341,000 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 \$105,362,000 and \$109,233,000 and total liabilities of \$37,366,000 and \$44,266,000 as of June 30, 2015 and 2014, respectively. The total outstanding debt is equal to \$32,588,000 and \$37,469,000 as of June 30, 2015 and 2014, respectively. The University's share of the debt is \$15,841,000 and \$18,290,000 as of June 30, 2015 and 2014, respectively. The total minimum annual lease payments associated with these leases of approximately \$7,523,000 and \$7,505,000 for the years ended June 30, 2015 and 2014, 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 2012, the related portion of the facility was placed into service and research began. In November 2014, the University received the final clearance from the Boston Public Health Commission to begin research at NEIDL at Biosafety Level 3 and the related portion of the facility was placed into service in November 2014.

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

For the years ended June 30, 2015 and 2014

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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, 2015 and 2014, of \$5,813,000 and \$11,626,000, respectively, is reflected in bonds and notes payable on the Consolidated Statements of Financial Position.

Total original construction costs were \$203,879,000 and \$202,489,000 as of June 30, 2015 and 2014, respectively. NIH has reimbursed \$140,921,000 and \$140,625,000 as of June 30, 2015 and 2014, respectively. 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 an additional 21% in 2015. As a result, in 2015 and 2012, a pro-rata share of NIH funding, \$29,531,000 and \$86,507,000, respectively, was transferred from temporarily restricted net assets to unrestricted net assets.

*Other:*

As of June 30, 2015, the University has commitments of approximately \$230,358,000, 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, 2015 and 2014, the University recognized rental revenue of \$515,000 related to the ground lease. The unamortized deferred rent as of June 30, 2015 and 2014 is \$37,338,000 and \$37,853,000, 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 agreed to continue its support of clinical department operations at a level of support proportionately consistent to what was provided before the merger. The University's commitment for fiscal year 2015 is approximately \$8,300,000.

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 Consolidated Statements of Financial Position and have a net carrying value of \$148,238,000 and \$162,466,000 as of June 30, 2015 and June 30, 2014, respectively. In September 2014, the University exercised its options to purchase the investor's leasehold interest for the agreed purchase option price for one of the four properties. In 2015, the University eliminated from its Consolidated Statements of Financial Position asset and liability amounts equal to the investments in the irrevocable trust that will be used to purchase the investor's remaining leasehold interests in the properties because it determined that it does not hold these assets or control the trust. Accordingly, the University has adjusted the June 30, 2014 Consolidated Statements of Financial Position by removing the comparable prior year balance of \$60,751,000 from prepaid expenses and other assets and accounts payable and accrued expenses.

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.

*For the years ended June 30, 2015 and 2014*

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## **9. Subsequent Events**

In July 2015, in connection with an existing \$162,740,000 swaption contract related to its Series T-1 bonds, the University was notified of the counterparty's intent to exercise its option effective as of October 1, 2015. The University will refinance the Series T-1 bonds, and holds a bank commitment for that bank's purchase of the new bonds in a private transaction scheduled to close on September 30, 2015; final documentation for that transaction is substantially complete. Under the terms of the resulting swap, the University will pay a fixed rate of 4.95% and receive the SIFMA index from October 1, 2015 through October 1, 2039. The Series AA (2015) variable rate bonds will be fully hedged with the new swap.

The University has assessed the impact of subsequent events through September 16, 2015, the date the Consolidated Financial Statements were issued.

**BOSTON UNIVERSITY**  
 Supplementary Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2015

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	\$ 152,510
Agency for International Development	98.001	57,606
Agency for International Development Total		<u>210,116</u>
Department of Agriculture:		
Department of Agriculture	10	6,434
Department of Agriculture	10.310	177,882
Department of Agriculture	10.684	71,673
Department of Agriculture Total		<u>255,989</u>
Department of Commerce:		
Department of Commerce	11	11,124
Department of Commerce	11.431	97,919
Department of Commerce Total		<u>109,043</u>
Department of Defense:		
Air Force	12	375,451
Air Force	12.800	1,923,081
Air Force	12.910	90,002
Army	12	409,217
Army	12.420	4,174,032
Army	12.431	2,041,754
Army	12.910	518,089
Defense Threat Reduction Agency	12.351	989,501
Defense Threat Reduction Agency	12.630	59,685
National Security Agency	12.901	787
Navy	12	299,644
Navy	12	3,905,715
Department of Defense Total		<u>14,786,958</u>
Department of Education:		
Department of Education	84.133	2,045,144
Department of Education	84.305	103,500
Department of Education	84.324	198,700
Department of Education Total		<u>2,347,344</u>
Department of Energy:		
Department of Energy	81.049	4,063,306
Department of Energy	81.087	62,636
Department of Energy	81.089	230,785
Department of Energy	81.135	798,964
National Energy Technology Lab	81.089	(323)
Department of Energy Total		<u>5,155,368</u>
Department of Health and Human Services:		
Administration for Community Living	93.433	472,735
Agency for Healthcare Research And Quality	93	(872)
Agency for Healthcare Research And Quality	93.226	166,604
Assistant Secretary for Preparedness	93.095	969
Biomedical Advanced Research and Development Authority	93	110,369
Center for Disease Control	93.067	2,983,908
Center for Disease Control	93.135	15,269
Center for Disease Control	93.262	132,181
Center for Disease Control	93.283	98,635
Center for Disease Control	93.542	252,893
Eunice Kennedy Shriver National Institute of Child Health and Human Development	93.865	4,772,443
Fogarty International Center	93.989	194,297
Health Resources and Services Administration	93.110	575,964
Health Resources and Services Administration	93.145	342,764
Health Resources and Services Administration	93.928	610,469
National Cancer Institute	93	314,434
National Cancer Institute	93.310	606,993
National Cancer Institute	93.393	6,121,719
National Cancer Institute	93.394	978,187
National Cancer Institute	93.395	769,338
National Cancer Institute	93.396	1,446,502
National Cancer Institute	93.398	42,182
National Cancer Institute	93.838	416,226
National Center for Advancing Translational Sciences	93.350	3,467,849
National Center for Complementary and Alternative Medicine	93.213	1,067,989
National Center for Health Research Resources	93.350	(86,970)
National Center for Health Research Resources	93.389	(171)
National Center for Health Research Resources - ARRA	93.701	(7,108)
National Center on Minority Health and Health Disparities	93.307	401,035

(Continued)

**BOSTON UNIVERSITY**

Supplementary Schedule of Expenditures of Federal Awards

Year ended June 30, 2015

<b>Federal Grantor/Pass-through Grantor/Program or Cluster Title</b>	<b>CFDA number</b>	<b>Federal expenditures</b>
National Eye Institute	93.867	2,464,360
National Heart, Lung, and Blood Institute	93	9,740,986
National Heart, Lung, and Blood Institute	93.310	81,339
National Heart, Lung, and Blood Institute	93.837	9,405,140
National Heart, Lung, and Blood Institute	93.838	6,427,557
National Heart, Lung, and Blood Institute	93.839	2,199,213
National Heart, Lung, and Blood Institute - ARRA	93.701	(4,047)
National Human Genome Research Institute	93.172	1,025,159
National Institute of Allergy and Infectious Diseases	93	292,723
National Institute of Allergy and Infectious Diseases	93.855	21,764,234
National Institute of Arthritis and Musculoskeletal and Skin Diseases	93.310	288,566
National Institute of Arthritis and Musculoskeletal and Skin Diseases	93.846	8,811,824
National Institute of Biomedical Imaging and Bioengineering	93.286	3,102,430
National Institute of Dental and Craniofacial Research	93.121	4,162,513
National Institute of Dental and Craniofacial Research - ARRA	93.701	(653)
National Institute of Diabetes and Digestive and Kidney Diseases	93.847	7,339,355
National Institute of Environmental Health Sciences	93.113	2,785,549
National Institute of Environmental Health Sciences	93.143	2,607,874
National Institute of General Medical Sciences	93.859	9,246,884
National Institute of Mental Health	93.242	10,299,421
National Institute of Mental Health	93.281	53,045
National Institute of Neurological Disorders and Stroke	93.242	385,293
National Institute of Neurological Disorders and Stroke	93.310	609,162
National Institute of Neurological Disorders and Stroke	93.853	8,195,639
National Institute on Aging	93.866	10,699,311
National Institute on Alcohol Abuse and Alcoholism	93.273	1,771,170
National Institute on Deafness and Other Communication Disorders	93.173	5,973,961
National Institute on Drug Abuse	93.279	1,169,793
NIH Clinical Center	93	1,627,910
Office of the Director, National Institutes of Health	93.310	210,709
Office of the Director, National Institutes of Health	93.351	238,540
Department of Health and Human Services Total		<u>159,241,793</u>
Department of Homeland Security:		
Department of Homeland Security	97.077	<u>(121)</u>
Department of Homeland Security Total		<u>(121)</u>
Department of Housing and Urban Development:		
Department of Housing and Urban Development	14.906	<u>126,916</u>
Department of Housing And Urban Development Total		<u>126,916</u>



