

Boston University

**Report on Federal Awards in Accordance with
OMB Circular A-133**

June 30, 2011

EIN 042103547

Boston University

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June 30, 2011

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Part I

**Financial Statements and
Schedule of Expenditures of Federal Awards**



Report of Independent Auditors

To the Board of Trustees of
Boston University:

In our opinion, the accompanying consolidated statement of financial position and the related consolidated statements of activities and cash flows present fairly, in all material respects, the financial position of Boston University (the "University") at June 30, 2011 and 2010, and the results of its changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2011, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters for the year ended June 30, 2011. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards for the year ended June 30, 2011, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic consolidated financial statements taken as a whole.

PricewaterhouseCoopers LLP

October 18, 2011

BOSTON UNIVERSITY • CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2011 and 2010
(\$000)

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and cash equivalents (Note 2)	\$ 549,949	\$ 448,345
Cash and cash equivalents—restricted (Note 2)	75,936	127,815
Short-term investments (Note 2)	3,750	5,840
Accounts receivable, net of allowance (Note 4)	153,334	153,569
Pledges receivable, net of allowance (Note 4)	96,965	84,292
Prepaid expenses and other assets	86,707	83,230
Investment in residual asset note (Note 2)	42,789	38,457
Long-term investments (Note 2)	1,318,583	1,150,614
Property, plant, and equipment, net (Note 5)	1,912,833	1,851,596
Total assets	<u>\$ 4,240,846</u>	<u>\$ 3,943,758</u>
 LIABILITIES AND NET ASSETS		
Liabilities:		
Accrued payroll and related expenses	\$ 130,878	\$ 125,763
Accounts payable and accrued expenses (Notes 5, 6, 7, and 8)	390,494	380,455
Deferred income and student deposits	115,852	102,149
Annuities payable	16,636	16,187
Minority interest (Note 8)		97,171
Capital lease obligation (Note 8)	84,579	84,692
Discounted note obligation (Note 2)	42,789	38,457
Bonds, notes, and mortgages payable, net of unamortized bond premium/discount (Note 6)	1,218,285	1,219,043
Total liabilities	<u>1,999,513</u>	<u>2,063,917</u>
Net assets:		
Unrestricted:		
Allocated for designated purposes	1,245,766	1,077,251
Available for general purposes	16,278	16,204
Total unrestricted	<u>1,262,044</u>	<u>1,093,455</u>
Temporarily restricted	590,651	422,002
Permanently restricted	388,638	364,384
Total net assets	<u>2,241,333</u>	<u>1,879,841</u>
 Total liabilities and net assets	 <u>\$ 4,240,846</u>	 <u>\$ 3,943,758</u>

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

BOSTON UNIVERSITY • CONSOLIDATED STATEMENTS OF ACTIVITIES

For the years ended June 30, 2011 and 2010
(\$000)

	2011			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
OPERATING REVENUES				
Student tuition and fees	\$ 1,068,068	\$	\$	\$ 1,068,068
Student aid	(278,565)			(278,565)
Sponsored programs	223,597			223,597
Recovery of facilities and administrative costs	159,261			159,261
Gifts	32,103	676		32,779
Sales and services	111,323			111,323
Spending formula amount and other investment income (Note 2)	8,279	26,997		35,276
Sponsored program income for student aid	16,456			16,456
Other income	12,319			12,319
Auxiliary enterprises	272,843			272,843
Student aid	(3,662)			(3,662)
Net assets released from restrictions	32,440	(32,440)		
Contributions used for operations		4,619		4,619
Total operating revenues	1,654,462	(148)		1,654,314
OPERATING EXPENSES				
Instruction and departmental research	753,828			753,828
Educational support activities	121,980			121,980
Sponsored programs	223,597			223,597
Libraries	25,723			25,723
General and administrative	168,614			168,614
Student aid	14,761			14,761
Auxiliary enterprises	243,247			243,247
Total operating expenses	1,551,750			1,551,750
Net operating gain (loss)	102,712	(148)		102,564
NONOPERATING REVENUES AND (EXPENSES)				
Contribution revenue		22,853	21,482	44,335
Contributions used for operations		(4,619)		(4,619)
Spending formula amount and other investment income (Note 2)	2,535	2,913	28	5,476
Excess of investment return over spending formula amount (Note 2)	63,305	78,251	1,936	143,492
Net realized and unrealized losses on interest rate exchange agreements (Note 6)	(438)			(438)
Transfer of minority interest (Note 8)		70,013		70,013
Change in value of designated non-core institutional real estate (Note 2)	(2,552)			(2,552)
Post-retirement related changes other than net periodic pension cost (Note 7)	(2,127)			(2,127)
Other additions (deductions), net	5,154	(614)	808	5,348
Net nonoperating income (loss)	65,877	168,797	24,254	258,928
Change in net assets	168,589	168,649	24,254	361,492
Beginning net assets	1,093,455	422,002	364,384	1,879,841
Ending net assets	\$ 1,262,044	\$ 590,651	\$ 388,638	\$ 2,241,333

2010			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 1,004,002	\$	\$	\$ 1,004,002
(260,793)			(260,793)
224,011			224,011
155,405			155,405
32,134	619		32,753
109,098			109,098
6,963	25,059		32,022
15,510			15,510
23,518			23,518
260,232			260,232
(3,402)			(3,402)
30,116	(30,116)		
	4,133		4,133
<u>1,596,794</u>	<u>(305)</u>		<u>1,596,489</u>
735,460			735,460
107,578			107,578
224,011			224,011
23,673			23,673
164,103			164,103
13,223			13,223
220,587			220,587
<u>1,488,635</u>			<u>1,488,635</u>
108,159	(305)		107,854
	13,790	48,051	61,841
	(4,133)		(4,133)
1,644	3,001	18	4,663
29,754	41,504	513	71,771
(67,000)			(67,000)
(5,358)			(5,358)
(4,215)			(4,215)
8,772	2,079	1,334	12,185
<u>(36,403)</u>	<u>56,241</u>	<u>49,916</u>	<u>69,754</u>
71,756	55,936	49,916	177,608
1,021,699	366,066	314,468	1,702,233
<u>\$ 1,093,455</u>	<u>\$ 422,002</u>	<u>\$ 364,384</u>	<u>\$ 1,879,841</u>

OPERATING REVENUES

Student tuition and fees
Student aid
Sponsored programs
Recovery of facilities and administrative costs
Gifts
Sales and services
Spending formula amount and other investment income (Note 2)
Sponsored program income for student aid
Other income
Auxiliary enterprises
Student aid
Net assets released from restrictions
Contributions used for operations
Total operating revenues

OPERATING EXPENSES

Instruction and departmental research
Educational support activities
Sponsored programs
Libraries
General and administrative
Student aid
Auxiliary enterprises
Total operating expenses

Net operating gain (loss)

NONOPERATING REVENUES AND (EXPENSES)

Contribution revenue
Contributions used for operations
Spending formula amount and other investment income (Note 2)
Excess of investment return over spending formula amount (Note 2)
Net realized and unrealized losses on interest rate exchange agreements (Note 6)
Transfer of minority interest (Note 8)
Change in value of designated non-core institutional real estate (Note 2)
Post-retirement related changes other than net periodic pension cost (Note 7)
Other additions (deductions), net

Net nonoperating income (loss)

Change in net assets

Beginning net assets

Ending net assets

BOSTON UNIVERSITY • CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended
June 30, 2011 and 2010
(\$000)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$361,492	\$177,608
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	82,758	88,426
Gain on disposal of property and equipment	(1,841)	
Loss on debt extinguishment		541
Change in value of designated non-core institutional real estate	2,552	3,629
Transfer of minority interest (Note 8)	(70,013)	
Unrealized (gains) losses on interest rate exchange agreements	(24,811)	41,229
Settlement on swap replacement transactions, net	15,781	17,083
Amortization of bond premium/discount	(213)	(205)
Amortization of capital lease obligation	(113)	(109)
Net realized and unrealized gains on investments	(164,617)	(96,526)
Provision for bad debts	1,760	3,495
Restricted and temporarily restricted contributions	(19,623)	(19,545)
Gifts of securities and property	(5,673)	(8,149)
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(2,388)	502
Increase in pledges receivable	(13,110)	(36,212)
Increase in prepaid expenses and other assets	(3,477)	(4,315)
Increase (decrease) in accounts payable, accrued expenses, and minority interest (Note 8)	6,722	(1,971)
Increase in accrued payroll and related expenses	5,115	7,900
Increase in deferred income and student deposits	13,703	3,971
Net cash provided by operating activities	<u>184,004</u>	<u>177,352</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(284,069)	(381,066)
Proceeds from sales and maturities of investments	283,991	396,788
Purchases of property and equipment	(139,425)	(96,741)
Proceeds from sale of gifts of securities	3,184	8,149
Decrease (increase) in cash equivalents-restricted	51,879	(11,968)
Net cash used in investing activities	<u>(84,440)</u>	<u>(84,838)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of bonds, notes, and mortgages	(5,385)	(120,957)
Increase (decrease) in annuity obligations	449	(95)
Bond issuance costs		(782)
Payments from short-term borrowings		(42,500)
Proceeds from bonds and notes payable		117,370
Restricted contributions	19,623	19,545
Payment on swap replacement transactions, net	(15,781)	(17,083)
Net cash used in financing activities	<u>(1,094)</u>	<u>(44,502)</u>
Unrealized loss (gain) on currency exchange	3,134	(4,314)
Net increase in cash and cash equivalents	101,604	43,698
Cash and cash equivalents beginning of year	448,345	404,647
Cash and cash equivalents end of year	<u>\$549,949</u>	<u>\$448,345</u>
Supplemental disclosure of non-cash information:		
Property and equipment included in accounts payable	\$ 10,353	\$ 9,382

For the years ended June 30, 2011 and 2010

1. Organization and Summary of Significant Accounting Policies

Organization:

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

The University is exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code.

Summary of Significant Accounting Policies:

Basis of Presentation:

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with the reporting principles of not-for-profit accounting.

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

Certain June 30, 2010 balances previously reported have been reclassified to conform to the June 30, 2011 presentation.

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 and legal restrictions under Massachusetts General Law. Accordingly, net assets and changes to net assets are classified as follows:

Unrestricted net assets are free of donor-imposed restrictions. Activities reported within unrestricted net assets include education and general, sponsored, and departmental research, unexpended plant and debt service, investments in plant, long-term investments, and student loans. Contributions, gains, and investment income whose restrictions are met in the same reporting period are reported as unrestricted support.

Temporarily restricted net assets include gifts 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.

The composition of temporarily restricted net assets as of June 30, 2011 and 2010, in thousands of dollars, is as follows:

	2011	2010
Net realized and unrealized gain on endowment . .	\$ 365,351	\$ 288,521
Life income and annuity funds	17,944	13,934
Contributions receivable, net.	54,792	40,918
Contributions restricted for plant	152,225	78,197
Other contributions.	339	432
	<u>\$ 590,651</u>	<u>\$ 422,002</u>

Permanently restricted net assets include gifts and pledges which require, by donor restriction, that the corpus be invested in perpetuity and only the income or a portion thereof be made available for spending in accordance with donor restrictions.

The composition of permanently restricted net assets as of June 30, 2011 and 2010, in thousands of dollars, is as follows:

	2011	2010
Endowment funds	\$ 323,226	\$ 297,377
Contributions receivable, net	42,173	43,374
Donor funds restricted for student loans	23,239	23,633
	<u>\$ 388,638</u>	<u>\$ 364,384</u>

For the years ended June 30, 2011 and 2010

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 Statement of Financial Position. Purchases of collection items are recorded as decreases in unrestricted net assets in the year in which the items are acquired or as releases from temporarily restricted net assets if the assets used to purchase the items are restricted by donors. 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 generally accepted accounting principles 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 date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. Significant estimates are made in the areas of accounts receivable, pledges receivable, investments, investment in residual asset note, discounted note obligation, and accrued expenses.

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:

The University considers cash on hand, cash in banks, certificates of deposit, time deposits, and U.S. Government and other short-term securities with maturities of three months or less when purchased as cash and cash equivalents.

Cash and cash equivalents-restricted represent funds held by bond trustees that will be drawn down to fund various capital projects and costs of issuance. Collateral posted with counterparties under the terms of certain interest rate exchange agreements is also included in cash and cash equivalents-restricted.

Accounts Receivable:

Notes and loans receivable included in accounts receivable are principally amounts due from students under federally sponsored programs that are subject to significant restrictions. Accordingly, it is not practical to determine the fair value of such amounts.

Investments:

Investments in marketable securities are stated at fair value as determined by the quoted market prices of publicly traded securities. Alternative investments, for which fair value quotations are not readily available, are valued by the general partnership or fund manager and are reviewed by management for reasonableness. Estimated values are subject to uncertainty and therefore may differ significantly from the value that would have been used had the investments been traded on a public market. The average cost method is used for calculating realized gains. The investment portfolio is reflected on a trade-date basis.

Net gains and losses are classified as unrestricted net assets unless they are restricted by a donor or the law. Net gains on permanently restricted gifts are classified as temporarily restricted until appropriated for spending by the University in accordance with donor restrictions and Massachusetts law.

The University owns shares in certain University business-related real estate partnerships ranging from 20 to 50%, 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 Statement of Financial Position.

For the years ended June 30, 2011 and 2010

The major portion of long-term investments is maintained on a pooled basis. Units in the pool are assigned on the basis of fair value at the time net assets to be invested are received, and income is distributed quarterly thereafter on a per-unit basis.

Split-Interest Agreements:

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 as part of 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:

Maintenance and repairs are expensed as incurred and improvements that increase the useful life of the asset are capitalized. When assets are retired or disposed of, the cost and related accumulated depreciation are removed from the accounts, and gains and losses are included in non-operating activity in the Consolidated Statement of Activities.

Long-lived assets and certain intangibles are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of assets 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 book value exceeds its estimated fair value.

Land, buildings, equipment, and library book acquisitions are shown at cost or fair value at the date a gift was received. Costs associated with the construction of new facilities are shown as additions to construction in progress when expended, until such projects are completed. Equipment includes general and scientific equipment, computers, software, furniture, and vehicles.

The University acquired equipment or other assets of approximately \$5,627,000 in 2011 and \$8,685,000 in 2010 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; and library books, 10 years.

Depreciation for the years ended June 30, 2011 and 2010 was \$82,758,000 and \$88,426,000, respectively.

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 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 Statement of Activities.

The asset retirement obligation at June 30, 2011 and 2010 was \$12,762,000 and \$12,238,000, respectively, and is included in accounts payable and accrued expenses in the Consolidated Statements of Financial Position.

For the years ended June 30, 2011 and 2010

Student Aid:

Student aid in the amount of \$278,565,000 and \$260,793,000 for the years ended June 30, 2011 and 2010, respectively, has been classified as a reduction of student tuition and fees. In addition, student aid in the amount of \$3,662,000 and \$3,402,000 for the years ended June 30, 2011 and 2010, respectively, has been classified as a reduction of auxiliary enterprises (room and board) revenue.