**BOSTON UNIVERSITY**

Supplementary Schedule of Expenditures of Federal Awards  
Year ended June 30, 2015

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA number	Federal expenditures
Department of Justice:		
Department of Justice	16	\$ 3,323
Department of Justice	16.560	838,591
Department of Justice Total		<u>841,914</u>
Department of Labor:		
Department of Labor	17	107
Department of Labor Total		<u>107</u>
Department of the Interior:		
Department of Interior	15	448,168
Department of Interior	15.944	61,351
Department of Interior	15.979	56,795
Department of the Interior Total		<u>566,314</u>
Department of Transportation:		
Department of Transportation	20.109	261,164
Department of Transportation Total		<u>261,164</u>
Department of Veterans Affairs:		
Department of Veterans Affairs	64	4,601,115
Department of Veterans Affairs Total		<u>4,601,115</u>
Environmental Protection Agency:		
Environmental Protection Agency	66.509	103,603
Environmental Protection Agency Total		<u>103,603</u>
National Aeronautics and Space Administration:		
National Aeronautics and Space Administration	43	(5,069)
National Aeronautics and Space Administration	43.001	3,979,344
National Aeronautics and Space Administration	43.003	131,305
National Aeronautics and Space Administration	43.009	54,102
National Aeronautics and Space Administration Total		<u>4,159,682</u>
National Endowment for the Humanities:		
National Endowment for the Humanities	45.161	102,812
National Endowment for the Humanities	47.075	4,200
National Endowment for the Humanities Total		<u>107,012</u>
National Science Foundation:		
National Science Foundation	47	435,430
National Science Foundation	47.041	2,984,919
National Science Foundation	47.049	6,269,232
National Science Foundation	47.050	2,232,212
National Science Foundation	47.070	5,968,249
National Science Foundation	47.074	2,644,882
National Science Foundation	47.075	4,696,459
National Science Foundation	47.076	3,207,073
National Science Foundation	47.078	91,368
National Science Foundation	47.079	167,706
National Science Foundation	47.080	127,560
National Science Foundation - ARRA	47.082	430,999
National Science Foundation Total		<u>29,256,089</u>
Research and Development Cluster Direct Awards Total		<u>222,130,406</u>

**BOSTON UNIVERSITY**

Supplementary Schedule of Expenditures of Federal Awards

Year ended June 30, 2015

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA number	Pass-through number	Federal expenditures
Research and Development Cluster:			
Pass-through Awards:			
Agency for International Development:			
Center for Health Research, Universitas	98.001	Not Available	21,150
Hero (South Africa)	98.001	HERO-005	19,961
Hero (South Africa)	98.001	HERO-004	66,520
Right To Care	98.001	AID-674-A-12-00020	145,827
Save the Children International In Zambia	98.001	84000825	253,732
United States Pharmacopeial Convention	98.001	FOG-15-012	183,780
United States Pharmacopeial Convention	98.001	GHS-A-00-09-00003-00	23,932
WITS Health Consortium	98.001	HERO-002	526,902
Agency for International Development Total			1,241,804
Department of Agriculture:			
Boston Medical Center	10.500	3518	26,222
Kidscook, LLC	10.212	2012-04061	17,622
University of Wisconsin	10.255	471K494	8,151
Department of Agriculture Total			51,995
Department of Commerce:			
University of Maryland	11.440	Z765201	(23)
University of Rhode Island	11.417	4055-031414	17,627
Woods Hole Oceanographic Institution	11.417	A100924	14,886
Woods Hole Oceanographic Institution	11.417	A101116	26,618
Department of Commerce Total			59,108
Department of Defense:			
Bae Systems, Inc.	12	678520	11
Battelle Memorial Institute	12	471878	921
Battelle Memorial Institute	12	US001-0000320215	2,640
Boston VA Research Institute, Inc.	12.420	1	21,146
Bronx Veterans Medical Research Foundation	12.420	GW110054	98,542
Carnegie Mellon University	12.910	1141246-340845	24,602
Charles River Analytics, Inc.	12	SC1201801	86,298
DCG Systems, Inc.	12	IRP3-BU	259,341
Energenis Pharmaceuticals, Inc	12	W81XWH-11-C-0517	48,693
Fulcrum	12	FUL-14-S010	35,236
Hansjorg Wyss Institute for Biologically Inspired Engineering	12	167898-5077770	48,277
Hansjorg Wyss Institute for Biologically Inspired Engineering	12	167837-5054561	45,602
Henry M. Jackson Foundation	12.420	W81XWH-07-2-0067	88,666
Johns Hopkins University Applied Physics Laboratory	12	126450	22,159
Leidos	12	P010162564	424,936
Longshortway, Inc	12	Not Available	84,707
Massachusetts General Hospital	12.420	225098	4,367
Massachusetts Institute of Technology	12.300	5710002632	7,776
Massachusetts Institute of Technology	12.300	5710002645	225,916
Massachusetts Institute of Technology	12.300	5710003312	122,942
Massachusetts Institute of Technology	12.431	5710003052	65,981
Massachusetts Institute of Technology	12	5710003167	(348)
Massachusetts Institute of Technology	12	5710003194	30,810
Massachusetts Institute of Technology - Lincoln Laboratory	12	7000289083	18,374
Northeastern University	12.800	504321	3,565
Photonic Glass Corporation	12	FA-9550-10-C-0066	(125)
Photronix, Inc.	12	W9113M-10C-0090	(243)
Raytheon Company	12	9500010646	22,575
San Diego Composites	12	SDC14-0477	29,492
Scientific Systems Company, Inc.	12	1542-B.U.	22,739
Sofar Acoustics, LLC	12	Not Available	26,772
The Geneva Foundation	12.351	S-1340-01	151,907
The Optical Sciences Company	12	Not Available	34,060
University of California, San Diego	12.800	10312239-SUB	81,460
University of Illinois, Urbana-Champaign	12.300	2013-03174-03 (AA669)	279,995
University of Illinois, Urbana-Champaign	12.800	2010-07331-01	154,963
University of Maryland, Baltimore County	12.910	12012	615,301
University of Michigan	12	3003005118	112,108
University of Michigan	12	3003264246	32,917
University of Pennsylvania	12.910	PO#3303375	227,883

**BOSTON UNIVERSITY**

Supplementary Schedule of Expenditures of Federal Awards

Year ended June 30, 2015

<b>Federal Grantor/Pass-through Grantor/Program or Cluster Title</b>	<b>CFDA number</b>	<b>Pass-through number</b>	<b>Federal expenditures</b>
University of Texas At Austin	12.431	UTA12-001015	119,083
University of Utah	12.630	10028801-BU-APP	(798)
University of Utah	12.630	10028801-BU-BPP	633,953
University of Washington	12.300	705016	540,152
Woods Hole Oceanographic Institution	12.300	A101110	12,997
Department of Defense Total			<u>4,868,351</u>
Department of Education:			
Commonwealth of Massachusetts - Department of Public Health	84.181	INTF3601HH2500224169	27,889
Kent State University	84.133	401006-BU	82,475
Public Broadcasting Service	84.295	U295A100025	145,511
Rehabilitation Institute of Chicago	84.133	80498	19,919
Temple University	84.305	300132-BU	17,096
University of Arkansas	84.305	SA1508063	53,975
University of Pittsburgh	84	0024730 (601047-1)	(243)
Department of Education Total			<u>346,622</u>
Department of Energy:			
Battelle Energy Alliance, LLC	81	128776	105,691
Battelle Memorial Inst/Pacific Northwest National Laboratory	81	225805	39,379
Battelle Memorial Inst/Pacific Northwest National Laboratory	81	246515	35,658
Brookhaven National Laboratory	81	277220	52,020
Fermi National Accelerator Laboratory	81.049	607489	69,588
Fermi National Accelerator Laboratory	81	611002	34,864
Fermi National Accelerator Laboratory	81	616060	67,459
Fermi National Accelerator Laboratory	81	617650	26,358
Fermi National Accelerator Laboratory	81	621572	9,129
Fermi National Accelerator Laboratory	81	PO 606923	5,245
Fermi National Accelerator Laboratory	81	PO 611357	107,129
Fermi National Accelerator Laboratory	81	Not Available	47,005
Fermi National Accelerator Laboratory	81	606923	13,500
Harvard University	81.049	133183-5041151	(13,742)
Infinium Metals Inc.	81.135	Not Available	67,293
Infinium Metals Inc.	81	DE-AR0000412	74,064
Moxst, Inc.	81.086	Not Available	(882)
Pennsylvania State University	81.049	4331-BU-SU-9105	59,831
Sandia National Laboratories	81	1222895	73,371
URS Energy & Construction	81	RES1302658	48,511
UT-Battelle, LLC/Oak Ridge National Laboratory	81	4000091123	421
Xradia Corp	81.049	DE-SC0009733	(4,353)
Department of Energy Total			<u>917,539</u>
Department of Health and Human Services:			
Acetylon Pharmaceuticals, Inc.	93.837	NHLBI-Acetylon-BU	(3,986)
Acpharis, Inc.	93.859	Not Available	23,740
Agiltron, Inc	93.113	NIH1018001II	7,106
Ai Biosciences, Inc.	93.286	Not Available	48,938
American Heart Association	93.077	FX-ATRAC-BU-01	354,082
Banner Alzheimer's Institute	93.866	0435-02-45053	30,296
Beth Israel Deaconess Medical Center	93.173	1026514	79,310
Beth Israel Deaconess Medical Center	93.173	1026514	105,181
Beth Israel Deaconess Medical Center	93.213	1026085	18,413
Beth Israel Deaconess Medical Center	93.286	1025934	(1,796)
Beth Israel Deaconess Medical Center	93.393	1027119	175,123
Beth Israel Deaconess Medical Center	93.395	1026146	163,928
Beth Israel Deaconess Medical Center	93.846	1026873	112,829

**BOSTON UNIVERSITY**

Supplementary Schedule of Expenditures of Federal Awards

Year ended June 30, 2015

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA number	Pass-through number	Federal expenditures
Boston College	93.855	58-255-3035-5	(25,899)
Boston Medical Center	93.121	3816	74,391
Boston Medical Center	93.121	333701	108,774
Boston Medical Center	93.213	4194	41,521
Boston Medical Center	93.242	1793	17,808
Boston Medical Center	93.273	3014	71,260
Boston Medical Center	93.273	4297	38,693
Boston Medical Center	93.279	2115	122,837
Boston Medical Center	93.279	2138	68,731
Boston Medical Center	93.279	2563	248,114
Boston Medical Center	93.279	262301	32,770
Boston Medical Center	93.279	2765	19,543
Boston Medical Center	93.279	326901	48,022
Boston Medical Center	93.279	4268	70,221
Boston Medical Center	93.307	4156	32,652
Boston Medical Center	93.393	1592	2,410
Boston Medical Center	93.837	277201	36,871
Boston Medical Center	93.837	281301	(79,729)
Boston Medical Center	93.837	3985	110,556
Boston Medical Center	93.838	2309	31,935
Boston Medical Center	93.839	2139	152,280
Boston Medical Center	93.847	2616	2,903
Boston Medical Center	93.847	2619	(34)
Boston Medical Center	93.853	1783	817
Boston Medical Center	93.855	2821	103,410
Boston Medical Center	93.855	4275	67,269
Boston Medical Center	93.866	2533	201,170
Boston Medical Center	93.866	2579	(2,859)
Boston Medical Center	93.866	4041	128,578
Boston Medical Center	93.866	4044	113,688
Boston Medical Center	93.866	270504	(1,536)
Boston Medical Center	93	315801	139,114
Boston Nutrition Obesity Research Center	93.847	3809	8,822
Brandeis University	93.575	402283	53,427
Brandeis University	93.866	402461	57,231
Brigham & Women's Hospital	93.838	104228	10,804
Brigham & Women's Hospital	93.838	106776	28,269
Brigham & Women's Hospital	93.838	110676	404,623
Brigham & Women's Hospital	93.846	108331	72,236
Brigham & Women's Hospital	93.846	109379	72,820
Brigham & Women's Hospital	93.847	108909	21,343
Brigham & Women's Hospital	93.855	104684	(136)
Brigham & Women's Hospital	93.855	110233	17,260
Brigham & Women's Hospital	93.866	109517	3,096
Brigham & Women's Hospital	93.866	109638	234,289
Brigham & Women's Hospital	93	101949	34,250
Brigham & Women's Hospital - ARRA	93.701	PS 105992	(563)
Broad Institute	93.847	BROAD INSTITUTE - NI	63,651
Butler Hospital	93.242	9032-8311	19,473
California Pacific Medical Center	93.866	2803226-S160	30,251
Carmot Therapeutics, Inc.	93.395	2R44CA153676-02	171,472
Case Western Reserve University	93.867	RES508494	(269)
Children's Hospital, Boston	93.847	433275	23,326
Children's Hospital, Boston	93.855	74344	20,388
Cincinnati Children's Hospital Medical Center	93.837	109363	8,241
Cincinnati Children's Hospital Medical Center	93.837	131950	18,298
Cleveland Clinic Foundation	93.847	308-SUB	(1,180)
Cleveland Clinic Lerner College of Medicine of Case Western	93	HHSN268200700018C	13,827
Colorado State University	93.855	G-4887-2	17,909
Columbia University	93.394	1 (GG004019)	45,428
Commonwealth of Massachusetts	93.074	INTF6208HH4300522127	18,279
Commonwealth of Massachusetts - Department of Public Health	93.073	INTF3122H78500224038	258,643
Commonwealth of Massachusetts - Department of Public Health	93.077	INTF122HH2706811032	196
Commonwealth of Massachusetts - Department of Public Health	93.917	INTF4971M04500824090	143,076
Commonwealth of Massachusetts - Department of Public Health	93.940	INTF4971M04500824097	49,819
Dana-Farber Cancer Institute	93.172	1158102	(400)
Dartmouth College	93.242	1257	15,216
Dartmouth College	93.242	1632	3,747
Dartmouth College	93.999	791	24,830
Denver Health Medical Center	93	DENVER HEALTH MED CT	(25)
Duke University	93.113	14-NIH-1127	101,132
Duke University	93.838	203-9813	48,179