Student aid in addition to tuition, fees, room and board in the amount of \$14,761,000 and \$13,223,000 for the years ended June 30, 2011 and 2010, respectively, has been classified as an operating expense.

Sponsored Programs:

Revenues associated with contracts and grants are recognized as the related costs or capital expenditures are incurred. Grant revenue used for the construction or acquisition of plant is recorded within nonoperating activities. The University records reimbursement of facilities and administrative costs relating to government contracts and grants at authorized rates each year.

Gifts:

Gifts, including unconditional promises to give, are recorded upon receipt. Gifts other than cash are recorded at fair value at the date of contribution. Gifts with donor-imposed restrictions, which are reported as temporarily restricted revenues, are reclassified to unrestricted net assets when an expense is incurred that satisfies the restriction.

Allocation of Expenses:

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

	2011	2010
Operation and maintenance of plant	\$ 94,315	\$ 96,795
Interest on indebtedness	36,338	34,727
Depreciation expense	82,758	88,426

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 related changes other than net periodic pension cost, and certain other nonrecurring activities.

2. Investments

Total investments by type as of June 30, 2011 and 2010, in thousands of dollars, were as follows:

Summary by Investment Type	2011		2010	
	Cost	Fair Value	Cost	Fair Value
Money Market	\$ 625,885	\$ 625,885	\$ 576,160	\$ 576,160
Fixed Income	70,522	70,870	73,770	79,583
Global Equities	274,672	359,410	251,813	275,267
Marketable Alternatives	223,483	275,458	176,022	195,428
Non-Marketable Alternatives	230,972	211,350	254,148	224,107
Real Assets	416,250	405,245	393,618	382,069
Other	42,789	42,789	38,457	38,457
Total	<u>\$1,884,573</u>	<u>\$ 1,991,007</u>	<u>\$1,763,988</u>	<u>\$ 1,771,071</u>

Money market investments totaling \$625,885,000 and \$576,160,000 as of June 30, 2011 and 2010, respectively, included in the table above represent cash and cash equivalents and cash and cash equivalents-restricted as reported on the Consolidated Statement of Financial Position.

As of June 30, 2011, investment commitments to venture capital limited partnerships and private equity funds are approximately \$94,698,000 and are expected to be drawn down by the general partners over the next six years in accordance with the individual investment periods of the underlying partnerships.

For the years ended June 30, 2011 and 2010

Non-Core Institutional Real Estate:

The University records its investments in designated non-core institutional real estate at fair value. Designated non-core institutional real estate was \$243,959,000 and \$241,414,000 as of June 30, 2011 and 2010, respectively, and is reflected in the real assets category of long-term investments. Designated non-core institutional real estate is valued by management based on information from commercial and residential brokers, appraisers, and published industry data.

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 has a 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, 2011 and 2010, the carrying value of the discounted note obligation was \$42,789,000 and \$38,457,000, 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 Statement of Financial Position. The valuation of this investment is 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. Future unrealized gains and losses associated with the investment are recorded as an offset to the amortization. As a result, the note and the related asset are expected to accrete to a maximum value of \$54,300,000 in 2014, declining thereafter 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 2022–2035. Due to the uncertainty of the timing and ultimate amount of the additional cash flows; the University has recorded a nominal value for these flows. Management considers the risk is remote for any disruption of future cash flows, as the two principal risks that could cause a disruption have been assumed by DBLF.

Investment Return:

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

As of June 30, 2011	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Dividend and interest income	\$ 1,423	\$ 18,176	\$ 28	\$ 19,627
Net realized and unrealized gains	72,696	89,985	1,936	164,617
Total return on investments	<u>74,119</u>	<u>108,161</u>	<u>1,964</u>	<u>184,244</u>
Less: Spending formula amount	(7,697)	(29,910)		(37,607)
Less: Other non-endowment income	(3,117)		(28)	(3,145)
	<u>(10,814)</u>	<u>(29,910)</u>	<u>(28)</u>	<u>(40,752)</u>
Excess of investment return over spending formula amount	<u>\$ 63,305</u>	<u>\$ 78,251</u>	<u>\$ 1,936</u>	<u>\$ 143,492</u>

For the years ended June 30, 2011 and 2010

As of June 30, 2010	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Dividend and interest income.	\$ 7	\$ 11,904	\$ 18	\$ 11,929
Net realized and unrealized gains.	38,354	57,660	513	96,527
Total return on investments.	38,361	69,564	531	108,456
Less: Spending formula amount.	(7,425)	(28,060)		(35,485)
Less: Other non-endowment income	(1,182)		(18)	(1,200)
	<u>(8,607)</u>	<u>(28,060)</u>	<u>(18)</u>	<u>(36,685)</u>
Excess of investment return over spending formula amount	\$ 29,754	\$ 41,504	\$ 513	\$ 71,771

Fair Value Measurements:

The University has valued its investments using a hierarchy of inputs based on the extent to which inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the University, and unobservable inputs reflect the University's own assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value hierarchy used to value investments is based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

The University's criteria for classifying assets and liabilities measured at fair value are as follows:

- Level 1—Quoted prices in active markets that the University has the ability to access for identical assets and liabilities. Market price data is generally obtained from exchange or dealer markets. The University does not adjust the quoted price for such assets and liabilities.
- Level 2—Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources including market participants, dealers, and brokers. In evaluating the level at which the University's externally managed investments have been classified within this hierarchy, management has assessed factors including, but not limited to price transparency, the ability to redeem these investments at net asset value at the measurement date, and the existence or absence of certain restrictions at the measurement date.
- Level 3—Valuation techniques that use unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Investments included in Level 3 primarily are the University's ownership in alternative investments (limited partnership interests in hedge, private equity, real estate, and other similar funds). The fair value of certain alternative investments represents the ownership interest in the net asset value (NAV) of the respective partnership. Partnerships in Level 3 consist of both marketable securities as well as securities that do not have a readily determinable value. The fair values of the securities held by limited partnerships that do not have readily determinable fair values are determined by the general partner and are based on appraisals, or other estimates that require varying degrees of judgment. If no public market exists for the investment securities, the fair value is determined by the general partner, taking into consideration, among other things, the cost of the securities, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate. The University has performed significant due diligence around these investments to verify NAV is an appropriate measure of fair value as recorded on June 30.

For the years ended June 30, 2011 and 2010

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. Interest rate exchange arrangements have inputs which can be corroborated by market data and are therefore classified within Level 2.

Split interest agreements held by third parties are valued at the present value of the future distributions expected to be received over the term of the agreement.

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

The following tables present the financial instruments carried at fair value as of June 30, 2011 and 2010 categorized by the valuation hierarchy defined above, in thousands of dollars:

<u>As of June 30, 2011</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total Fair Value</u>
Assets at fair value				
Money Market	\$ 625,885	\$	\$	\$ 625,885
Fixed Income	70,870			70,870
Global Equities				
& Convertibles	98,060	244,499	16,851	359,410
Marketable Alternatives . .	14,886	216,084	44,488	275,458
Non-Marketable				
Alternatives			211,350	211,350
Real Assets	38,219	158,083	208,943	405,245
Other		42,789		42,789
Total Investments:	<u>\$ 847,920</u>	<u>\$ 661,455</u>	<u>\$ 481,632</u>	<u>\$ 1,991,007</u>
Split-interest agreements				
held by third parties			4,276	4,276
Total assets at fair value . . .	<u>\$ 847,920</u>	<u>\$ 661,455</u>	<u>\$ 485,908</u>	<u>\$ 1,995,283</u>
Liabilities at fair value				
Interest rate exchange				
liabilities	<u>\$</u>	<u>\$ 169,132</u>	<u>\$</u>	<u>\$ 169,132</u>
Total liabilities at fair value . .	<u>\$</u>	<u>\$ 169,132</u>	<u>\$</u>	<u>\$ 169,132</u>

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For the years ended June 30, 2011 and 2010

As of June 30, 2010	Level 1	Level 2	Level 3	Total Fair Value
Assets at fair value				
Money Market	\$ 576,160	\$	\$	\$ 576,160
Fixed Income	79,583			79,583
Global Equities & Convertibles	92,147	173,651	9,469	275,267
Marketable Alternatives . Non-Marketable Alternatives		95,266	100,162	195,428
Real Assets	41,061	152,674	188,334	382,069
Other		38,457		38,457
Total Investments:	<u>\$ 788,951</u>	<u>\$ 460,048</u>	<u>\$ 522,072</u>	<u>\$ 1,771,071</u>
Split-interest agreements held by third parties			3,980	3,980
Total assets at fair value . . .	<u>\$ 788,951</u>	<u>\$ 460,048</u>	<u>\$ 526,052</u>	<u>\$ 1,775,051</u>
Liabilities at fair value				
Interest rate exchange liabilities	\$	\$ 193,943	\$	\$ 193,943
Total liabilities at fair value . .	<u>\$</u>	<u>\$ 193,943</u>	<u>\$</u>	<u>\$ 193,943</u>

The following tables are a rollforward of the Consolidated Statement of Financial Position amounts for financial instruments as of June 30, 2011 and June 30, 2010 classified by the University within Level 3 of the fair value hierarchy defined above, in thousands of dollars:

	Fair value July 1, 2010	Realized Gains/(losses)	Unrealized Gains/(losses)	Net purchases and sales	Reclassification (to) from Level 2	Fair value June 30, 2011
Global Equities						
& Convertibles	\$ 9,469	\$ 8,439	\$ (1,153)	\$ (7,063)	\$ 7,159	\$ 16,851
Marketable Alternatives . .	100,162	(930)	27,358	31,278	(113,380)	44,488
Non-Marketable Alternatives	224,107	13,839	11,786	(38,382)		211,350
Real Assets	188,334	3,187	7,988	9,434		208,943
Total Investments	<u>\$522,072</u>	<u>\$ 24,535</u>	<u>\$ 45,979</u>	<u>\$ (4,733)</u>	<u>\$(106,221)</u>	<u>\$ 481,632</u>
Split-interest agreements held by third parties	\$ 3,980	\$	\$ 296	\$	\$	\$ 4,276
Global Equities						
& Convertibles	\$ 26,797	\$ 13	\$ 557	\$ 2,731	\$ (20,629)	\$ 9,469
Marketable Alternatives . .	121,060	(1,640)	15,022	19,915	(54,195)	100,162
Non-Marketable Alternatives	216,967	24,911	8,454	(26,225)		224,107
Real Assets	218,725	(9,053)	4,382	8,491	(34,211)	188,334
Total Investments	<u>\$583,549</u>	<u>\$ 14,231</u>	<u>\$ 28,415</u>	<u>\$ 4,912</u>	<u>\$(109,035)</u>	<u>\$ 522,072</u>
Split-interest agreements held by third parties	\$ 3,692	\$	\$ 288	\$	\$	\$ 3,980

For the years ended June 30, 2011 and 2010

The net realized and unrealized gains (losses) in the table above are reflected in excess of investment return over spending formula amount in the accompanying Consolidated Statement of Activities. Net unrealized gains (losses) relate to those financial instruments held by the University at June 30, 2011 and June 30, 2010. Reclassifications into Level 2 are included as of June 30, 2011 and June 30, 2010. Reclassifications from Level 3 to Level 2 primarily relate to the release of lockup features of marketable alternatives.

As of June 30, 2011, the University recorded a transfer from Level 2 to Level 1 in the amount of \$14,886,000 due to receipt of redemption proceeds subsequent to year end.

The University adopted the Fair Value Measurements standard for estimating the fair value of investments in investment companies (limited partnerships) that have a calculated value of their capital account or net asset value (NAV) in accordance with, or in a manner consistent with U.S. GAAP. As a practical expedient, the University is permitted under U.S. GAAP to estimate the fair value of an investment at the measurement date using the reported NAV without further adjustment unless the entity expects to sell the investment at a value other than NAV or if the NAV is not calculated in accordance with U.S. GAAP. The University's investments in private equity, real estate, and marketable alternatives are fair valued based on the most current NAV.

The University has adopted a policy that defines near-term liquidity as those investments allowing liquidity within twelve months of the reporting period. Included in Level 2 are assets valued at NAV which are redeemable in the near term. Investments offering periodic transparency with opportunities for liquidity within twelve months of the reporting period generally consist of commingled funds and are reported in Level 2.

The following tables summarize all such investments recorded at NAV categorized based on the risk and return characteristics of the investments at June 30, 2011 and June 30, 2010 in thousands of dollars.

As of June 30, 2011	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Global Equities	\$ 261,350	\$	Monthly–Annually	7–92 Days
Real Assets	41,309		Daily–Annually	60 Days
Marketable Alternatives	260,572		Quarterly–Tri-Annually	45–180 Days
Non-Marketable Alternatives	181,051	64,311	At Maturity	N/A
Real Assets	81,758	30,387	At Maturity	N/A
	<u>\$ 826,040</u>	<u>\$ 94,698</u>		

As of June 30, 2010	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Global Equities	\$ 183,003	\$ 6,000	Monthly–Annually	15–92 Days
Real Assets	52,720		Daily–Annually	4–60 Days
Marketable Alternatives	195,428		Quarterly–Tri-Annually	30–180 Days
Non-Marketable Alternatives	195,433	81,059	At Maturity	N/A
Real Assets	61,056	40,724	At Maturity	N/A
	<u>\$ 687,640</u>	<u>\$ 127,783</u>		

The University's investments are guided by the asset allocation policies established by the Investment Committee of the Board of Trustees and implemented primarily through external investment managers. These investments may be held in separately managed accounts, Exchange Traded Funds (ETF's), commingled funds, and limited partnerships. Global Equity Funds are investments with managers pursuing strategies focusing on equity securities across global markets. Real Asset Funds invest in public equity and commodity markets. Marketable Alternative managers pursue various strategies, both long and short, that attempt to provide equity-like returns with lower volatility. Private Equity Funds pursue buyout, growth capital, venture capital, and private real asset strategies. Private Real Estate Funds pursue various real estate ownership strategies.

For the years ended June 30, 2011 and 2010

3. Endowment Funds

A pooled endowment fund is included as part of the University's investments. Total endowment assets at June 30, 2011 and 2010 are \$1,194,164,000 and \$1,022,401,000 respectively. The amounts distributed from the investment yield of pooled investments in any one year may include interest, dividends, and a portion of accumulated investment gains. The distribution is based on fixed quarterly amounts per unit and is calculated as 4% of a twenty-quarter moving average of pooled endowment fund market values. During the fiscal years ended June 30, 2011 and 2010, the distribution as a percentage of the ending fair value of the pooled endowment fund for the five preceding quarters was 3.5% and 3.8% respectively.

At June 30, 2011 and 2010, respectively, approximately \$383,000 and \$2,385,000 of unrealized losses on permanently restricted endowment funds were classified as a reduction in unrestricted net assets as the fair value of these funds was less than their book value. Unrestricted net assets will be replenished when the fair value equals or exceeds the book value.