**BOSTON UNIVERSITY**

Supplementary Schedule of Expenditures of Federal Awards

Year ended June 30, 2015

<b>Federal Grantor/Pass-through Grantor/Program or Cluster Title</b>	<b>CFDA number</b>	<b>Pass-through number</b>	<b>Federal expenditures</b>
Duke University	93.855	2031345	(16,171)
Duke University	93.855	2031952	296,588
Duke University	93.855	2032065	81,327
Duke University	93	2031988	1,634,489
Duke University	93	HHSN272201100025C	1,931
Feinstein Institute for Medical Research	93	BOS-01-NON-ARRA	12,035
Forsyth Institute	93.121	BU024468-2495	88,258
Forsyth Institute	93.307	006964-BUMC2390	(424)
Fraunhofer USA	93.855	3358-SUBA	127,380
Fraunhofer USA	93.855	3358-SUBC	68,988
Genetic Alliance	93.110	U22MC04100	954
George Washington University	93.226	14-M68	37,534
George Washington University	93.262	13-M95	16,953
George Washington University	93.262	14-M51	43,848
Georgetown University	93.393	RX 4442-003-BU	4,228
Georgia Institute of Technology	93.855	RC670-G1	44,865
Georgia Regents University	93.847	25732-19	47,819
Georgia Regents University	93.855	23069-38	60,504
Griffin Laboratories, Inc	93.173	Not Available	26,110
Griffin Laboratories, Inc	93.173	2R42DC011212-02	(10,756)
Hansjorg Wyss Institute for Biologically	93.286	Chen.NIH.UH3	242,132
Harvard Medical School	93.853	150935.5081742.0003	6,443
Harvard School of Public Health	93.838	5077080-113087	157,421
Harvard School of Public Health	93.859	114041.5026828	7,026
Harvard School of Public Health	93.864	23570-114045	(1,243)
Harvard University	93.242	150167.5074173.0004	18,443
Hebrew Rehabilitation Center for the Aged	93.846	90054	153,520
Hebrew Rehabilitation Center for the Aged	93.866	10.10.90053	73,628
Hebrew Rehabilitation Center for the Aged	93.866	10.10.90060	9,032
Hebrew Seniorlife	93.866	90067	114,676
Hektoen Institute for Medical Research, L.L.C.	93.855	50612-324-BU1-AI0349	24,845
Hektoen Institute for Medical Research, L.L.C.	93.855	50667-324-BU-AI03499	27,251
Indiana University	93.242	IN-4694751-BU	2,194
Indiana University	93.847	IN4694015BU	(4,861)
International Society of Travel Medicine	93.283	5U50CK000189-04	2,628
Jackson Laboratory	93.866	659980	31,629
Johns Hopkins University	93.273	2001374983	420,492
Johns Hopkins University	93.397	2002014652	33,155
Johns Hopkins University	93.837	2002372088	20,261
Johns Hopkins University	93.866	2002404455	31,392
Joslin Diabetes Center	93.847	2-20-877-37	25,353
Joslin Diabetes Center	93.847	SUB_P30DK036836_KASI	231,219
Joslin Diabetes Center	93.847	Sub_P30DK036836_P&F	131,783
JSI Research Training Institute Inc	93.928	INTF4971M04603614082	(756)
JSI Research Training Institute Inc	93.940	INTF4971M04603614082	(2)
Judge Baker Children's Center (Harvard affiliate)	93.242	5000.46666	9,303
Legacy Research	93.853	LEGACY RESEARCH--NI	(67,548)
Massachusetts General Hospital	93.242	216307	30,501
Massachusetts General Hospital	93.242	216648	502
Massachusetts General Hospital	93.242	218390	15,258
Massachusetts General Hospital	93.242	223260	195,415
Massachusetts General Hospital	93.286	220050	21,573
Massachusetts General Hospital	93.286	221149	(1,799)
Massachusetts General Hospital	93.837	218179	102,169
Massachusetts General Hospital	93.837	222359	237,942
Massachusetts General Hospital	93.837	216089	39,565
Massachusetts General Hospital	93.837	225575	25,876
Massachusetts General Hospital	93.838	205123	(6,601)
Massachusetts General Hospital	93.847	218446	349,260
Massachusetts General Hospital	93.847	223192	24,865
Massachusetts General Hospital	93.847	226236	2,174
Massachusetts General Hospital	93.847	Not Available	14,678
Massachusetts General Hospital	93.855	224673	18,157
Massachusetts Institute of Technology	93.173	5710003037	164,683
Massachusetts Institute of Technology	93.397	5710002986	7,220
Massachusetts Institute of Technology	93.853	5710003080	9,116
Massachusetts Institute of Technology	93.855	5710003335	15,555
Mattek Corporation	93.855	R21A1104385-02	58,054
Mayo Clinic	93.838	63874526	20,269
Mayo Clinic	93.853	63774175	222,092
Mayo Clinic	93	MCRN-0054-CPN	167,106
McKing Consulting Corporation	93	01-6238	28,198

**BOSTON UNIVERSITY**

Supplementary Schedule of Expenditures of Federal Awards

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<b>Federal Grantor/Pass-through Grantor/Program or Cluster Title</b>	<b>CFDA number</b>	<b>Pass-through number</b>	<b>Federal expenditures</b>
Michigan State University	93.121	RC104367BU	7,624
Miriam Hospital	93.393	710-9691	56,916
Mt. Sinai School of Medicine	93.866	0255-3171-4609	106,437
Myosyntax Corporation	93.839	1R43HL124679-01	39,502
National Committee for Quality Assurance	93	Not Available	40,500
National Jewish Health	93.233	20091201	78,461
Neostem, Inc	93.846	1R43AR062432-01A1	23,492
New England Research Institutes	93.847	NIDDK-NERI-BU	11,733
New England Research Institutes	93.847	R21DK100820	115,725
New Jersey Institute of Technology	93.286	R01-EB009100	(1,676)
New York University	93.307	F7447-01	150,648
New York University School of Medicine	93.866	14-A0-00-003310-01 P	16,677
Nexgen Arrays LLC	93.855	Not Available	37,802
Northwestern University	93.173	SP0019717-PROJ000496	379,791
Northwestern University	93.855	60026860BUMC	(166)
Northwestern University	93.865	SP0014607-PROJ000497	8,760
Northwestern University	93.866	60034742 BU	140,060
Northwestern University	93.867	SP0004560/PROJ000155	11,060
Oklahoma Medical Research Foundation	93.855	5 U19 AI062629-07	125,135
Oregon State University	93.866	P0330A-A	35,889
Pennsylvania State University	93.859	5059-BU-DHHS-3268	58,887
Phoenicia Biosciences, Inc.	93.837	1R41 HL108515-01A1	1,891
Physical Sciences, Inc.	93.859	65328-1853-46	21,623
President and Fellows of Harvard College	93.113	112116.5038586	53,819
President and Fellows of Harvard College	93.279	152373.5073034.0002	102,625
President and Fellows of Harvard College	93.292	5044460-114897	32,691
President and Fellows of Harvard College	93.838	113063-5037484	61,449
President and Fellows of Harvard College	93	149047.0743	(97)
President and Fellows of Harvard College - ARRA	93.701	149729.386546.0265	(3,764)
Prothera, Inc.	93.855	5R42 A1062095-05	31,042
Purdue University	93.866	4102-45155	(113)
Queen's University At Kingston	93.865	1	70,710
Research Triangle Institute	93.279	3-312-0214377-52070L	18,759
Roswell Park Cancer Institute	93.393	63-01	831,512
Rutgers University	93.286	5349	113,047
Rutgers University	93.286	PO#S1889249	(4,302)
Rutgers University	93.286	S2211523	6,592
Scimetrika	93	HHSF223201310953G	32,503
Simbex, LLC	93.865	R24 HD065703	30,568
Spaulding Rehabilitation Hospital	93.866	500187	34,766
Texas A&M University	93.859	02-S150244	14,025
The Regents of the University of California	93.394	8110sc	6,335
The Scripps Institute	93.172	5-23063	(9,980)
The University of Iowa	93.837	W000507502	9,194
The Wistar Institute	93.839	23584-02-314	17,897
Trustees of Dartmouth College	93.103	1374	14,597
Trustees of Dartmouth College	93.103	1629	7,527
Tufts - New England Medical Center	93.846	5004324-SERV	48,257
Tufts - New England Medical Center	93.846	5011097-SERV	12,887
Tufts University	93.113	HS2651	166,232
Tufts University	93.113	P01ES011624	(8,036)
Tufts University	93.113	TUFTS--NIEHS	(4,620)
Tufts University	93.286	HS4976	179,765
Tufts University	93.361	HS3522	13,911
Tufts University	93.837	HS2037	127,222
Tufts University	93.855	100638-00001	1,672
University of Alabama	93.837	000393678-001	75,394
University of California, Irvine	93.113	2012-2845	9,764
University of California, Los Angeles	93.393	1562GQB312	348,669
University of California, Los Angeles	93.394	1562 G QB844	(113)
University of California, Los Angeles	93.394	1562GNC385	376,172
University of California, Los Angeles	93.846	1563 G JB615 AMEND 2	(1,208)
University of California, Los Angeles	93.866	150052.0010	(417)
University of California, San Diego	93.866	37905342-001	1,376
University of California, San Diego	93.866	45891078	558
University of California, San Diego	93.866	46292454	70,002
University of California, San Diego	93.866	ADC-039	7,511
University of California, San Diego	93.866	PO# 10304007-001	7,313
University of California, San Francisco	93.242	8315sc	108,696
University of California, San Francisco	93.928	6767sc	64,292
University of Cincinnati	93.859	COEUS # 008632-003	33,252
University of Colorado, Denver	93.853	FY14.414.001	118,016

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<b>Federal Grantor/Pass-through Grantor/Program or Cluster Title</b>	<b>CFDA number</b>	<b>Pass-through number</b>	<b>Federal expenditures</b>
University of Colorado, Denver	93.853	PO 1000105902	47,056
University of Connecticut	93.213	7067	118,504
University of Illinois, Urbana-Champaign	93.859	2010-00365-03	172,308
University of Kansas	93.855	FY2015-005	83,196
University of Kansas	93.866	FY2010-040-M3	80,117
University of Maryland, Baltimore County	93.837	SR00002875	142,475
University of Massachusetts, Medical School	93.846	6124224/RFS2011084	(1,080)
University of Massachusetts, Medical School	93.855	6125208/RFS2011111	9,356
University of Massachusetts, Worcester	93.846	UMASS WORCESTER---NI	(29,892)
University of Massachusetts, Worcester	93.846	WA00112562/RFS201400	151,105
University of Massachusetts, Worcester	93.855	UMASS WORCESTER---NH	(4,493)
University of Mississippi	93.837	67481-BU01	21,528
University of Mississippi Medical Center	93.837	66100160212-BU	79,492
University of Mississippi Medical Center	93.866	66104160315-BU	36,631
University of Mississippi Medical Center	93	66102690414-04BU	65,453
University of Oklahoma	93.855	AA-5-46173	2,282
University of Pennsylvania	93.837	557344	78,332
University of Pennsylvania	93.837	559908	30,284
University of Pennsylvania	93.837	561970	138,575
University of Pennsylvania	93.837	564894	73,178
University of Pennsylvania	93.846	559436	32,698
University of Pennsylvania	93.846	560224	11,104
University of Pennsylvania	93.846	565354	91,664
University of Pennsylvania	93.847	565369	201,603
University of Pennsylvania	93.866	564315/RIS 8849	574,493
University of Pennsylvania	93.866	UNIV OF PENN---NIH N	295,107
University of Rochester	93.838	416531	60,084
University of Rochester	93.855	415290-G	36,753
University of Southern California	93.262	57385643	29,490
University of Southern California	93.859	47735772	48,985
University of Texas	93.859	0009483A	155,883
University of Texas At Austin	93.279	UTA14-000122	22,559
University of Texas Health Science Center	93.853	0010073B	112,994
University of Texas Health Science Center, San Antonio	93.394	153174	150,387
University of Utah	93.396	10026603-2	170,260
University of Utah	93.837	10022504-00	19,609
University of Vermont	93.838	SUB51632 BU	215,587
University of Washington	93.393	716776	(1)
University of Washington	93.837	726191	12,881
University of Washington	93.837	749258	24,254
University of Washington	93.837	756861	100,266
University of Washington	93.837	759444	55,531
University of Washington	93.837	761550	72,782
University of Washington	93.837	UWSC7565	4,140
University of Washington	93.837	UWSC8258	1,205
University of Washington	93.866	655885	612
University of Washington	93.866	762178	24,891
University of Washington	93.866	763246	23,747
University of Wisconsin	93.394	188K661	51,580
University of Wisconsin	93.855	561K234	703,820
University of Wisconsin	93.856	X561164	79,344
University of Wisconsin	93.866	399K873	499
Vanderbilt University	93.847	VANDERBILT - NIDDK	1,360
Veterans Affairs Medical Center of Washington DC	93	PO# 688-D25013	7,702
Veterans Medical Research Foundation	93.242	08152-02-302636	39,442
Washington University	93.837	WU-13-91	56,509
Washington University	93.837	WU-14-110-MOD-1	117,427
Washington University	93.837	WU-14-244-MOD-1	51,307
Washington University	93.837	WU-15-252-MOD-1	10,020
Washington University	93.847	WU-11-196-MOD-5	1,977
Washington University	93.847	WU-15-110	73,847
Washington University	93.855	WU-13-111	(9,933)
Washington University	93.865	WU-15-13	161,725
Washington University	93.865	WU-14-121	36,820
Washington University	93.865	WU-14-144	30,675
Washington University	93.865	WU-15-92	104,637
Washington University	93.865	WU-15-93	91,807
Wave 80 Biosciences, Inc.	93	W802010001	50,209
We Biosciences, LLC	93.866	WE1001	85,851
Whitehead Institute for Biomedical Research	93.395	11-1766-9902	202,120
Whitehead Institute for Biomedical Research	93.853	11-4011-0102	86,823
Yale University	93.226	M13A11548 (A09033)	51,181

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<b>Federal Grantor/Pass-through Grantor/Program or Cluster Title</b>	<b>CFDA number</b>	<b>Pass-through number</b>	<b>Federal expenditures</b>
Yale University	93.279	M14A11732 (A09415)	135,510
Yale University	93.310	C11A10967	(262)
Yale University - ARRA	93.701	M10A10467 (AS0190)	(319)
Department of Health and Human Services Total			<u>21,988,820</u>
Department of Homeland Security:			
Ionsense, Inc.	97	HSHQDC-13-C-B0025	11,484
Northeastern University	97.061	504928P0902638	(20,403)
Northeastern University	97.061	505035-78050	395,800
Northeastern University	97	505003-78054	89,999
Northeastern University	97	505020	92,782
Department of Homeland Security Total			<u>569,662</u>
Department of Housing and Urban Development:			
Boston Public Health Commission	14	BPHC	(1,904)
Department of Housing and Urban Development Total			<u>(1,904)</u>
Department of Justice:			
Boston Medical Center	16.560	3984	27,760
Flashscan3D, LLC.	16.560	NIJ01	2,108
Portland State University	16.726	203KEL366	25,302
University of Illinois, Urbana-Champaign	16.560	2013-05860-01	21,194
University of Maryland	16.734	Z918501	2,733
University of Massachusetts, Boston	16.726	201424553-01	9,170
Department of Justice Total			<u>88,267</u>
Department of Labor:			
Avar Consulting, Inc.	17	BU-2015-001	37,863
Institute for Educational Leadership	17.720	Not Available	57,232
Department of Labor Total			<u>95,095</u>
Department of the Interior:			
Merrimack Valley Planning Commission	15	Not Available	19,433
University of Washington	15.945	2013NPS George M. Wright Fellowship	4,541
Department of the Interior Total			<u>23,974</u>
Department of Transportation:			
Harvard University	20	112413-5042723-0007	24,330
Department of Transportation Total			<u>24,330</u>
Department of Veterans Affairs:			
National Academy of Sciences	64	IOM - 2000002826	15,044
Department of Veterans Affairs Total			<u>15,044</u>
Environmental Protection Agency:			
Duke University	66.509	15-EPA-1056	55,598
New England Interstate Water Pollution Control Commission	66.437	2013-039	98,288
RTI International	66	4-312-0213426-51926L	48,414
Environmental Protection Agency Total			<u>202,300</u>