Net asset classification of donor-restricted endowment funds for a not-for-profit organization is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2009 (UPMIFA). The Commonwealth of Massachusetts adopted UPMIFA effective for institutional funds existing on or established after June 30, 2009.

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 generally accepted accounting principles, 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 has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified 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 adopted investment and spending policies for its endowment and similar funds that emphasize long-term capital appreciation as a primary source of return while balancing the dual objectives of growth in capital and principal preservation. Investments are expected to earn 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 allo-

For the years ended June 30, 2011 and 2010

cation of fixed income, global equities, marketable and non-marketable alternative and real assets. The portfolio is expected to produce returns that exceed a policy benchmark constructed as a blended rate of indices.

In accordance with the University's spending policy, 4% of a twenty-quarter moving average of endowment investments is available each year for expenditure. If interest, dividends, and gains are not sufficient to support the current year drawdown, the balance is provided from prior year accumulated earnings.

The following table represents endowment net asset composition by type of fund as of June 30, 2011, in thousands of dollars:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor Restricted	\$ (383)	\$ 383,295	\$ 323,226	\$ 706,138
Institution Designated	<u>437,772</u>	<u> </u>	<u> </u>	<u>437,772</u>
Endowment Net Assets at end of year	<u>\$ 437,389</u>	<u>\$ 383,295</u>	<u>\$ 323,226</u>	<u>\$ 1,143,910</u>

The following table represents changes in endowment net assets for the fiscal year ended June 30, 2011, in thousands of dollars:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets at beginning of year	\$ 368,059	\$ 302,454	\$ 297,377	\$ 967,890
Reclassification of Net Assets	<u>2,002</u>	<u>(2,002)</u>	<u> </u>	<u> </u>
Endowment Net Assets after reclassification	<u>370,061</u>	<u>300,452</u>	<u>297,377</u>	<u>967,890</u>
Investment income	1,440	1,573		3,013
Net appreciation (realized and unrealized)	<u>60,538</u>	<u>80,253</u>	<u>1,936</u>	<u>142,727</u>
Total Investment return	<u>61,978</u>	<u>81,826</u>	<u>1,936</u>	<u>145,740</u>
Gifts	3,107	1,161	22,398	26,666
Other changes	633	(144)	1,515	2,004
Institutional transfers from other funds	<u>1,610</u>	<u> </u>	<u> </u>	<u>1,610</u>
Endowment Net Assets at end of year	<u>\$ 437,389</u>	<u>\$ 383,295</u>	<u>\$ 323,226</u>	<u>\$ 1,143,910</u>

The following table represents endowment net asset composition by type of fund as of June 30, 2010, in thousands of dollars:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor Restricted	\$ (2,385)	\$ 302,454	\$ 297,377	\$ 597,446
Institution Designated	<u>370,444</u>	<u> </u>	<u> </u>	<u>370,444</u>
Endowment Net Assets at end of year	<u>\$ 368,059</u>	<u>\$ 302,454</u>	<u>\$ 297,377</u>	<u>\$ 967,890</u>

For the years ended June 30, 2011 and 2010

The following table represents changes in endowment net assets for the fiscal year ended June 30, 2010, in thousands of dollars:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets at beginning of year	\$ 336,131	\$ 257,100	\$ 276,538	\$ 869,769
Reclassification of Net Assets	2,803	(2,803)		
Endowment Net Assets after reclassification	338,934	254,297	276,538	869,769
Investment income	1,416	1,693		3,109
Net appreciation (realized and unrealized)	25,790	44,307	513	70,610
Total Investment return	27,206	46,000	513	73,719
Gifts	1,785	1,324	19,276	22,385
Other changes	171	833	1,050	2,054
Institutional transfers from other funds	(37)			(37)
Endowment Net Assets at end of year	<u>\$ 368,059</u>	<u>\$ 302,454</u>	<u>\$ 297,377</u>	<u>\$ 967,890</u>

4. Accounts Receivable and Pledges Receivable

Accounts Receivable:

Accounts and loans receivable at June 30, 2011 and 2010, in thousands of dollars, consist of the following:

	2011	2010
Accounts receivable, net:		
Students	\$ 15,862	\$ 15,072
Less allowances	(6,320)	(6,069)
	<u>9,542</u>	<u>9,003</u>
Grants and contracts	47,169	41,588
Departmental sales, services, and other	31,650	39,474
Less allowances	(7,855)	(6,981)
	<u>70,964</u>	<u>74,081</u>
Student loans	76,066	73,525
Less allowances	(3,238)	(3,040)
	<u>72,828</u>	<u>70,485</u>
Total	<u>\$ 153,334</u>	<u>\$ 153,569</u>

Total allowances for doubtful accounts as of June 30, 2011 and 2010 are \$17,413,000 and \$16,090,000, respectively.

The University recorded an allowance for doubtful accounts of \$3,238,000 and \$3,040,000 as of June 30, 2011 and 2010, respectively, related to student loan receivables of \$76,066,000 and \$73,525,000 as of June 30, 2011 and 2010, respectively. Federally-sponsored student loans receivable represents a significant portion of the loan portfolio, \$46,872,000 and \$46,157,000 as of June 30, 2011 and 2010, respectively, which consist of amounts due from current and former students under various Federal Government loan programs, including Perkins and other health professional programs offered to graduate and undergraduate students. The University has the right to assign loans disbursed under

For the years ended June 30, 2011 and 2010

these programs to the Federal Government upon default by the borrower; and therefore, no allowance has been provided for these loans.

For the remainder of the loan portfolio, the University regularly assesses the adequacy of the allowance for doubtful accounts related to student loans receivable by performing ongoing evaluations of the student loan portfolio, including such factors as the differing economic risks associated with each loan program, the financial condition of specific borrowers, the economic environment in which the borrowers operate, the level of delinquent loans, the value of any collateral and, where applicable, the existence of any guarantees or indemnifications. The University also performs a detailed review of the aging of the student loan receivables balances and of the default rate by loan program in comparison to prior years. The level of the allowance is adjusted based on the results of this analysis.

The University considered the allowance recorded at June 30, 2011 and 2010 to be reasonable and adequate to absorb potential credit losses inherent in the student loan portfolio.

Included in accounts receivable at June 30, 2011 and 2010 is \$768,000 and \$2,099,000 respectively, related to split dollar life insurance policies. These assets have been recorded at the lower of cash surrender value or the present value of cumulative premiums paid, discounted using credit adjusted risk-free rates over the actuarially determined life expectancies of the related beneficiaries.

The University has outstanding notes, mortgages, and advances bearing interest at rates up to 5.21% at June 30, 2011 and 2010, to certain employees. The aggregated amount as of June 30, 2011 and 2010 is \$5,521,000 and \$4,464,000, respectively.

Pledges Receivable:

Pledges, net of discounts and allowances, in the amount of \$96,965,000 and \$84,292,000, are recorded as a receivable with the revenue assigned to the appropriate net asset category for fiscal years 2011 and 2010, respectively. Pledges consist of unconditional written promises to contribute to the University in the future. At June 30, 2011 and 2010, pledges, in thousands of dollars, are expected to be realized in the following time frame:

	2011	2010
In one year or less	\$ 47,479	\$ 32,330
Between one year and five years	52,406	53,432
More than five years	10,996	13,167
	<u>110,881</u>	<u>98,929</u>
Discount to present value	(8,372)	(9,530)
Less allowance for unfulfilled pledges . .	(5,544)	(5,107)
Pledges receivable	<u>\$ 96,965</u>	<u>\$ 84,292</u>

For the years ended June 30, 2011 and 2010

5. Property, Plant, and Equipment

Property, plant, and equipment and related accumulated depreciation at June 30, 2011 and 2010, in thousands of dollars, consist of the following:

	<u>2011</u>	<u>2010</u>
Land	\$ 82,931	\$ 69,060
Buildings and improvements	2,029,457	2,006,677
Construction in progress	358,836	319,211
Equipment	267,757	224,723
Library books	162,175	152,400
	<u>2,901,156</u>	<u>2,772,071</u>
Less accumulated depreciation	(988,323)	(920,475)
Property, plant, and equipment, net . . .	<u>\$1,912,833</u>	<u>\$1,851,596</u>

As of June 30, 2011 and 2010, buildings and improvements include \$84,642,000 associated with office and research space under capital lease.

Internally developed software costs related to an Enterprise Resource System implementation project of \$26,680,000 and \$12,289,000 were capitalized in fiscal year 2011 and 2010, respectively, and are included in construction in progress.

As of June 30, 2011 and 2010, capital expenditures of \$198,288,000 and \$197,426,000, respectively, were incurred for construction of the National Emerging Infectious Diseases Laboratory (NEIDL). These expenditures are included within construction in progress at June 30, 2011, and will be placed in service when the construction is complete and the project is ready for its intended use.

Certain fully depreciated equipment amounting to approximately \$6,829,000 and \$9,078,000 was removed from the Consolidated Statement of Financial Position in 2011 and 2010, respectively.

On June 30, 1998, the University entered into a lease/lease back arrangement with a private investor relating to four properties. The lease terms range from 41 to 52 years, and the total value of these properties was approximately \$222,000,000. The lease payments were prepaid to the University at the closing. The University's sublease terms range from 33 to 42 years, and the University has an option to purchase the investor's leasehold interest in the properties on dates specific to each property between years 15 and 24. The University has prefunded both the required annual sublease payment obligations and the amounts necessary to exercise each specific lease buyout option. Accordingly, \$51,295,000 and \$48,482,000 has been included in the University's Consolidated Statement of Financial Position within prepaid expenses and other assets and accounts payable and accrued expenses at June 30, 2011 and 2010, respectively.

For the years ended June 30, 2011 and 2010

6. Indebtedness

Bonds and Notes Payable:

The principal amounts of bonds and notes payable at June 30, 2011 and June 30, 2010, in thousands of dollars, are summarized in the table below. Tax exempt and certain taxable bonds were issued through the Massachusetts Development Finance Agency (“MDFA”) and the Massachusetts Health and Educational Facilities Authority (“HEFA”) prior to its merger into MDFA.

	Final Bond Maturity	Interest Rate at June 30, 2011	Outstanding Principal	
			2011	2010
Fixed Rate Bonds and Notes Payable				
MDFA Series P, blended fixed rate . . .	5/15/59	5.63%	\$ 100,000	\$ 100,000
HEFA Series S, blended fixed rate	10/1/39	4.71%	35,000	35,000
MDFA Series T-1	10/1/39	5.00%	162,740	162,740
MDFA Series T-2 (Taxable)	10/1/30	5.27%	4,260	4,260
MDFA Series U-4	10/1/40	5.65%	50,000	50,000
MDFA Series V-1	10/1/29	5.00%	44,000	44,000
MDFA Series V-2	10/1/14	2.88%	63,170	63,170
MDFA Series V-3	10/1/14	2.88%	10,200	10,200
Century Notes (Taxable)	7/15/97	7.63%	100,000	100,000
Aetna Loan (Taxable)	9/15/18	10.20%	5,569	6,044
Various notes payable (Taxable)			5,398	4,604
Total Fixed Rate Bonds and Notes Payable			\$ 580,337	\$ 580,018
Variable Rate Bonds Payable				
HEFA Series E, Capital Asset Program . .	3/25/13	0.25%	\$ 18,000	\$ 18,000
HEFA Series H	12/1/29	0.04%	25,000	25,000
HEFA Series N (Taxable)	10/1/34	0.11%	132,450	133,400
MDFA Series U-1	10/1/40	0.05%	50,000	50,000
MDFA Series U-2	10/1/40	0.06%	50,000	50,000
MDFA Series U-3	10/1/40	0.06%	50,000	50,000
MDFA Series U-5A	10/1/31	0.04%	39,300	40,200
MDFA Series U-5B	10/1/31	0.03%	41,100	41,900
MDFA Series U-6A	10/1/42	0.69%	62,850	62,850
MDFA Series U-6C	10/1/42	0.04%	52,545	52,545
MDFA Series U-6E	10/1/42	0.06%	62,695	62,695
Royal Bank of Scotland (Taxable)	8/15/29	1.24%	43,877	42,091
Total Variable Rate Bonds Payable			\$ 627,817	\$ 628,681
Total Bonds and Notes Payable			\$1,208,154	\$ 1,208,699
Net Unamortized Bond Premium and Discount			10,131	10,344
Total Bonds and Notes Payable			\$1,218,285	\$ 1,219,043

Certain bond obligations are collateralized by a pledge on tuition revenues, and certain other notes payable are collateralized by plant and property with a book value before depreciation of \$61,690,000 as of June 30, 2011. The University is also required to comply with certain annual financial covenants including a minimum level of debt service coverage and a minimum level of expendable resources relative to debt.

For the years ended June 30, 2011 and 2010

The fair value of the University's bonds at June 30, 2011 and 2010 is approximately \$1,192,383,000 and \$1,213,581,000, respectively. The fair value of debt is estimated by discounting the future scheduled payments using current interest rates for similar debt issues.

Interest payments of approximately \$35,632,000 and \$33,764,000 were made in fiscal years 2011 and 2010, respectively. These amounts are net of \$505,000 and \$607,000, in fiscal years 2011 and 2010 respectively, in interest capitalized as a cost of construction.

Scheduled principal payments on notes, bonds, and capital lease obligations, in thousands of dollars, are presented in the table below. Capital lease obligations totaled \$84,579,000 at June 30, 2011.

Year	Scheduled Principal Maturities
2012	\$ 4,976
2013	23,204
2014	5,473
2015	79,273
2016	5,791
Thereafter	<u>1,174,016</u>
Total	<u>\$1,292,733</u>

The scheduled principal maturities represent aggregate annual payments as required under long-term debt repayment schedules. The table above, and the variable rate demand bonds below, reflect the impact of the debt issued in August 2011 as described in Note 10.

The University's debt, taking into account the refinancing transaction subsequent to year end described in Note 10, includes variable rate demand bonds ("VRDBs") of \$403,090,000 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 May 2012 and July 2015. 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 were to be put as of July 1, 2011, aggregate scheduled repayments under the VRDB related LOCs would be as follows: \$94,223,000, \$123,547,000, \$123,547,000, and \$61,773,000 in 2012, 2013, 2014, and 2015, respectively. As of June 30, 2011, 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 January 2011, the University closed a private direct purchase of its Series U6-A variable rate demand bonds. The \$62,850,000 direct purchase transaction has an initial term of three years.

In September 2010, the University extended the maturity date of the \$18,000,000 HEFA Capital Asset Program Loan, Series E variable rate bonds from April 1, 2011 to March 25, 2013.

In December 2009, the University issued its Series V-1, V-2, and V-3 fixed rate MDFA Revenue Bonds in the aggregate amount of \$117,370,000. Proceeds from the Series V bonds were used to fund a partial redemption of Series H variable rate bonds in the amount of \$44,000,000, a full redemption of Series U-6B and U-6D variable rate bonds, and to pay certain transaction expenses. The Series V refinancings were executed to reduce bank risk associated with LOCs supporting the refunded portion of Series H, Series U-6B, and Series U-6D and to increase the fixed rate component of the University's debt portfolio. An amount of \$541,000 consisting of the remaining unamortized bond issuance cost relative to the refunded Series U-6B and U-6D bonds is reflected as a deduction in the "Other additions (deductions)" line of the Consolidated Statement of Activities. The University capitalized \$782,000 of bond issuance costs related to the Series V-1, V-2, and V-3 offering, which was capitalized in "Prepaid expenses and other assets" on the Consolidated Statement of Financial Position.

For the years ended June 30, 2011 and 2010

Bank Lines:

The University has \$140,000,000 in committed 364-day lines of credit with five financial institutions. There were no outstanding loans under these lines of credit at June 30, 2011 and June 30, 2010, respectively.

Interest Rate Exchange Agreements:

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. At June 30, 2011, the University had interest rate exchange agreements in place with total notional amounts of \$573,647,000 and with expiration dates through 2042, which 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 of the interest rate exchange agreements also match the scheduled amortization of the underlying debt.

In connection with the December 2009 issuance of its Series V-2 and V-3 fixed rate bonds, the University entered into a fixed rate receiver swap with a notional amount of \$73,370,000 and with a final maturity and reduction schedule matching the Series V-2 and V-3 bonds. This agreement was effected in order to offset a portion of the cost of the continuing long-term interest rate exchange agreements associated with the refunded bonds.

Below is a summary of the terms of the University's outstanding interest rate exchange agreements as of June 30, 2011, in thousands of dollars:

Interest Rate Exchange Agreement	Notional Amount	Effective Date	Termination Date	University Pays	University Receives
Series H	\$ 25,000	10/30/1997	12/01/2027	5.28%	SIFMA*
Series N	24,170	10/30/1997	10/01/2027	6.79%	LIBOR*
Series U1-3	150,000	10/01/2007	10/01/2040	3.97%**	69% of 1-Mo. USD LIBOR*
Series U5	80,400	10/30/2001	10/01/2031	4.10%	67% of 1-Mo. USD LIBOR*
Series U6	10,700	10/01/2002	10/01/2022	4.16%	67% of 1-Mo. USD LIBOR*
Series U6, V	239,500	7/01/2008	10/01/2042	5.42%**	SIFMA*
Series V	73,370	12/04/2009	10/01/2014	SIFMA*	1.94%
Royal Bank of Scotland	43,877	8/15/2006	8/15/2029	5.65%	3-Mo. GBP LIBOR +45 basis points

*SIFMA—Securities Industry and Financial Markets Association Municipal Swap Index

LIBOR—London Interbank Offered Rate

**Represents a Blended Interest Rate

The University is also a party to two fixed rate swaption agreements. A swaption agreement related to the Series S bonds in a notional amount of \$35,000,000 gives the counterparty a one-time option to enter into a fixed rate swap on October 1, 2014, the call date of the Series S bonds. The option, if exercised, will require the University to pay a fixed rate of 4.70% in exchange for a variable rate equal to the monthly SIFMA municipal swap index rate on an amortizing notional amount consistent with the amortization schedule of the Series S bonds. A swaption agreement related to the Series T bonds in a notional amount of \$162,740,000 gives the counterparty a one-time option to enter into a fixed rate swap on October 1, 2015, the call date of the Series T bonds. The option, if exercised, will require the University to pay a fixed rate of 4.95% in exchange for a variable rate equal to the monthly SIFMA municipal swap index rate on an amortizing notional amount consistent with the amortization schedule of the Series T bonds.

For the years ended June 30, 2011 and 2010

Interest rate exchange agreements, including the Series S and Series T swaption agreements, are recorded at an estimated fair value of \$(169,132,000) and \$(193,943,000) at June 30, 2011 and 2010, respectively, and are included in accounts payable and accrued expenses. The change in estimated fair value of \$24,811,000 and of \$(41,229,000) in 2011 and 2010, respectively, is included in nonoperating losses on interest rate exchange agreements. Valuations of the interest rate exchange agreements were provided by the counterparties and independently validated by the University based on a discounted cash flow methodology. The validated amounts were adjusted to reflect the risk of nonperformance. The total dollar adjustment for nonperformance is \$11,147,000 and \$12,108,000 at June 30, 2011 and 2010, respectively. The fair value of interest rate exchange agreements is included in level 2 within the valuation hierarchy defined in Note 2.

In fiscal years 2011 and 2010, the University paid net settlement costs on interest rate exchange agreements of \$25,249,000 and \$25,771,000 respectively. These net settlement costs have been recorded in nonoperating activities on the Consolidated Statement of 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, 2011 and 2010, the University was required to post collateral in the amounts of \$41,625,000 and \$60,502,000, respectively. Contractual bilateral collateral posting levels are based on counterparty public debt ratings; current University posting amounts could increase or decrease should the University's credit ratings change. Additionally, interest rate exchange contracts provide for early termination should either counterparty's credit ratings fall below investment grade.

7. Pension and Other Employee Benefits

Defined Contribution Plan:

The University funds retirement plan contributions to Teachers Insurance and Annuity Association (TIAA), College Retirement Equities Fund (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 \$57,936,000 in fiscal year 2011 and \$54,667,000 in fiscal year 2010.

Pension and Other Post-retirement Benefit Plans:

The University maintained a qualified defined benefit pension plan that covered certain retirees and eligible employees who elected to participate before December 31, 1986. As of December 31, 1986, the plan was closed to any new participants as well as to additional employee contributions.

During fiscal year 2008, the University initiated the process to terminate the Boston University Retirement Income Plan. The Plan assets were used to purchase guaranteed annuities on behalf of the participants in order to settle the pension liability. The selected insurance carrier met the "Safest Available Annuity" guidelines set by the Department of Labor regulations under the Employee Retirement Income Security Act. Required annuity purchases totaling \$16,177,000 were made during fiscal year 2008. The remaining \$3,723,000 of Plan assets was used to purchase additional benefits for the participants. The University is awaiting a final determination from the Internal Revenue Service on the Plan termination filing. Once the final determination has been received, the University will complete the termination of the Plan.

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. During fiscal year 2010, the effective date of this change was adjusted; previously, the change applied to employees terminating from the University on or after July 1, 2009. The 2010 change will apply to any employee who terminates 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. The program change resulted in a decrease of the benefit liability to \$14,710,000 in fiscal year 2011 from \$15,806,000 in fiscal year 2010.

For the years ended June 30, 2011 and 2010

The Post-retirement Benefit Plan at June 30, 2011 and 2010, in thousands of dollars, consists of the following:

	<u>Post-retirement Benefits</u>	
	<u>2011</u>	<u>2010</u>
Change in Benefit Obligation		
Benefit obligation at beginning of year	\$ 15,806	\$ 14,740
Service cost		3
Interest cost	648	732
Plan amendments		384
Actuarial loss	775	2,335
Benefits paid	(2,519)	(2,388)
Settlements		
Benefit obligation at end of year	<u>14,710</u>	<u>15,806</u>
Change in Plan Assets		
Funded status	(14,710)	(15,806)
Net amount recognized	<u>\$ (14,710)</u>	<u>\$ (15,806)</u>
Other Changes in Plan Assets and Benefit Obligations Recognized in the Statement of Activities		
Current year actuarial loss	775	2,335
Amortization of actuarial loss	(2,122)	(1,978)
Current year prior service cost		384
Amortization of prior service credit	3,474	3,474
Total recognized in Statement of Activities .	<u>\$ 2,127</u>	<u>\$ 4,215</u>
Amounts recognized in the Statement of Financial Position consist of:		
Accrued post-retirement benefit obligation .	\$ (14,710)	\$ (15,806)
Amounts recognized in Unrestricted Net Assets consist of:		
Net actuarial loss	\$ 13,519	\$ 14,867
Prior service credit	(15,007)	(18,097)
	<u>\$ (1,488)</u>	<u>\$ (3,230)</u>
Weighted-average Assumptions as of June 30 used to determine benefit obligation		
Discount rate	4.45%	4.45%
Initial health care trend	9.50%	8.00%
Assumed health care trend in subsequent year	9.00%	7.50%
Ultimate health care trend	5.00%	5.00%
Years to reach ultimate	9	6

For measurement purposes, a 9.5% and 8.0% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2011 and 2010, respectively, decreasing at .5% per year thereafter until an ultimate rate of 5% in 2020.

For the years ended June 30, 2011 and 2010

	<u>Post-retirement Benefits</u>	
	<u>2011</u>	<u>2010</u>
Components of Net Periodic Benefit Cost		
Service cost	\$	\$ 3
Interest cost	648	732
Amortization of prior service cost	(3,474)	(3,474)
Amortization of actuarial loss	2,122	1,978
Net periodic benefit cost	<u>\$ (704)</u>	<u>\$ (761)</u>
Weighted-average Assumptions as of June 30 used to determine net periodic cost		
Discount rate	4.45%	5.25%
Initial health care trend	8.00%	8.50%
Ultimate health care trend	5.00%	5.00%
Years to reach ultimate	6	7

Assumed health care cost trends have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in the assumed health care cost trend rates would have the following effects:

	<u>1% Increase</u>	<u>1% Decrease</u>
Effect on total of service and interest cost components	\$ 26	\$ (24)
Effect on post-retirement benefit obligation	575	(526)

There was no accumulated benefit obligation at the end of the fiscal year 2011 and 2010.

The expected long-term rate of return assumption represents the expected average rate of earnings on the fund invested or to be invested to provide for the benefits included in the benefit obligations. The long-term rate of return assumption is determined based on a number of factors, including historical market index returns, the anticipated long-term asset allocation of the plans, historical plan return data, plan expenses, and the potential to outperform market index returns.

Expected Cash Flows:

Information about the expected cash flows for the post-retirement benefit plan is in thousands of dollars, as follows:

	<u>Post-retirement Benefits</u>
Employer contributions	
2012 (expected)	\$2,395
Expected benefit payments	
2012	2,395
2013	2,175
2014	2,034
2015	1,768
2016	1,531
2017–2021	4,872

For the years ended June 30, 2011 and 2010

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, are summarized below:

	<u>Operating</u>	<u>Capital</u>
2012	\$ 23,723	\$ 3,868
2013	23,722	3,868
2014	22,908	3,956
2015	21,645	3,956
2016	21,425	4,021
Thereafter	<u>165,340</u>	<u>200,855</u>
	\$ 278,763	\$ 220,524
Less: Amounts representing interest		<u>135,945</u>
Capital lease obligation		<u>\$ 84,579</u>

For the fiscal years 2011 and 2010 rent expense for educational facilities and office space was \$24,670,000 and \$24,328,000, 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 fiscal year 2006, the University took occupancy of 52,000 square feet of newly constructed office and research space. Future minimum lease payments are approximately \$57,811,000 to be paid over the 60-year term of the lease. In fiscal year 2007, the University took occupancy of an additional 22,000 square feet. Future minimum lease payments are approximately \$26,768,000 to be paid over the 60-year term of the lease.

Joint Ventures:

The University entered into a 25-year non-cancellable operating lease for a biomedical research facility (Center for Advanced Biomedical Research) in fiscal 1993. Minimum annual lease payments of approximately \$3,276,000 are included in the table above. The building was constructed at a cost of \$41,500,000 and is owned by a trust of which the University is a 50% beneficiary. The trust had outstanding debt of \$12,246,000 at June 30, 2011.

The University entered into a 30-year non-cancellable operating lease for a portion of a biomedical research facility (Evans Biomedical Research Building) in fiscal 2000. Minimum annual lease payments of approximately \$2,043,000 are included in the table above. The building was constructed at a cost of \$52,132,000 and is owned by a trust of which the University is a 50% beneficiary. The trust had outstanding debt of \$18,747,000 at June 30, 2011.

The University entered into a 20-year non-cancellable operating lease of 50% of a parking garage at 710 Albany Street in fiscal 2000. Minimum annual lease payments of \$758,000 are included in the table above. The garage was constructed at a cost of \$18,187,000 and is owned by a non-profit corporation in which the University has a 50% interest. The corporation had outstanding debt of \$10,500,000 at June 30, 2011.

The University entered into a 10-year non-cancellable operating lease of an office property in fiscal 2001. Minimum annual lease payments of approximately \$1,277,000 are included in the table above. The building was constructed at a cost of approximately \$9,105,000 and is owned by a real estate partnership of which the University owns 45%. The real estate partnership had outstanding debt of \$9,200,000 at June 30, 2011.

For the years ended June 30, 2011 and 2010

Minority Interest:

In September 2003 the University received an award from the National Institutes of Health (“NIH”) for the construction of a Biosafety Level (BSL) 4 National Emerging Infectious Diseases Laboratory (“NEIDL”) on the University’s Medical Campus. The NEIDL is to be used by the University, Boston Medical Center, and other organizations to support the federal government’s bio-defense effort.

NIH committed \$141,000,000 toward the construction cost of the NEIDL. 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. The University managed the NIH award and recorded the costs of construction on its consolidated financial statements in full, with Boston Medical Center’s participation recorded as a minority interest liability. At June 30, 2010, the minority interest related to Boston Medical Center totaled \$97,171,000 including its equity commitment and its pro-rata share of NIH funding of \$69,789,000.

In May 2010, in accordance with the terms of the agreement between the University and Boston Medical Center, Boston Medical Center notified the University of its intent to withdraw from further participation in the NEIDL as of May 1, 2011. The agreement requires the University to repay Boston Medical Center’s equity commitment, \$29,063,000 as of June 30, 2011, over a period of between five and ten years, at an interest rate to be negotiated. At June 30, 2011, this repayment obligation is recorded within the University’s accounts payable and accrued expenses as of June 30, 2011. As of May 1, 2011, Boston Medical Center’s pro rata share of the NIH funding, \$70,013,000, was transferred to the University and is included in temporarily restricted net assets.

Total construction costs were approximately \$198,288,000 and \$197,426,000 as of June 30, 2011 and June 30, 2010, respectively. NIH has reimbursed \$140,625,000 and \$139,578,000 as of June 30, 2011 and June 30, 2010, respectively. The University’s share of costs funded by NIH of \$140,625,000 as of June 30, 2011 and \$69,789,000 as of June 30, 2010 has been recorded as an increase to temporarily restricted net assets and will be released from restriction when the NEIDL is placed in service.

Construction of the NEIDL was substantially completed in fiscal 2009. The use of the building has been delayed due to pending litigation challenging the environmental review process relating to the planned use of the building for BSL-4 research. The University has announced it is preparing to file a request for a waiver with the Massachusetts Executive Office of Energy and Environmental Affairs which, if granted, would allow BSL-2 and BSL-3 research in the NEIDL pending regulatory and court approval to conduct BSL-4 research.

Other:

As of June 30, 2011, the University has commitments of approximately \$155,390,000, primarily related to open construction contracts and capital acquisitions. This amount is expected to be financed from operating cash flow, federal government grants, and borrowings.