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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	116,486
Boston Micromachines Corporation	43	NNX11CB22C	8,224
Center for the Advancement of Science in Space	43.007	GA-2015-209	194,539
DRS Sensors and Targeting Systems	43	9504150	69,292
Jet Propulsion Laboratory	43	1439600	1,299
Jet Propulsion Laboratory	43	1472312	31,733
Jet Propulsion Laboratory	43	1500040	211,552
Jet Propulsion Laboratory	43	1503094	70,188
Jet Propulsion Laboratory	43	RSA No. 1440385	(486)
Johns Hopkins University Applied Physics Laboratory	43	103473	11,119
Massachusetts Institute of Technology	43	PO#4501795683	6,023
Neurala, LLC	43	NNX13CL63C	60,402
Pennsylvania State University	43.001	4719-BU-NASA-J02G	3,450
Planetary Science Institute	43.001	1220	6,562
Smithsonian Astrophysical Observatory	43	GO2-13050C	10,097
South Dakota State University	43.001	3TB613	20,041
Space Telescope Science Institute	43	HST-GO-12176.01-A	62
Space Telescope Science Institute	43	HST-GO-12601.01-A	(434)
Space Telescope Science Institute	43	HST-GO-13012.01-A	(3)
Space Telescope Science Institute	43	HST-GO-13047.01-A	22,045
Space Telescope Science Institute	43	HST-GO-13328.001-A	55,615
Space Telescope Science Institute	43	HST-GO-13329.01-A	35,473
Space Telescope Science Institute	43	HST-GO-13396.001-A	60,073
Space Telescope Science Institute	43	HST-GO-13402.001-A	10,040
Space Telescope Science Institute	43	HST-GO-13632.001-A	34,658
Space Telescope Science Institute	43	HST-GO-13794.001-A	38,842
Space Telescope Science Institute	43	HST-GO-13795.001-A	19,235
Space Telescope Science Institute	43	HST-GO-14036.002-A	10,088
State University of New York At Stony Brook	43.001	68198-1117928-2	27,128
University of Central Florida	43	66016028	19,419
University of Colorado	43	1000320450	237,844
University of Maryland	43.001	9940-Z6867001	34,375
University of Massachusetts, Boston	43.001	S20130000022528	43,918
University of Massachusetts, Boston	43.001	S20140000018700	34,625
University of Massachusetts, Lowell	43.001	S52000000024320	58,446
University of New Hampshire	43.001	15-011	54,665
University of Wisconsin	43.001	397K740	(6,948)
Woods Hole Oceanographic Institution	43.001	WHRC-JG0866-01	81,101
National Aeronautics and Space Administration Total			1,690,788
National Science Foundation:			
Adicep Technologies	47.041	IIP-1152605	(569)
Aeolus Building Efficiency	47.041	Not Available	33,119
Boston Medical Center	47.079	3772	27,702
Columbia University	47.049	1 (GG006141)	132,048
Columbia University	47.049	2 (GG006141)	650,419
Consortium for Ocean Leadership	47.050	PO #T322A6	(776)
Consortium for Ocean Leadership	47.050	PO #T329A6	495
Consortium for Ocean Leadership	47.050	PO #T333A6	(1,648)
Consortium for Ocean Leadership	47.050	T346A6	15,051
Consortium for Ocean Leadership	47	T346B6	91,238
Cornell University	47.074	61468-10043	38,286
Education Development Center Inc	47.076	11479	39,168
Fast Ceramics LLC	47.041	1315774	(2,274)
Hansjorg Wyss Institute for Biologically	47.070	167907-5084537	30,183
Harvard Medical School	47.041	BA_FY14/5_Sun	50,652
Harvard Medical School	47.074	BA_FY14/5_DiCarlo	66,051
J&F Enterprise	47	1000268607 0	23,557
Massachusetts Institute of Technology	47.041	5710003729	19,292
Massachusetts Institute of Technology	47.050	5710003379	65,267
Massachusetts Institute of Technology	47.050	5710003495	19,904
Pennsylvania State University	47.050	4754-BU-NSF-0507	78,392
Pennsylvania State University	47.075	4676-BU-NSF-7440	39,528
Physics Teacher Education Coalition (Phystec)	47.049	MOU dtd 7-31-13	13,849
President and Fellows of Harvard College	47.074	131706-5056666	42,975
Raytheon BBN Technologies Corp.	47.070	9500012010	73,217
Rensselaer Polytechnic Institute	47.041	A12020	672,162
Rutgers University	47.076	4204	41,889
San Diego State University	47.076	SA0000424 58085A P43	43,903
State University of New York At Stony Brook	47.041	58149-1096358-2	62
University of California, Davis	47.049	09000769-BU	152,704
University of Cincinnati	47.076	8932	27,682
University of Denver	47.074	SC37096-01-01	22,866
University of Illinois, Urbana-Champaign	47.070	2013-01010-02	118,861
University of Illinois, Urbana-Champaign	47.074	2011-00975-01	145,460
University of Maine	47.075	UM-S938	19,147

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<b>Federal Grantor/Pass-through Grantor/Program or Cluster Title</b>	<b>CFDA number</b>	<b>Pass-through number</b>	<b>Federal expenditures</b>
University of Massachusetts, Amherst	47.076	11006701A00	(36)
University of Michigan	47.041	3003575316	24,810
University of Notre Dame	47.049	201940	5,608
University of Virginia	47.074	GA11020-142303	24,860
National Science Foundation Total			2,845,104
Research and Development Cluster Pass-through Total			35,026,899
Research Training Direct Awards:			
Department of Defense:			
National Security Agency	12.900		37,659
National Security Agency	12.901		33,000
National Security Agency	12.902		2,221
Department of Defense Total			72,880
Department of Education:			
Department of Education	84.015		373,450
Department of Education	84.063		12,500
Department of Education	84.133		497,612
Department of Education	84.200		45,068
Department of Education	84.022		91,387
Department of Education Total			1,020,017
Department of Health and Human Services:			
Administration for Community Living	93.433		126,549
Eunice Kennedy Shriver National Institute of Child Health and Human Development	93.865		283,485
Health Resources and Services Administration	93.110		501,263
Health Resources and Services Administration	93.516		449,016
Health Resources and Services Administration	93.732		172,341
Health Resources and Services Administration	93.884		466,941
Health Resources and Services Administration	93.924		312,235
Health Resources and Services Administration	93.964		35,958
National Cancer Institute	93.398		610,727
National Heart, Lung, and Blood Institute	93.837		1,168,865
National Heart, Lung, and Blood Institute	93.838		977,019
National Heart, Lung, and Blood Institute	93.839		430,807
National Institute of Allergy and Infectious Diseases	93.855		674,960
National Institute of Arthritis and Musculoskeletal and Skin Diseases	93.846		375,943
National Institute of Biomedical Imaging and Bioengineering	93.286		113,395
National Institute of Diabetes and Digestive and Kidney Diseases	93.847		149,908
National Institute of Environmental Health Sciences	93.113		567,482
National Institute of General Medical Sciences	93.859		1,468,672
National Institute of Mental Health	93.242		749,547
National Institute of Neurological Disorders and Stroke	93.853		174,596
National Institute on Aging	93.866		442,983
National Institute on Deafness and Other Communication Disorders	93.173		196,792
National Institute on Drug Abuse	93.279		205,399
Office of the Director, National Institutes of Health	93.351		71,307
Department of Health and Human Services Total			10,726,190
Environmental Protection Agency:			
Environmental Protection Agency	66.514		32,121
Environmental Protection Agency Total			32,121
National Aeronautics and Space Administration:			
National Aeronautics and Space Administration	43.001		91,480
National Aeronautics and Space Administration	43.009		53,804
National Aeronautics and Space Administration Total			145,284