The University has entered into a 10-year agreement to purchase \$910,000 annually in natural gas for the University’s East Campus Central Energy Plant. The agreement commenced in November 2010, upon the University successfully testing the supplier’s connection to the East Campus Central Energy Plant.

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, as of July 1, 1996. The University’s commitment for fiscal year 2012 is approximately \$8,000,000.

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

For the years ended June 30, 2011 and 2010

9. Statement of Cash Flows

Due to the September 2008 bankruptcy of Lehman Brothers Holding Inc. (parent/guarantor of the University's swap counterparty Lehman Brothers Commercial Bank, LBCB), in October 2008 the University elected to simultaneously terminate all its LBCB swaps and enter into replacement swaps with a diverse group of new counterparties.

As reported on the Consolidated Statement of Cash Flows within cash flows from financing activities, the University paid net settlement costs of \$15,781,000 and \$17,083,000 related to the swap replacement transactions in fiscal year 2011 and 2010, respectively.

10. Subsequent Events

The University has assessed the impact of subsequent events through October 18, 2011, the date the Consolidated Financial Statements were issued, and has concluded that there were no such events that require adjustment to the audited financial statements or disclosure in the notes to the audited financial statements, other than the events described below.

In August 2011, the University issued \$100,470,000 of Series W taxable fixed rate bonds with a final maturity in 2045. The interest rate is 5.2% per annum. Proceeds of the Series W were used to redeem \$100,000,000 of Series N taxable variable rate bonds in September 2011.

Schedule of Expenditures of Federal Awards

Boston University
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA Number	Pass-through Number	Federal Expenditures
Research and Development and Research Training Programs Cluster			
Research and Development Direct Programs			
Agency for International Development			
Agency for International Development	98		\$ 2,825,519
Agency for International Development	98.001		<u>244,153</u>
Agency for International Development Total			3,069,672
Department of Agriculture			
Department of Agriculture	10		<u>2,243</u>
Department of Agriculture Total			2,243
Department of Commerce			
Department of Commerce	11.420		14,875
Department of Commerce	11.427		<u>144,208</u>
Department of Commerce Total			159,083
Department of Defense			
Air Force	12		405,904
Air Force	12.630		1,177,018
Air Force	12.800		1,569,157
Army	12.000		549,595
Army	12.420		1,543,273
Army	12.431		44,075
Army	12.630		4,016,229
Army	12.910		33,595
Army	23.000		37,314
Defense Threat Reduction Agency	12		472,107
Defense Threat Reduction Agency	12.351		373,209
Defense Threat Reduction Agency	12.630		209,365
National Security Agency	12.901		52,462
Navy	12.300		<u>3,576,303</u>
Department of Defense Total			14,059,606
Department of Education			
Department of Education	84.022		1,428
Department of Education	84.002		48,488
Department of Education	84.133		527,356
Department of Education	84.305		410,269
Department of Education	84.324		<u>226,908</u>
Department of Education Total			1,214,449
Department of Energy			
Department of Energy	81		250,964
Department of Energy	81.049		4,633,515
Department of Energy - ARRA	81.049		131,351
National Energy Technology Lab	81.089		<u>185,541</u>
Department of Energy Total			5,201,371
Department of Health and Human Services			
Agency for Healthcare, Research, and Quality	93		939,667
Agency for Healthcare, Research, and Quality	93.226		475,901
Agency for Healthcare, Research, and Quality - ARRA	93.715		94,361
Center for Disease Control	93		368,463
Center for Disease Control	93.067		3,566,890
Center for Disease Control	93.135		814,659
Center for Disease Control	93.262		209,339
Center for Disease Control	93.283		276,559
Fogarty International Center	93.989		105,814
Food and Drug Administration	93.103		84,816
Health Resources and Services Administration	93.110		64,135

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

Boston University
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA Number	Pass-through Number	Federal Expenditures
Research and Development and Research Training Programs Cluster			
Research and Development Direct Programs			
Department of Health and Human Services, continued			
Health Resources and Services Administration	93.249		\$ 313,736
Health Resources and Services Administration	93.250		62,977
Health Resources and Services Administration	93.822		184,268
Health Resources and Services Administration	93.887		52,674
Health Resources and Services Administration - ARRA	93.411		110,095
National Cancer Institute	93		262,304
National Cancer Institute	93.393		2,604,628
National Cancer Institute	93.394		636,987
National Cancer Institute	93.395		1,441,528
National Cancer Institute	93.396		2,163,373
National Cancer Institute	93.398		480,808
National Cancer Institute	93.934		79,263
National Cancer Institute	93.951		(13,892)
National Cancer Institute - ARRA	93.701		1,129,025
National Center for Complementary & Alternative Medicine	93.213		196,573
National Center for Complementary & Alternative Medicine - ARRA	93.701		413,038
National Center for Health Research Resources	93.389		7,668,206
National Center for Health Research Resources - ARRA	93.701		546,791
National Center for Human Genome Research	93.172		2,205,776
National Center on Minority Health and Health Disparities - ARRA	93.701		1,078,157
National Eye Institute	93.867		3,123,500
National Eye Institute - ARRA	93.701		320,998
National Heart, Blood, and Lung Institute	93		11,863,974
National Heart, Blood, and Lung Institute	93.310		722,114
National Heart, Blood, and Lung Institute	93.837		18,279,358
National Heart, Blood, and Lung Institute	93.838		6,421,957
National Heart, Blood, and Lung Institute	93.839		1,627,156
National Heart, Blood, and Lung Institute - ARRA	93.701		4,768,670
National Institute of Allergy and Infectious Diseases	93		413,658
National Institute of Allergy and Infectious Diseases	93.855		16,304,693
National Institute of Allergy and Infectious Diseases	93.856		(732)
National Institute of Allergy and Infectious Diseases - ARRA	93.701		2,556,486
National Institute of Arthritis & Musculoskeletal & Skin Diseases - ARRA	93.701		979,418
National Institute of Arthritis & Musculoskeletal & Skin Diseases	93.846		8,272,724
National Institute of Biomedical Imaging and Bioengineering	93.286		1,672,887
National Institute of Biomedical Imaging and Bioengineering - ARRA	93.701		382,044
Eunice Kennedy Shriver National Institute of Child Health and Human Development	93.864		409,092
Eunice Kennedy Shriver National Institute of Child Health and Human Development	93.865		3,631,145
Eunice Kennedy Shriver National Institute of Child Health and Human Development - ARRA	93.701		1,403,828
National Institute of Dental and Craniofacial Research	93.121		6,179,479
National Institute of Dental and Craniofacial Research - ARRA	93.701		805,675
National Institute of Dental and Craniofacial Research - ARRA	93.715		82,595
National Institute of Diabetes, Digestive and Kidney Disease	93.847		4,488,943
National Institute of Diabetes, Digestive and Kidney Disease	93.848		738,377
National Institute of Diabetes, Digestive and Kidney Disease	93.849		12,280
National Institute of Diabetes, Digestive and Kidney Disease - ARRA	93.701		1,167,465
National Institute of Environmental Health Services	93.113		2,224,431
National Institute of Environmental Health Services	93.143		2,249,116
National Institute of Environmental Health Services - ARRA	93.701		1,043,857

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

Boston University
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA Number	Pass-through Number	Federal Expenditures
Research and Development and Research Training Programs Cluster			
Research and Development Direct Programs			
Department of Health and Human Services, continued			
National Institute of General Medical Sciences	93.390		\$ 576,319
National Institute of General Medical Sciences	93.859		9,228,718
National Institute of General Medical Sciences	93.862		363,854
National Institute of General Medical Sciences - ARRA	93.701		3,255,230
National Institute of Neurological Disorders and Stroke	93.853		6,518,683
National Institute of Neurological Disorders and Stroke - ARRA	93.701		1,226,640
National Institute on Aging	93.866		14,904,984
National Institute on Aging - ARRA	93.701		1,193,437
National Institute on Alcohol Abuse	93.271		233,375
National Institute on Alcohol Abuse	93.273		1,562,495
National Institute on Deafness & Other Communication Disorders	93.173		5,259,887
National Institute on Deafness & Other Communication Disorders - ARRA	93.701		924,272
National Institute on Drug Abuse	93.279		1,927,461
National Institute on Drug Abuse - ARRA	93.701		141,051
National Institute on Mental Health	93.242		9,468,888
National Institute on Mental Health	93.281		616,298
National Institute on Mental Health	93.310		713
National Institutes of Health Office of the Director	93.310		630,922
NIH Center, Clinical Center	93		238,841
NIH Center, Clinical Center - ARRA	93.701		72,543
Public Health Contracts	93		<u>2,408,709</u>
Department of Health and Human Services Total			191,515,427
Department of Homeland Security			
Department of Homeland Security	97.077		<u>6,882</u>
Department of Homeland Security Total			6,882
Department of Labor			
Department of Labor	17		<u>101,380</u>
Department of Labor Total			101,380

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

Boston University
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA Number	Pass-through Number	Federal Expenditures
Research and Development and Research Training Programs Cluster			
Research and Development Direct Programs			
Department of the Interior			
Department of Interior	15		\$ 256,713
Department of Interior	15.608		61,117
Department of Interior	15.642		<u>5,380</u>
Department of the Interior Total			<u>323,210</u>
Department of Veterans Affairs			
Department of Veterans Affairs	64		<u>103,428</u>
Department of Veterans Affairs Total			<u>103,428</u>
Environmental Protection Agency			
Environmental Protection Agency	66.509		<u>107,785</u>
Environmental Protection Agency Total			<u>107,785</u>
National Aeronautics and Space Administration			
National Aeronautics and Space Administration	43		4,776,436
National Aeronautics and Space Administration	43.001		<u>298,160</u>
National Aeronautics and Space Administration Total			<u>5,074,596</u>
National Science Foundation			
National Radio Astronomy Observatory	47.049		15,632
National Science Foundation	47.041		2,591,466
National Science Foundation	47.049		3,901,520
National Science Foundation	47.050		5,909,728
National Science Foundation	47.070		2,952,485
National Science Foundation	47.074		1,683,203
National Science Foundation	47.075		5,121,675
National Science Foundation	47.076		213,848
National Science Foundation	47.078		69,380
National Science Foundation	47.079		29,743
National Science Foundation	47.080		211,964
National Science Foundation	47.401		43,526
National Science Foundation - ARRA	47.082		<u>3,309,692</u>
National Science Foundation Total			<u>26,053,862</u>
Total Research and Development Direct Programs			<u>\$ 246,992,994</u>

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

Boston University

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2011

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA Number	Pass-through Number	Federal Expenditures
Research and Development and Research Training Programs Cluster			
Research and Development Pass-through Programs			
Agency for International Development			
ABT Associates, Inc	98	22983	\$ (2,820)
ABT Associates, Inc.	98	22704-1	115,366
ABT Associates, Inc.	98	22704	8,608
ABT Associates, Inc.	98	25536	32,112
Cornell University	98.001	42618-9232	10,498
Eastern Virginia Medical School	98	GPO-A-00-08-00005-00	2,519
Emerging Markets Group, Ltd	98	4391-CPEF-07-03	41,582
Emerging Markets Group, Ltd	98	4310-005-05-CR002	(53)
Family Health International	98	GPO-A-00-05-00028-00	454,744
Right To Care South Africa	98	AOT-C-00-99-00237-00	93,534
Save The Children Federation Inc	98	840 10418A	94,713
Agency for International Development Total			850,803
Department of Agriculture			
Indiana University	10.206	519916	9,892
University of New Hampshire	10.652	PZ10-0009	36,015
Department of Agriculture Total			45,907
Department of Commerce			
University of Maryland	11.440	Z765201	132,769
University of Maryland	11.440	Z765101	68,937
University of Maryland College Park	11.440	Z762501	(4)
University of Massachusetts Boston	11.417	5710002776	4,805
University of Rhode Island/Sea Grant	11.417	040510/0002476	40,021
Woods Hole Oceanographic Institution	11.417	A100704	31,049
Department of Commerce Total			277,577
Department of Defense			
Arizona State University	12.300	10-366	30,201
BAE Systems, Inc.	12	678520	113,761
Battelle Columbus Operations	12	TCN 09101	64,053
Battelle Memorial Institute	12	220634	81,201
Battelle Memorial Institute	12	256358	18,727
Biomimetic Systems, Inc.	12	FA9550-10-C-0094	22,423
Boston Medical Center	12.420	0262001	362,913
Boston Medical Center	12.420	W81 XWH-08-1-0148	1,967
Boston Medical Center	12.420	0262001	61,666
Brigham & Women's Hospital	12.420	W81XWH-07-2-0011	2,903
Charles River Analytics, Inc.	12	SC1005601	31,417
Charles River Analytics, Inc.	12	SC0916701	29,980
Charles River Analytics, Inc.	12	SC01005001	21,861
Charles River Analytics, Inc.	12	SC0904001	44,484
Charles River Analytics, Inc.	12	SC1015401	19,408
City College of New York	12.800	47194A	42,479
CRECare, Inc.	12	58041	21,000
DCG Systems, Inc.	12	FA8650-11-C-7105	113,466
Dolce Technologies, LLC	12	FA9550-10-C-0123	34,539
Draper Laboratory, Inc.	12	P0001-0001014451	6,225
Harvard School of Public Health	12	HDTRA1-10-C-0052	37,437
Harvard University	12.420	133160-02	38,653
Harvard University	12.420	133174-01	5,347
HRL Laboratories, LLC	12	HR0011-09-3-0001	864,326
HRL Laboratories, LLC	12	8036-801881-BS	94,310
Impulse Devices, Inc.	12	W9113M-07-S2-BASE	142,281
Massachusetts General Hospital	12	W81XWH-09-2-0001	113,214
Massachusetts General Hospital	12	217663	12,132
Massachusetts General Hospital	12.420	208358	70,012
Massachusetts General Hospital	12.420	215444	30,067
Massachusetts General Hospital	12.420	215439	68,318
Massachusetts Institute of Technology	12.300	5710002645	337,108
Massachusetts Institute of Technology	12.300	5710002582	137,498
Massachusetts Institute of Technology	12.300	5710002632	95,815
Massachusetts Institute of Technology	12.431	5710002401	75,424
Massachusetts Institute of Technology	12.800	5710002021	71,493

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

Boston University

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2011

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA Number	Pass-through Number	Federal Expenditures
Research and Development and Research Training Programs Cluster			
Research and Development Pass-through Programs			
Department of Defense, continued			
Mayflower Communications Company, Inc.	12	MCCI-SC-2034-02	\$ 33,858
MIT Lincoln Laboratory	12	7000097510	158
MIT Lincoln Laboratory	12	7000109721	20,330
MIT Lincoln Laboratory	12	7000141894	18,838
Northwestern University	12.420	SP 8967/PROJ2520	140,746
Ohio State University Research Foundation	12.800	RF01060065	350,018
Photon Systems, Inc.	12.431	035BU	299,447
Photonic Glass Corporation	12	FA-9550-10-C-0066	40,000
Physical Sciences, Inc.	12	44291-6050-46	119,010
Raytheon BBN Technologies Corp.	12	13914	30,615
Raytheon Company	12	13974	39,476
Science Research Laboratory, Inc.	12	C-0297-393	63,318
Scientific Systems Company, Inc.	12	1505-BU	5,956
Spectral Sciences, Inc.	47	PO9394	30,000
Tufts University	12.431	ARM168	15,837
Tufts University	12.800	USAF13	98,893
University of California San Diego	12.800	10312239	26,185
University of Illinois	12.800	A1795	38,257
University of Rochester	12.431	413005-G	847
University of Rochester	12.431	415338-G	67,001
University of Washington	12.300	705016	189,157
Weidinger Associates, Inc.	12	20932125-BU-001	924
Woods Hole Oceanographic Institution	12.300	A100728	<u>59,333</u>
Department of Defense Total			5,006,313
Department of Education			
Boston Public Schools	84.215	509737	(809)
University of Pittsburgh	84	600982-1	140,692
University of Pittsburgh	84.027	600917-1	<u>(208)</u>
Department of Education Total			139,675
Department of Energy			
ALEM-RMB Joint Venture	81.049	C09-13	79,105
Argonne National Laboratory (University of California, San Diego)	81	9F-30881	13,135
Battelle Energy Alliance, LLC	81	96770	9,743
Battelle Energy Alliance, LLC	81	108082	97,402
Battelle Energy Alliance, LLC	81	109840	58,661
Battelle Energy Alliance, LLC	81	113954	21,328
Duke University	81.049	10-DOE-1053	144,131
Moxst, Inc.	81	4000091722	81,471
Moxst, Inc.	81.086	DE-EE0003454	130,841
Northeastern University	47	506909	30,543
Pennsylvania State University	81.049	4331-BU-SU-9105	33,539
Tulane University	81.049	TUL-603-10/11	42,813
Tulane University	81.049	TUL-538-06/07	10,013
University of Oregon	81.049	2341711	23,376
UT-Battelle, LLC / ORNL	81	4000053931	92,876
UT-Battelle, LLC / ORNL	81	4000091123	<u>35,228</u>
Department of Energy Total			904,205

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

Boston University
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA Number	Pass-through Number	Federal Expenditures
Research and Development and Research Training Programs Cluster			
Research and Development Pass-through Programs			
Department of Health and Human Services			
Albert Einstein College of Medicine	93	9-526-4589	\$ 82,541
ALEM-RMB Joint Venture - ARRA	93.701	C10-16	34,952
Alzheimer'S Disease Cooperative Study	93.866	AG10483	36
Behavioral Tech Research, Inc.	93.242	2 R44 MH082475	162,395
Behavioral Tech Research, Inc.	93.242	2R44MH079525-02	6,834
Beth Israel Deaconess Medical Center	93.395	R01CA119045	175,753
Beth Israel Deaconess Medical Center	93.846	1R01AR053896-04	126,583
Biomimetic Systems, Inc. - ARRA	93.701	1R41EY019780-01	9,484
Boston College	93.173	1097-1	79,949
Boston College	93.310	1092-3	2,505
Boston College	93.865	15211	96,795
Boston Medical Center	93	not available	43,312
Boston Medical Center	93	1558	5,715
Boston Medical Center	93.048	90AP2654/02	29,235
Boston Medical Center	93.110	283401	(1,075)
Boston Medical Center	93.110	283402	6,062
Boston Medical Center	93.110	5R40MC17181	1,313
Boston Medical Center	93.136	0286301	40,528
Boston Medical Center	93.242	1 R01 MH084696-01	19,057
Boston Medical Center	93.242	1695	15,085
Boston Medical Center	93.243	INTF2330M04W76112076	42,790
Boston Medical Center	93.243	252102	20,721
Boston Medical Center	93.273	5 R01 AA016059-04	1,685
Boston Medical Center	93.273	1622	4,322
Boston Medical Center	93.273	226002	53,593
Boston Medical Center	93.273	240501	60,995
Boston Medical Center	93.279	212103	48
Boston Medical Center	93.279	5R01DA025068-03	316,195
Boston Medical Center	93.279	1 R01 DA025068-02	76,998
Boston Medical Center	93.279	296101	135,210
Boston Medical Center	93.279	262301	76,539
Boston Medical Center	93.283	252804	49,096
Boston Medical Center	93.283	H133 N060024	19,994
Boston Medical Center	93.283	252003	87,386
Boston Medical Center	93.393	268301	312,982
Boston Medical Center	93.393	268401	49,988
Boston Medical Center	93.395	1950	1,481
Boston Medical Center	93.395	5R01CA120950-02	82,940
Boston Medical Center - ARRA	93.701	379001	280,463
Boston Medical Center	93.837	277201	(32,620)
Boston Medical Center	93.837	281301	67,587
Boston Medical Center	93.837	277201	336,438
Boston Medical Center	93.847	0187008/0187009	40
Boston Medical Center	93.848	187008	15,093
Boston Medical Center	93.853	1783	106,592
Boston Medical Center	93.866	1535	34,347
Boston Medical Center	93.866	1538	44,608
Boston Medical Center	93.866	2133	74,182
Boston Medical Center	93.866	252701	70,762
Boston Medical Center	93.866	RAG031206A	(50,171)
Boston Medical Center	93.866	270501	3,210
Boston Medical Center	93.866	260301	112,938
Boston Medical Center	93.866	270503	33,513
Boston Ministries	93	not available	58,739

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

Boston University

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2011

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA Number	Pass-through Number	Federal Expenditures
Research and Development and Research Training Programs Cluster			
Research and Development Pass-through Programs			
Department of Health and Human Services, continued			
Brandeis University	93.866	4-01176	\$ 10,184
Brigham & Women's Hospital	93	101949	66,050
Brigham & Women's Hospital	93	not available	13,613
Brigham & Women's Hospital	93.121	103106	63,696
Brigham & Women's Hospital	93.121	103438	(701)
Brigham & Women's Hospital	93.121	104726	131,356
Brigham & Women's Hospital	93.121	151762	891
Brigham & Women's Hospital - ARRA	93.701	PS 105992	297,412
Brigham & Women's Hospital - ARRA	93.701	104980	89,223
Brigham & Women's Hospital - ARRA	93.701	105126	60,116
Brigham & Women's Hospital - ARRA	93.701	3 R01 AR055557 03S3	5,891
Brigham & Women's Hospital	93.838	104228	365,628
Brigham & Women's Hospital	93.838	106776	13,070
Brigham & Women's Hospital	93.846	103128-1	75,786
Brigham & Women's Hospital	93.853	105518	43,866
Brigham & Women's Hospital	93.855	104684	37,880
Brigham & Women's Hospital	93.864	104182	17,047
Broad Institute	93	5710002288	(133,515)
Broad Institute	93	5215810-5500000234	159,664
Broad Institute	93.847	5210340-5500000304	92,892
Brown University	93.279	1548-27419ERSITY	1
Brown University	93.393	154	296,291
Carmot Therapeutics, Inc.	93.395	1 R43 CA153676-01	8,203
Case Western Reserve University	93.866	RES501008	(20,381)
Case Western Reserve University - ARRA	93.701	RES504484	96
Children's Hospital Boston	93.243	U79 SM058141	9,261
Children's Hospital Boston - ARRA	93.701	323970	216,921
Children's Hospital Boston - ARRA	93.701	82084	313,957
Children's Hospital Boston	93.837	PO # 0000305230	434
Children's Hospital Boston	93.837	CHB-RHL087797A	86,227
Children's Hospital Boston	93.837	0000326029	41,291
Children's Hospital Seattle	93.121	10035	20,430
Children's Hospital Seattle	93.838	10215	158,374
Cincinnati Children's Hospital Medical Center	93.226	104857	91,225
Cleveland Clinic Foundation	93	HHSN268200700018C	265,540
Cold Spring Harbor Laboratory	93.242	54740112	24,506
Columbia University	93.390	5-76082	80,390
Columbia University	93.394	5-36866	97,489
Commonwealth of Massachusetts	93	INTF3122HH2W97913014	361,991
Commonwealth of Massachusetts	93	200-2001-00082	46,753
Commonwealth of Massachusetts	93.121	1R01DE017716-01A2	218,326
Commonwealth of Massachusetts	93.889	4510-0404	(104)
Dana-Farber Cancer Institute	93.172	1158102	25,306
Dana-Farber Cancer Institute	93.396	1187905	12,905
Dana-Farber Cancer Institute	93.855	1149601	10,423
Dartmouth College	93.859	592	316,874
Dartmouth College	93.999	791	86,051
Denver Health Medical Center	93	E265913	20,423
Dimagi, Inc.	93	HHSN261200800033C	49,545
Duke University	93	3038571	339
Duke University	93.837	203-9989	149,167
Energetiq Technology, Inc.	93.389	147-01	21,758
Evanston Northwestern Healthcare Research	93	EH03-339-S4	53,499
Fenway Community Health Center	93	R25	22,103
Fraunhofer USA	93.855	3358-SUBA	147,879
Fraunhofer USA	93.855	3358-SUBC	116,161
Georgetown University	93.393	RX 4442-003-BU	97,503
Harvard School of Public Health	93.061	5 P01 TP000307-03	101,714

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Boston University
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA Number	Pass-through Number	Federal Expenditures
Research and Development and Research Training Programs Cluster			
Research and Development Pass-through Programs			
Department of Health and Human Services, continued			
Harvard School of Public Health	93.110	1 T02 MC09378-01-00	\$ (139)
Harvard School of Public Health	93.135	CCU115807-06	(1)
Harvard School of Public Health	93.262	5U19OH008861-03	48,895
Harvard School of Public Health	93.286	EB006195	10,593
Harvard School of Public Health	93.859	23570-114041-1	8,018
Harvard School of Public Health	93.859	23570-114041	37,362
Harvard School of Public Health	93.864	23570-114045	358,011
Harvard School of Public Health	93.865	5 U01 HD052102 05	2,652
Harvard School of Public Health	93.865	111066-004	22,424
Harvard University	93.195	U48 DP001946	15,861
Harvard University	93.195	5031928	11,971
Harvard University	93.859	5012846-00	57,636
Harvard University Medical School	93	14907-0843	64,617
Harvard University Medical School - ARRA	93.701	149729.386546.0265	25,685
Harvard University Medical School	93.855	149632.0003	400,939
Harvard University Medical School	93.855	149047.0743	142,372
Hebrew Rehabilitation Center for the Aged	93	044-241-6963-5	(3,012)
Hebrew Rehabilitation Center for the Aged	93	1 R01 AR057118-01.	45,490
Hebrew Rehabilitation Center for the Aged	93.846	2 R01 AR047853-07	65,259
Hebrew Rehabilitation Center for the Aged	93.846	90028	2,513
Hebrew Rehabilitation Center for the Aged	93.866	5R01 AG025489-04	119,639
Hebrew Seniorlife	93	1 P01 AG031720-01A2	17,171
Hebrew Seniorlife	93.846	5R21AR053992-02	46,529
Hebrew Seniorlife	93.846	90036	303,518
Hektoen Institute for Medical Research - ARRA	93.701	50651-324-BU2AI34993-S1	32,143
Hektoen Institute for Medical Research	93.855	50609-324-BU1AI034993	13,237
Henry Ford Health System	93	1 R01 CA014294-01	14,400
Henry Ford Health System	93.393	R01CA140754-02	29,289
Henry Ford Health System	93.399	U 19 CA079689	34,847
Immune Tolerance Network	93.855	3324SC	33,793
Indiana University	93.847	IUPUI4682197BU	152,193
Indiana University	93.847	R01 DK059933	39,576
Institute for the Biocultural Study of Religion, Inc.	93.173	70000067501	3,282
Jackson Laboratory	93.856	645618	25,211
JBS International, Inc.	93	541712	20,483
Johns Hopkins University - ARRA	93.701	3R01 DK076770-04S1	38,790
Johns Hopkins University	93.859	2000559682	23,802
Johns Hopkins University	93.866	2000407677	373,016
Judge Baker Children's Center	93.242	5R01MH074811-04	9,250
Kaiser Family Foundation - ARRA	93.701	115-9772-03M1	32,200
Kaiser Permanente - ARRA	93.701	115-9155-01-M1	192,942
KBD, Inc.	93.866	1R43AG030246-01A2	66,014
Legacy Research	93.853	R01MH083973	54,307
Leland Stanford Junior University	93	23057560-41466-F	745,679
Mass Eye and Ear Infirmary	93.173	5R01DC005775-07	114,366
Mass Eye and Ear Infirmary - ARRA	93.701	2R01EY014458-06A1	23,873
Mass Eye and Ear Infirmary	93.867	30408	25,712
Massachusetts General Hospital	93	216307	90,763
Massachusetts General Hospital	93	206400	(46,929)
Massachusetts General Hospital	93.173	206553	33,278
Massachusetts General Hospital	93.242	216648	83,136
Massachusetts General Hospital	93.279	217206	7,576
Massachusetts General Hospital	93.283	206401	78,469
Massachusetts General Hospital	93.286	206285	33,696
Massachusetts General Hospital	93.394	214991	2,046
Massachusetts General Hospital	93.394	208364	1,324
Massachusetts General Hospital	93.394	204767	109,633
Massachusetts General Hospital - ARRA	93.701	3P30DK057521-11S1	30,971