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<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		\$ 17,087
National Science Foundation	47.049		25,741
National Science Foundation	47.074		7,232
National Science Foundation	47.075		11,707
National Science Foundation	47.076		120,698
National Science Foundation Total			<u>182,465</u>
Research Training Direct Awards Total			<u>12,178,957</u>
Research Training Pass-through Awards:			
Department of Defense			
Draper Laboratory, Inc.	12	PO001-0001029956	7,645
Institute of International Education	12.357	2013-GO-BU	274,747
Institute of International Education	12.357	2603-BU-12-015-PO1	144,434
Department of Defense Total			<u>426,826</u>
Department of Health and Human Services:			
Association of Maternal and Child Health Programs	93.110	Not Available	84,110
Boston Medical Center	93.156	1556	209,609
Brigham & Women's Hospital	93.846	109304	34,656
Commonwealth of Massachusetts	93.074	INTF6208HH4300522126	342,430
Commonwealth of Massachusetts - Department of Public Health	93.758	INTF1200HH4300522006	117,757
Commonwealth of Massachusetts - Department of Public Health	93.918	INTF3712MO4500824247	77,035
Dartmouth College Medical School	93.989	1268	77,929
University of Massachusetts, Worcester	93.107	6135138	4,602
University of Massachusetts, Worcester	93.145	6143821-ETC14	437
University of Massachusetts, Worcester	93.145	WA00218314/RFS201503	21,049
Department of Health and Human Services Total			<u>969,614</u>
Department of Labor:			
City of Boston	17.268	EDIC- 191-261-112	213,861
Department of Labor Total			<u>213,861</u>
Department of State:			
Institute of International Education	19.010	Not Available	504,002
Department of State Total			<u>504,002</u>
National Aeronautics and Space Administration:			
Smithsonian Astrophysical Observatory	43.001	PF2-130097	44,980
Space Telescope Science Institute	43	HST-HF-51326.01-A	(1,269)
National Aeronautics and Space Administration Total			<u>43,711</u>
National Science Foundation:			
Michigan State University	47.076	RC103138BU	9,804
University of Wisconsin	47.076	490K755	80,077
National Science Foundation Total			<u>89,881</u>
U.S. Agency for International Development			
National Academy of Sciences	98.001	2000004610	6,740
U.S. Agency for International Development Total			<u>6,740</u>
Research Training Pass-through Total			<u>2,254,635</u>
Research and Development Cluster Total			<u>271,590,897</u>

**BOSTON UNIVERSITY**  
 Supplementary Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2015

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA number	Federal expenditures
Student Financial Assistance Cluster (note 4):		
Department of Education:		
Federal Direct PLUS Loan Program	84.268	\$ 81,249,876
Federal Direct Stafford Loan Program	84.268	159,974,369
Federal Pell Grant Program	84.063	10,425,318
Federal Supplemental Educational Opportunity Grants	84.007	2,711,824
Federal Work Study	84.033	2,463,048
Health Professions Student Loans - Dental	93.342	1,030,292
Health Professions Student Loans - Medical	93.342	2,878
Loans for Disadvantaged Students - Dental	93.342	518,896
Loans for Disadvantaged Students - Medical	93.342	270,869
Medical - Primary Care	93.342	1,397,923
Perkins Administrative Cost Allowance	84.038	521,304
Perkins Loan Program	84.038	41,724,377
Teacher Education Assistance for College and Higher Education Grants	84.379	23,288
Department of Education Total		<u>302,314,262</u>
Student Financial Assistance Cluster Total		<u>302,314,262</u>
Other Program Awards:		
TRIO Cluster:		
Trio Direct Programs:		
Department of Education	84.047	570,696
Department of Education Total		<u>570,696</u>
TRIO Cluster Total		<u>570,696</u>
Child Nutrition Cluster:		
Child Nutrition Pass-through Programs:		
Commonwealth of Massachusetts:		
Department of Agriculture	10.559	15,784
Commonwealth of Massachusetts Total		<u>15,784</u>
Child Nutrition Cluster Total		<u>15,784</u>
Special Education Cluster (IDEA):		
Special Education Pass-through Programs:		
Commonwealth of Massachusetts:		
Department of Education	84.027	127,525
Commonwealth of Massachusetts Total		<u>127,525</u>
Special Education Cluster Total		<u>127,525</u>
Direct Programs:		
Agency for International Development		
Agency for International Development	98.001	1,248
Agency for International Development Total		<u>1,248</u>
Department of Defense:		
Army	12	214,274
Department of Defense Total		<u>214,274</u>
Department of Education:		
Department of Education	84.015	11,158
Department of Education	84.133	140,091
Department of Education	84.305	163,460
Perkins Loan Cancellations	84.037	387,232
Department of Education Total		<u>701,941</u>
Department of Energy:		
Department of Energy	81	209,252
Department of Energy	81.049	27,860
Department of Energy Total		<u>237,112</u>

**BOSTON UNIVERSITY**  
Supplementary Schedule of Expenditures of Federal Awards  
Year ended June 30, 2015

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA number	Federal expenditures
Department of Health and Human Services:		
Administration for Community Living	93.433	\$ 186,585
Agency for Healthcare Research and Quality	93.226	38,715
Health Resources and Services Administration	93.924	463,461
Health Resources and Services Administration	93.928	(79)
Substance Abuse and Mental Health Service Administration	93.243	255,976
Department of Health and Human Services Total		<u>944,658</u>
Department of State:		
Department of State	19.021	140,807
Department of State	19.900	2,685
Department of State Total		<u>143,492</u>
Department of the Treasury		
Department of the Treasury	21	15,312
Department of the Treasury Total		<u>15,312</u>
Department of Veterans Affairs:		
Department of Veterans Affairs	64	254,078
Department of Veterans Affairs Total		<u>254,078</u>
Executive Office of the President		
Executive Office of the President	95	137,495
Executive Office of the President Total		<u>137,495</u>
National Aeronautics and Space Administration		
National Aeronautics and Space Administration	43	26
National Aeronautics and Space Administration Total		<u>26</u>
National Endowment For The Arts:		
National Endowment For The Arts	45.024	45,443
National Endowment for the Arts Total		<u>45,443</u>
National Endowment For The Humanities:		
National Endowment For The Humanities	45.160	72,789
National Endowment For The Humanities	45.161	82,220
National Endowment For The Humanities	45.163	69,106
National Endowment For The Humanities Total		<u>224,115</u>
Other Program Awards Total		<u>2,919,194</u>

**BOSTON UNIVERSITY**

Supplementary Schedule of Expenditures of Federal Awards  
Year ended June 30, 2015

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	43,325
Corporation for National and Community Service Total			43,325
Department of Agriculture Kansas State University	10.200	S15040	8,859
Department of Agriculture Total			8,859
Department of Defense:			
Beth Israel Deaconess Medical Center	12	W81XWH-13-1-0050	13,377
Charles Stark Draper Laboratory, Inc.	12	001-0001033814	37,703
Boston VA Research Institute, Inc.	12.420	0072-FEDS-T	81,567
Boston VA Research Institute, Inc.	12.420	0150C	5,308
Department of Defense Total			137,955
Department of Education:			
Boston Medical Center	84.133	239101	(29,322)
American Institutes for Research	84.326	313000001	(5)
Department of Education Total			(29,327)
Department of Energy:			
President And Fellows of Harvard College	81.049	Not Available	(3,520)
Department of Energy Total			(3,520)
Department of Health and Human Services:			
Center for Social Innovation, LLC	93	BRSS TACS-OY3-BU	6,172
Center for Social Innovation, LLC	93	BRSS TACS-OY2-BU	10,797
Commonwealth of Massachusetts	93	INTF2330M04703015074	(12)
Commonwealth of Massachusetts - Department of Public Health	93	300522	1,670
New Jersey Medical School	93	P0274388	(37)
The Lewin Group	93	TLG13056-5176.20	50,196
Muhimbili University of Health and Allie	93.067	Not Available	89,741
Commonwealth of Massachusetts - Department of Public Health	93.074	INTF6208HH4300522138	97,512
University of Massachusetts, Worcester	93.107	WA00240389/RFS201510	22,627
Casa Esperanza, Inc.	93.243	1H79SM060845-01	45,491
Casa Esperanza, Inc.	93.243	1H79TI025272-02	84,273
Casa Esperanza, Inc.	93.243	1H79TI025576-01	44,208
Casa Esperanza, Inc.	93.243	H79TI019697	(140)
Casa Esperanza, Inc.	93.243	1 H79TI022578-03	(56)
Casa Esperanza, Inc.	93.243	1 H79TI024693-02	41,251
Casa Esperanza, Inc.	93.243	1H79TI025272-01	17,847
Casa Esperanza, Inc.	93.243	1H79TI024693-01	3,744
Institute for Health and Recovery, Inc.	93.243	5U79SM059460-06	37,791
Institute for Health and Recovery, Inc.	93.243	2U79SM059460-04	33,611
Tapestry Health Systems, Inc.	93.243	1H79TI025127-01	30,294
Tapestry Health Systems, Inc.	93.243	5H79TI025127-02	76,990
Tapestry Health Systems, Inc.	93.243	H79 TI020726	(25)
Feinstein Institute for Medical Research	93.610	500559-BOS-01	76,965
City of Boston/Boston Public Health Comm	93.738	FY15015222	54,658
Department of Health and Human Services Total			825,568