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

Boston University

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2011

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA Number	Pass-through Number	Federal Expenditures
Research and Development and Research Training Programs Cluster			
Research and Development Pass-through Programs			
Department of Health and Human Services, continued			
Massachusetts General Hospital	93.837	218179	\$ 4,456
Massachusetts General Hospital	93.837	203660	129,972
Massachusetts General Hospital	93.837	206400	77,635
Massachusetts General Hospital	93.838	205123	18,426
Massachusetts General Hospital	93.847	208376	66,101
Massachusetts General Hospital	93.847	207092	223,434
Massachusetts General Hospital	93.853	208138	84,974
Massachusetts General Hospital	93.853	208128	136,932
Massachusetts General Hospital	93.853	217143	83,112
Massachusetts General Hospital	93.853	PS#204562	225,047
Massachusetts General Hospital	93.854	2 P01 NS16367 29	(41,105)
Massachusetts General Hospital	93.855	206547	6,016
Massachusetts Institute of Technology	93.173	5710002175	29,181
Massachusetts Institute of Technology	93.397	5710002693	22,889
Massachusetts Institute of Technology	93.397	5710002821	53,042
Mathematica Policy Research	93	HHSM-500-2008-000201	40,691
Mattek Corporation	93.855	UAI070914A	178,653
Mayo Clinic	93.867	7 R01 EY14467 06	(899)
Mclean Hospital	93.242	5 P50 MH060450	204,247
Medical College of Wisconsin	93.310	U 19 AI067734-05	24,605
Medical College of Wisconsin	93.310	5-U19-AI106774-05	7,539
Microbiotix, Inc.	93.855	1 U01AI082052-01	143,348
Mt. Sinai School of Medicine	93.866	0255-3171-4609	60,454
National Center For Healthy Housing	93	NCHH-07-1063	4,205
National Jewish Health - ARRA	93.701	22210451	200,445
National Jewish Health - ARRA	93.701	5 RC2 HL101715-02	922,170
Network Biosystems, Inc. - ARRA	93.701	U01A1082050-1	75,515
Network Biosystems, Inc. - ARRA	93.701	5U01A1082050-2	55,121
New England Aids Education & Training Center	93.145	BU1-011	16,337
New England Medical Center	93.837	5 R01 HL081352-04	68,274
New England Research Institutes	93.847	R01 DK080662-01	168,356
New England Research Institutes	93.866	R44 AG026839	5,159
New England Research Institutes	93.866	R01 AG020727	89,219
New Jersey Institute of Technology	93.286	910013	246,854
New York University School of Medicine	93.859	07-0585	494
Northeastern University	93	DP1 OD003312	21,657
Northeastern University - ARRA	93.701	500140	31,954
Northwestern University	93.855	60026860BUMC	62,514
Northwestern University	93.867	SP0004560/PROJ0001556	58,751
Oklahoma Medical Research Foundation	93.855	PB090809	147,035
Oklahoma Medical Research Foundation	93.855	5 U19 AI062629-07	170,072
Oregon Health Science University - ARRA	93.701	APATH0086	16,948
Oregon State University	93.866	PO330A-A	16,636
Phoenicia Biosciences, Inc.	93.839	1 R41 HL087542-01A2	96,984
President And Fellows of Harvard College	93.838	113063	2,162
Program For Appropriate Technology In Health	93.286	5U54EB007940-03	159,392
Prothera, Inc.	93.855	2R42A1062095-03A1	10,312
Public Health Institute	93.273	1016104R	50,228
Purdue School of Health Sciences	93.866	511-1720-01	13,836
Regents of The University of California	93.855	06-001238-1-BU	(45,866)
Riverside Research Institute	93.849	N17-A02	44,003
RTI International	93	13-312-0209853	71,043
Ryerson University	93.242	7R34MH076813-03	15,953

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

Boston University

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2011

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA Number	Pass-through Number	Federal Expenditures
Research and Development and Research Training Programs Cluster			
Research and Development Pass-through Programs			
Department of Health and Human Services, continued			
Seattle Institute For Biomedical And Clinical Research - ARRA	93.701	R01BJ18-BOSTON-ARRA	\$ 274,472
Spaulding Rehabilitation Hospital	93.837	500173	28,809
Spaulding Rehabilitation Hospital	93.866	500187	54,265
State University of New York At Buffalo - ARRA	93.701	R635234	87,313
Syracuse University	93.837	16125-00056-S01	17,648
Texas A&M University	93.113	S080016	22,057
Texas A&M University	93.242	S080069	168,799
The Regents of The University of California	93.173	1712 G JB624	32,747
The Scripps Institute	93.172	5-23063	74,464
Tufts - New England Medical Center	93.837	1R01HL090997-01	(3,250)
Tufts - New England Medical Center	93.846	5004324-SERV	13,920
Tufts University	93	N01-AI-30050	16,951
Tufts University	93.113	P01ES011624	732,442
Tufts University	93.121	U01 DE017788-02S1	151
Tufts University	93.121	5U01DE17788-04	(44,684)
Tufts University	93.121	5U01 DE017788-05	183,174
Tufts University	93.396	HS2724	21,332
Tufts University	93.837	980243	75,506
Tufts University	93.848	5 R01 DK75030 02	546
Tufts University	93.853	HS2877	106,758
Tufts University	93.855	5 R01 AI056021-26	16,397
Tufts University	93.396	HS2651	222,370
Tulane University	93.865	CCU622410	1,106
University of Alabama	93.866	5 R01 AG028359 04	77,665
University of British Columbia	93.853	F09-04856	143,096
University of California Davis	93.866	10311165	60,000
University of California Los Angeles	93.394	1562 G NC385	124,397
University of California Los Angeles	93.838	1460 G KB108	31,376
University of California Los Angeles	93.846	1563 G JB615	13,319
University of California Los Angeles	93.866	158175-0010	35,158
University of California Los Angeles	93.866	150052.001	18,222
University of California Los Angeles	93.866	1580 G HF562	347,209
University of California Riverside	93.866	S-000369	341,628
University of California San Diego - ARRA	93.701	100-BU ADNI-GO	41,896
University of California San Diego - ARRA	93.701	1462	41,874
University of California San Diego	93.866	10304007	161,006
University of California San Diego	93.866	U01AG10483	10,202
University of California San Diego	93.866	ADNI-024	14,283
University of California San Francisco - ARRA	93.701	5997-SC	282,595
University of Colorado	93.853	FY09.141.001	202,259
University of Connecticut	93.213	7067	60,422
University of Florida	93.859	UF10103	84,105
University of Illinois	93.859	A2224	198,352
University of Kansas	93.866	FY2010-040-M2	104,343
University of Louisville	93.866	09-1398	361,505
University of Massachusetts Boston	93.242	S20070000060354	201,209
University of Massachusetts Boston	93.396	S20100000013187	6,396
University of Massachusetts Medical School - ARRA	93.701	6115077	70,533
University of Massachusetts Medical School	93.846	6124224/RFS2011084	77,333
University of Massachusetts Medical School	93.855	6115958/RFS900248	40,847
University of Massachusetts Medical School	93.855	6125208/RFS2011111	52,341
University of Massachusetts Medical School	93.859	6109433/RFS900118	(9,100)
University of Massachusetts Worcester	93.846	6120070/RFS2011014	(115)
University of Massachusetts Worcester	93.846	6124222/RFS2011085	442,098
University of Massachusetts Worcester	93.855	U19AI084048	79,559
University of Massachusetts Worcester	93.855	6125207/RFS2011113	351,276
University of Miami	93.837	66444M	5,867
University of Michigan	93.279	3001759093	42,320
University of Michigan - ARRA	93.701	3001421875	28,458

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

Boston University

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2011

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA Number	Pass-through Number	Federal Expenditures
Research and Development and Research Training Programs Cluster			
Research and Development Pass-through Programs			
Department of Health and Human Services, continued			
University of Minnesota	93.847	P663654801	\$ (2,132)
University of New Mexico	93.859	889265-8710	99,968
University of North Carolina	93.865	5-51424	109,201
University of Pennsylvania	93.837	548346	114,296
University of Pennsylvania	93.866	UAG032984A	190,119
University of Puerto Rico	93.389	3 P40 RR003640-23S1	135,303
University of Rochester	93.839	415342-G	91,437
University of Rochester	93.855	415290-G	71,397
University of Rochester	93.859	413905-G	16,231
University of Rochester	93.999	415158-G	224,915
University of South Dakota	93.837	SR-2008-10	142,824
University of Tennessee At Memphis	93.846	AR52190 03	33,088
University of Texas - ARRA	93.701	UTA-09-001041	94,401
University of Texas Health Science Center - ARRA	93.701	0007-006-B	103,707
University of Texas Medical Branch	93.855	11-034	190,082
University of Texas Medical Branch - ARRA	93.701	11-009	158,975
University of Texas Southwestern Medical - ARRA	93.701	GMO-100905	302,673
University of Texas, Houston - ARRA	93.701	0007224D	180,279
University of Utah	93.173	10020047-01	86,913
University of Utah - ARRA	93.701	10020646-01	65,619
University of Utah - ARRA	93.701	10013543-001	13,298
University of Utah	93.837	2409028-05	5,974
University of Vermont - ARRA	93.701	24807	27,706
University of Virginia - ARRA	93.701	ZC10075-136474	84,907
University of Washington - ARRA	93.701	675144Z	3,500
University of Washington	93.837	712481	1,433
University of Washington	93.847	5R01 DK079042-02	45,121
University of Washington	93.848	WU 04-209	(97,446)
University of Washington	93.866	655885	6,860
University of Washington	93.866	696997	31,478
University of Wisconsin	93.394	108K220	26,715
University of Wisconsin	93.394	188K661	64,305
University of Wisconsin	93.856	J033316	(423)
University of Wisconsin	93.856	X561164	1,089,308
University of Wisconsin	93.866	X329792	98,642
Utah State University - ARRA	93.701	090011-002	91,146
Vanderbilt University	93.847	5 P01 DK38226 22	189
Virginia Commonwealth University	93.393	PD300535 SC102519	28,979
Washington University	93.837	WU-10-77	144,003
Washington University	93.837	WU-07-99	147,491
Washington University	93.847	WU-11-196	52,781
Wave 80 Biosciences, Inc.	93	W802010001	129,156
Wiser Institute	93	not available	9,962
Yale University	93.226	A08066(M08A00779)	50,188
Yale University	93.226	A07347	49,836
Yale University	93.279	A06106	46,023
Yale University	93.279	A06469	244,638
Yale University	93.310	C11A0967	135,188
Yale University - ARRA	93.701	AS0190 (M10A10467)	225,092
Zoiray Technologies, Inc.	93.847	1R43DK083167-01	7,348
Zoiray Technologies, Inc.	93.866	1R43AG034720-01	12,715
Department of Health and Human Services Total			28,778,183

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

Boston University
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA Number	Pass-through Number	Federal Expenditures
Research and Development and Research Training Programs Cluster			
Research and Development Pass-through Programs			
Department of Homeland Security			
Northeastern University	97.061	504928P0902638	\$ 324,378
Department of Homeland Security			<u>324,378</u>
Department of the Interior			
University of Massachusetts Amherst	15	10-005983	21,456
Department of the Interior Total			<u>21,456</u>
Department of Labor			
Mathematica Policy Research, Inc.	17	06698S00161	163,363
Department of Labor Total			<u>163,363</u>
Department of Transportation			
Harvard University	20	23520.112413.0004	67,183
Department of Transportation Total			<u>67,183</u>
National Aeronautics and Space Administration			
Boston Micromachines Corporation	43	NNX10CE08P	22,785
Jet Propulsion Laboratory	43	1407345	43,924
Jet Propulsion Laboratory	43	1316618	24,767
Jet Propulsion Laboratory	43	1259071	29,414
Johns Hopkins University / Applied Physics Laboratory	43	923497	710,981
Massachusetts Institute of Technology	43	5710002035	39,401
Massachusetts Institute of Technology	43	5710002308	94,100
Montclair State University	43	NNX09AL03G-2	50,975
Osram Sylvania, Inc.	43	NNX10CB54CC	19,639
Photon Systems, Inc.	43	100108	90,042
Scientific Systems Company, Inc.	43	1474-1	29,631
Smithsonian Astrophysical Observatory	43	SV0-80009	72,369
Smithsonian Astrophysical Observatory	43	GO9-0147X	13,222
Southwest Research Institute	43	699068N	146,586
Space Telescope Science Institute	43	HST-GO-11649.01-A	14,180
Space Telescope Science Institute	43	HST-GO-12045.02-A	23,766
Space Telescope Science Institute	43	HST-GO-11645.01-A	8,203
Space Telescope Science Institute	43	HST-GO-11970.01-A	65,770
Space Telescope Science Institute	43	HST-GO-11984.01-A	13,121
Space Telescope Science Institute	43	HST-GO-12235.01-A	5,555
The University of New Hampshire	43	10-075	1
University of Arizona	43	Y502545	100,322
University of Colorado	43.002	74584	50,661
University of Maryland Baltimore County	43	9403	27,917
University of Maryland Baltimore County	43.001	7202	(1,312)
University of New Hampshire	43	08-103	47,122
University of New Hampshire	43	PZ07095	(84)
National Aeronautics and Space Administration Total			<u>1,743,058</u>

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

Boston University
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA Number	Pass-through Number	Federal Expenditures
Research and Development and Research Training Programs Cluster			
Research and Development Pass-through Programs			
National Science Foundation			
Administrators of The Tulane Educational Fund - ARRA	47.082	TUL-588-09/10	\$ 97,628
Boston Public Schools	47.076	542745	9,975
Brandeis University	47.074	4-00674	(1,349)
Case Western Reserve University	47.049	RES502677	149,387
Children's Hospital Boston	47.070	80295	49,524
Columbia University	47.049	563669	484,491
Columbia University	47.049	12	(4,550)
Columbia University	47.050	5-24334	(357)
Consortium For Ocean Leadership	47.050	SA 10-03	41,586
Consortium For Ocean Leadership	47.050	T329A6	6,360
Consortium For Ocean Leadership	47.050	T333A6	4,770
Consortium For Ocean Leadership	47.050	T322A6	3,912
Gallaudet University	47.075	18407	60,092
Gallaudet University	47.075	19768	61,725
IODP Management International, Inc.	47	IODP-MI-10-02	33,445
Massachusetts Institute of Technology	47.050	5710002912	19,081
Moxst, Inc.	47.041	IIP-1026639	9,642
National Council For Science And The Environment	47.076	DUE-1055222	50,350
National Radio Astronomy Observatory	47.049	GSSP09-0005	4,807
Northeastern University	47.041	400118P1002874	23,326
Northeastern University	47.041	400117P0900704	57,175
Northeastern University	47.041	400013P104935	201,785
Northeastern University	47.041	501850	18,046
Northwest Research Associates, Inc.	47.050	NWRA-09-S-121	62,606
Plasma Technology, Inc. - ARRA	47.082	IIP-0930750	39,110
Rensselaer Polytechnic Institute	47.041	A12020	754,299
The Old Dominion University Research Foundation	47.079	08-127-371981	16,405
University of California Davis	47.049	SUB09000769-BU	103,374
University of California Los Angeles	47.049	1000 G HD770	146,325
University of Colorado	47.071	1546786	50,121
University of Massachusetts Worcester	47.074	6123827/RFS2011078	70,997
University of Virginia	47.074	GA10618-127104	32,308
University of Wisconsin	47.070	092K643	55,834
Vanderbilt University - ARRA	47.082	20743-51	17,716
Woods Hole Research Center	47.074	WHRC-B2006B	4,857
National Science Foundation Total			2,734,803
U.S. Department of State			
Massachusetts General Hospital	19	S-LMAQM-08-GR-070	104,270
U.S. Department of State Total			104,270
Research and Development Pass-through Total			41,161,174
Total Research and Development Programs			\$ 288,154,168