**BOSTON UNIVERSITY**

Supplementary Schedule of Expenditures of Federal Awards  
Year ended June 30, 2015

<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 Aeronautics and Space Administration: Start International, Inc.	43	NNX11AE35G	\$ 5,340
Massachusetts General Hospital	43.001	NNXAAAD56G	35,171
National Aeronautics and Space Administration Total			<u>40,511</u>
Other Program Awards Pass-through Total			<u>1,023,371</u>
Other Program Awards Total			<u>3,942,565</u>
Total Expenditures of Federal Awards			<u>\$ 578,561,729</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, 2015

**(1) Basis of Presentation**

The accompanying supplementary schedule of expenditures of federal awards (the Schedule) summarizes the expenditures of Boston University and subsidiaries (the University) under programs of the federal government for the year ended June 30, 2015. 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 consolidated financial position, changes in net assets or 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 cost accounting principles. Under these 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, 2015 for on-campus and off-campus sponsored research activities. The base rates in effect for the year ended June 30, 2015 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, 2015

**(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 30-Jun-15</u>	<u>Outstanding balance as of 30-Jun-15</u>
Perkins Loan Program	84.038	\$ 6,124,099	41,724,377
Medical-Primary Care	93.342	15,000	1,397,923
Health Professions Student Loans (HPSL):			
Medical	93.342	—	2,878
Dental	93.342	165,000	1,030,292
Loans for Disadvantaged Students (LDS):			
Medical	93.342	—	270,869
Dental	93.342	60,000	518,896
Total		\$ <u>6,364,099</u>	<u>44,945,235</u>

The University recovered an administrative cost allowance from the Perkins Loan Program (CFDA #84.038) of \$521,304 for the year ended June 30, 2015. There were no new federal capital contributions during the year ended June 30, 2015. Perkins loan cancellations (CFDA #84.037) totaled \$387,232 for the year ended June 30, 2015.

***Federal Direct Loans***

Federally guaranteed loans distributed to students of the University by the Federal Direct Loan Program during the year ended June 30, 2015 are summarized as follows:

	<u>Federal CFDA number</u>	<u>Loans distributed</u>
Federal Direct Stafford Loan Program	84.268	\$ 159,974,369
Federal Direct PLUS Loan Program	84.268	81,249,876
Total		\$ <u>241,224,245</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, 2015

**(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, 2015:

	<b><u>Total federal expenditures</u></b>
Research and Development Cluster	\$ 34,194,066
Other Program Awards	<u>281,494</u>
Total	<u><u>\$ 34,475,560</u></u>



KPMG LLP  
Two International Place  
Boston, MA 02110

**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, 2015, 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 16, 2015.

**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 16, 2015



KPMG LLP  
Two International Place  
Boston, MA 02110

## **Independent Auditors' Reports on Compliance for Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133**

The Board of Trustees  
Boston University:

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

We have audited Boston University and its subsidiaries' (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 the University's major federal program for the year ended June 30, 2015. The University's major federal program is 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 the University's major federal program 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 the University's major federal program. However, our audit does not provide a legal determination of the University's compliance.

#### ***Opinion on 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 its major federal program for the year ended June 30, 2015.



### ***Other Matter***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2015-001. Our opinion on the University's major federal program is not modified with respect to this matter.

The University's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Management of 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 its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2015-001, that we consider to be a significant deficiency.

The University's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The University's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.



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, 2015

**BOSTON UNIVERSITY**

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

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

***Consolidated 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?   x   yes \_\_\_\_\_ 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?   x   yes \_\_\_\_\_ no

***Identification of Major Programs***

<u>Name of federal program/cluster</u>	<u>CFDA numbers</u>
Research and Development 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, 2015

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

None.

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

**Finding Number:** 2015-001  
**Federal Agency:** U.S. Department of Defense, Army  
**Program:** Research and Development Cluster  
**CFDA Number:** 12.420  
**Award Number:** W81XWH-11-2-0161  
**Award Year:** 9/30/12 – 9/29/15  
**Finding:** Subrecipient Monitoring

***Criteria***

The Single Audit Act Amendments of 1996 establish criteria for pass-through entities to follow when awarding federal funds to subrecipients. The pass-through entity is responsible for ensuring that subrecipients expending \$500,000 or more in Federal awards during the subrecipient’s fiscal year have met the audit requirements of OMB Circular A-133 and that the required audits are completed within nine months of the end of the subrecipient’s audit period.

***Condition***

Through our testing of 25 subrecipients, management could not provide support to show a risk assessment was performed for one new subrecipient. The risk assessment, which includes reviewing the most recent A-133, would assess what risk for the subrecipient and the level of monitoring deemed necessary by the University. In total, this subrecipient had total expenditures during fiscal 2015 of approximately \$137,000.

***Cause***

It appears the subrecipient signed a subaward agreement with the University in 2012 but did not begin work and incur expenditures until fiscal 2015. Management was unable to verify that the risk assessment was performed over the subrecipient.

## BOSTON UNIVERSITY

### Schedule of Findings and Questioned Costs

Year ended June 30, 2015

#### *Effect*

Untimely receipt and review of subrecipient audit reports as part of the risk assessment process could result in findings related to the Department of Defense not being addressed by the university and corrected by the subrecipient in a timely manner.

**Questioned Costs:** None

#### **Recommendation:**

We recommend that for new subrecipients the University incorporate more stringent efforts as part of the risk analysis process to ensure that they are provided with subrecipient audit reports on a timely basis and review the most recent A-133 reports in order to assess risks appropriately.

In addition, the University should establish other monitoring procedures as appropriate to ensure the subrecipient is in compliance with award requirements in lieu of an A-133 report.

#### **Auditee Corrective Plan**

**Contact Person:** Gretchen Hartigan

#### **Management's Response:**

In FY2015 as indicated in Footnote 5 of the A-133 Auditors' Report, Boston University had a total volume of \$34 million in subaward expenditures of which, \$137,000 is related to this finding.

Boston University has a subrecipient monitoring system in place which includes annual review of A-133 reports, desk reviews of those high risk entities and other ad hoc desk reviews as requested by a Principle Investigator, Department Administrator or PAFO Research Administrator. To further reduce the likelihood of a recurrence, we will be implementing new processes and controls in the issuance of subaward agreements to new and existing entities. The new processes and controls will include:

- reviewing all active subawards to re-assess risk and determine if further action is required with these entities, i.e. desk reviews or other action;
- issuance of a new annual letter to ensure subrecipient entities have not encountered significant financial or administrative changes within their organization which would change their current risk level;
- Evaluating the need for additional staff to strengthen the process of issuing subawards and further support the annual review.
- We will be utilizing our grants management system of record as a tracking mechanism/repository to control the storage and maintenance of all risk analysis and corresponding documentation by entity.

With the implementation of these strengthened processes and controls, management will gain assurance that all current and future entity risk has been appropriately documented and reviewed, providing us with confidence that we have addressed this finding.

**BOSTON UNIVERSITY**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2015

**Anticipated Completion Date:**

Management plans to fully implement the new process by the end of the fiscal year 2016.