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

Boston University

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2011

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA Number	Pass-through Number	Federal Expenditures
Research and Development and Research Training Programs Cluster			
Research Training Direct Programs			
Department of Defense			
National Security Agency	12.900		\$ 42,064
National Security Agency	12.901		100,099
National Security Agency	12.902		57,142
Department of Defense Total			199,305
Department of Education			
Department of Education	84.015		264,870
Department of Education	84.047		599,157
Department of Education	84.133		1,090,676
Department of Education	84.200		186,677
Department of Education	84.325		230,133
Department of Education Total			2,371,513
Department of Health and Human Services			
Center for Disease Control	93.061		1,662
Health Resources and Services Administration	93.110		1,049,668
Health Resources and Services Administration	93.236		4,986
Health Resources and Services Administration	93.249		158,590
Health Resources and Services Administration	93.884		142,124
Health Resources and Services Administration	93.924		272,619
Health Resources and Services Administration	93.925		80,584
Health Resources and Services Administration - ARRA	93.407		53,228
National Cancer Institute	93.398		347,329
National Center for Health Research Resources	93.389		41,806
National Center for Health Research Resources - ARRA	93.701		18,376
National Eye Institute	93.867		(66)
National Heart, Blood, and Lung Institute	93.837		983,044
National Heart, Blood, and Lung Institute	93.838		989,510
National Heart, Blood, and Lung Institute	93.839		386,661
National Institute of Arthritis & Musculoskeletal & Skin Diseases	93.846		178,965
National Institute of Allergy and Infectious Diseases	93.855		372,663
National Institute of Allergy and Infectious Diseases	93.856		85,852
National Institute of Allergy and Infectious Diseases - ARRA	93.701		38,855
National Institute of Biomedical Imaging and Bioengineering	93.286		168,177
Eunice Kennedy Shriver National Institute of Child Health and Human Development	93.864		364,847
Eunice Kennedy Shriver National Institute of Child Health and Human Development	93.865		243,712
National Institute of Environmental Health Services	93.113		50,099
National Institute of Environmental Health Services	93.894		217,821
National Institute of General Medical Sciences	93.859		789,087
National Institute of General Medical Sciences - ARRA	93.701		155,592
National Institute of Neurological Disorders and Stroke	93.853		248,210
National Institute on Aging	93.866		710,753
National Institute on Deafness & Other Communication Disorders	93.173		45,498
National Institute on Mental Health	93.242		22,267
National Institute on Mental Health	93.282		350,372
Department of Health and Human Services Total			8,572,891
Environmental Protection Agency			
Environmental Protection Agency	66.514		15,620
Environmental Protection Agency Total			15,620
National Aeronautics and Space Administration			
National Aeronautics and Space Administration	43		81,150
National Aeronautics and Space Administration Total			81,150
National Endowment for the Arts			
National Endowment for the Arts	45.024		80,000
National Endowment for the Arts Total			80,000
National Science Foundation			
National Science Foundation	47.041		165,276
National Science Foundation	47.049		438,110
National Science Foundation	47.050		(34)
National Science Foundation	47.074		117,700
National Science Foundation	47.076		2,919,138
National Science Foundation	47.079		70,119
National Science Foundation - ARRA	47.082		547,394
National Science Foundation Total			4,257,703
Total Research Training Direct Programs			\$ 15,578,182

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

Boston University

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2011

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA Number	Pass-through Number	Federal Expenditures
Research and Development and Research Training Programs Cluster			
Research Training Pass-through Programs			
Department of Defense			
Institute of International Education	12.550	U634005-BU	\$ 267,627
Massachusetts General Hospital	12.420	FUND #208359	<u>202,158</u>
Department of Defense Total			469,785
Department of Education			
City of Boston/Boston Public Schools	84.215	PO # 0000537683	540
City of Boston/Boston Public Schools	84.215	PO # 0000548692	32,744
Comm. of Mass./Department of Education	84.027	268-001-1-3412-L	24,657
Comm. of Mass./Department of Elementary	84.366	150-020-9-3412-J	(1,019)
Comm. of Mass./Department of Elementary	84.366	150-006-1-3412-L	36,705
Comm. of Mass./Department of Elementary	84.366	150-008-0-3412-K	190,186
Comm. of Mass./Department of Higher Education	84	RFR2008STEM001	105,616
Comm. of Mass./Department of Higher Education	84.367	CTRGTFY08BOSTONUNIVITQ08	94,092
Commonwealth of Massachusetts	84.027	CTDOE108300TRUSBOSTONUNIV	8,305
Commonwealth of Massachusetts	84.367	CTRGT5NCLBBU200000000000	1
University of Montana	84.133	PG10-25903-02	5,167
University of Montana	84.133	PG11-25906-02	<u>15,970</u>
Department of Education Total			512,964
Department of Health and Human Services			
Boston Medical Center	93.156	2 D01 HP008796-04	184,476
Brigham & Women's Hospital	93.846	T32-AR055885	25,716
Comm. of Mass./Department of Public Health	93	RESEARCHSERVEHH20000	33,496
Dartmouth College	93.999	468	63,158
Harvard University	93.879	T15LM007092-19	140,098
Harvard University	93.879	15184.1770/1771/1772	10,861
National Center For Healthy Housing	93	NC HH-07-1063	2,946
Tufts University	93	H4AHA00050-08-00	1,203
University of Massachusetts Memorial Medical Center	93.107	6126071	21,831
University of Massachusetts Memorial Medical Center	93.107	6100233	<u>5,619</u>
Department of Health and Human Services Total			489,404
National Science Foundation			
Computing Research Association	47.070	CIF-235	143,588
Institute For Advanced Study	47.049	7430-2305	<u>30,000</u>
National Science Foundation Total			173,588
Department of State			
Institute of International Education	19.400	S-ECAAE-09-CA-027	<u>88,387</u>
Department of State Total			88,387
Action - Corporation for National and Community Service			
Jumpstart for Young Children, Inc.	94.006	840200	6,730
Jumpstart for Young Children, Inc. - ARRA	94.006	840200R	<u>45</u>
Action - Corporation for National and Community Service Total			6,775
Research Training Pass-through Total			<u>1,740,903</u>
Total Research Training Programs			<u>17,319,085</u>
Total Research and Development and Research Training Programs Cluster			\$ 305,473,253

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

Boston University
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA Number	Federal Expenditures
Student Financial Assistance Programs Cluster		
Department of Education		
Academic Competitiveness Grants	84.375	\$ 1,058,949
Federal Pell Grant Program	84.063	11,846,222
Federal Supplemental Educational Opportunity Grants	84.007	3,038,330
National Science and Mathematics Access to Retain Talent Grants	84.376	706,600
Teacher Education Assistance for College and Higher Education Grants	84.379	4,000
Federal Work Study	84.033	<u>3,441,972</u>
Department of Education Total		<u>20,096,073</u>
Total Student Financial Assistance Programs Cluster		<u>\$ 20,096,073</u>

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

Boston University

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2011

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA Number	Pass-through Number	Federal Expenditures
Construction Programs			
Department of Health and Human Services - Construction Program			
National Institute of Allergy and Infectious Diseases (operating) (Note 6)	93.856		\$ 2,749
National Institute of Allergy and Infectious Diseases (construction) (Note 6)	93.856		-
Department of Health and Human Services - Construction Program Total			<u>2,749</u>
Construction Programs Total			<u>\$ 2,749</u>
Child Nutrition Cluster			
Child Nutrition Pass-through Programs			
Commonwealth of Massachusetts			
Department of Agriculture	10.559	13-035-SF-30	\$ 13,695
Commonwealth of Massachusetts Total			<u>13,695</u>
Child Nutrition Cluster Total			<u>\$ 13,695</u>
Title I, Part A Cluster			
Title I, Part A Pass-through Programs			
Department of Education			
Boston Public Schools	84.010	PO # 0000542938	\$ 99,084
Boston Public Schools	84.010	PO # 0000568330	3,437
Department of Education Total			<u>102,521</u>
Title I, Part A Cluster Total			<u>\$ 102,521</u>
Special Education Cluster (IDEA)			
Special Education (IDEA) Pass-through Programs			
Commonwealth of Massachusetts			
Department of Education	84.027	CTDOE118300TRUSTEESOFBU	\$ 35,000
Commonwealth of Massachusetts Total			<u>35,000</u>
Special Education Cluster (IDEA) Total			<u>\$ 35,000</u>
Other Programs			
Direct Programs			
Agency for International Development			
Agency for International Development	98.001		\$ 1,434,300
Agency for International Development Total			<u>1,434,300</u>
Department of Defense			
Army	12.420		54,762
Department of Defense Total			<u>54,762</u>
Department of Education			
Department of Education	84.015		402,205
Department of Education	84.133		460,355
Department of Education Total			<u>862,560</u>
Department of Energy			
Department of Energy	81.108		1,208,874
Department of Energy Total			<u>1,208,874</u>
Department of Health and Human Services			
Agency for Healthcare, Research, and Quality	93		22,845
Health Resources and Services Administration	93.145		274,699
Health Resources and Services Administration	93.928		471,526
National Center for Complementary & Alternative Medicine	93.213		41,965
Eunice Kennedy Shriver National Institute of Child Health and Human Development	93.865		22,174
National Institute of Dental and Craniofacial Research	93.121		(654)
National Institute of Nursing Research	93.361		571,000
National Institute on Aging	93.866		120,585
National Institute on Mental Health	93.242		3,275
Substance Abuse And Mental Health Services Administration	93.243		96,934
Department of Health and Human Services Total			<u>1,624,349</u>

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

Boston University

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2011

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA Number	Pass-through Number	Federal Expenditures
Other Programs			
Other Direct Programs			
Department of Justice			
Department of Justice	16		<u>225,213</u>
Department of Justice Total			225,213
Department of Veterans Affairs			
Department of Veterans Affairs	64		<u>3,097,958</u>
Department of Veterans Affairs Total			3,097,958
Environmental Protection Agency			
Environmental Protection Agency	66.716		<u>11,665</u>
Environmental Protection Agency Total			11,665
National Aeronautics and Space Administration			
National Aeronautics and Space Administration	43		<u>164,300</u>
National Aeronautics and Space Administration Total			164,300
National Archives and Records Administration			
National Historical Publications and Records Commission	89.003		<u>20,872</u>
National Archives and Records Administration Total			20,872
National Endowment for the Arts			
National Endowment for the Arts	45.024		<u>13,282</u>
National Endowment for the Arts Total			13,282
National Endowment for the Humanities			
National Endowment for the Humanities	45.163		149,467
National Endowment for the Humanities	45.169		<u>11,861</u>
National Endowment for the Humanities Total			161,328
National Science Foundation			
National Science Foundation	47.041		948
National Science Foundation	47.049		16,555
National Science Foundation	47.070		29,461
National Science Foundation	47.074		2,794
National Science Foundation	47.075		118,966
National Science Foundation	47.076		360,170
National Science Foundation	47.079		<u>109,578</u>
National Science Foundation Total			<u>638,472</u>
Other Direct Programs Total			<u>\$ 9,517,935</u>

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

Boston University
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA Number	Pass-through Number	Federal Expenditures
Other Programs			
Pass-through Programs			
Agency for International Development			
Emerging Markets Group, LTD	98	4390-CPFF-07-02	\$ 358,989
Science Applications International Corporation	98	P010041885	1,189
Agency for International Development Total			<u>360,178</u>
Commonwealth of Massachusetts			
Center for Disease Control	93.069	INTF6208HH4005212094	922,523
Department of Education	84.334	not available	3,800
Substance Abuse and Mental Health Services Administration	93.959	INTF2330M04703015074	746,940
Commonwealth of Massachusetts Total			<u>1,673,263</u>
Corporation for National and Community Service			
Jumpstart For Young Children, Inc.	94.006	CFDA-94.006-JS-SITE#84	50,048
Corporation for National and Community Service Total			<u>50,048</u>
Department of Education			
Boston Medical Center	84.133	239101	26,537
Center for Civic Education	84.304	INT85747MA	1,193
Center for Civic Education	84.304	CC 10-11 5804 MA	55,570
Center for Civic Education	84.304	IN10115747MA	8,003
Center for Civic Education	84.304	CC 09-10 5801 MA	(959)
Center for Civic Education	84.304	CC 09-10 5804 MA	1,208
Corporation For Public Broadcasting	84.295	not available	11,838
Institute Of International Education	84	FULBRIGHT	27,900
State Of Maine	84.334	not available	5,550
State Of New Jersey	84.334	not available	1,600
Department of Education Total			<u>138,440</u>
Department of Health and Human Services			
New Jersey Medical School	93	P0274388	13,609
Casa Esperanza, Inc.	93.243	H79TI02110	80,050
Casa Esperanza, Inc.	93.243	H79TI019697	73,495
Casa Esperanza, Inc.	93.243	1H79TI022578	40,025
Institute For Health And Recovery, Inc.	93.243	U9SM59460A	84,730
Tapestry Health Systems, Inc.	93.243	H79TI02076	90,757
Tapestry Health Systems, Inc.	93.243	93.243 Mobile	106,158
Tapestry Health Systems, Inc.	93.243	93.243 REENTRY-EVALUATION	69,370
CRECare, LLC	93.866	5R42 AG027620	118,963
CRECare, LLC	93.866	5R42 HD052318	62,659
University Of Massachusetts, Worcester	94	6122372/RFS2011053	17,954
Department of Health and Human Services Total			<u>757,770</u>

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

Boston University
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA Number	Pass-through Number	Federal Expenditures
Other Programs			
Other Pass-through Programs			
Department of Veterans Affairs			
Boston VA Research Institute	64	Boston VA Research Inst.	(1,784)
Department of Veterans Affairs Total			<u>(1,784)</u>
Leveraging Educational Assistance Partnership			
State Of Delaware (Note 7)	84.069	not available	4,200
Commonwealth of Massachusetts (Note 7)	84.069	not available	637,150
State Of Connecticut (Note 7)	84.069	not available	37,000
State Of Maine (Note 7)	84.069	not available	25,000
State Of New Hampshire (Note 7)	84.069	not available	3,225
State of Pennsylvania (Note 7)	84.069	not available	66,128
State of Pennsylvania (Note 7)	84.069	not available	526
State of Rhode Island (Note 7)	84.069	not available	52,050
State of Rhode Island (Note 7)	84.069	not available	450
State Of Vermont (Note 7)	84.069	not available	25,100
Leveraging Educational Assistance Partnership Total			<u>850,829</u>
National Science Foundation			
Brown University	47.070	370	8,842
Rice University	47.070	R3A592	(2,352)
University Of Massachusetts, Amherst	47.076	05-003146 G 00	146,478
National Science Foundation Total			<u>152,968</u>
Other Pass-through Programs Total			<u>3,981,712</u>
Total Other Programs			<u>13,499,647</u>
Total Federal Expenditures			<u>\$ 339,222,938</u>

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

Boston University

Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2011

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") summarizes the expenditures of Boston University (the "University") under programs of the federal government for the year ended June 30, 2011. 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 State, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net assets and cash flows of the University.

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

2. Summary of Significant Accounting Policies for Federal Award Expenditures

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

3. Facilities and Administrative Costs

The University has been approved for a five-year predetermined facilities and administrative cost rate which is effective from July 1, 2009 through June 30, 2014 for fiscal year on-campus and off-campus sponsored research activities. The predetermined rate was based on fiscal year 2008 financial information submitted utilizing the OMB Circular A-21 *Cost Principles for Educational Institutions* long form modified total direct cost base method. The base rate for on-campus research is 62.5% for the period July 1, 2009 through June 30, 2011, 63.5% for the period July 1, 2011 through June 30, 2012, and 63.7% for the period July 1, 2012 through June 30, 2014. The base rate for off-campus research is 26.0% for the period July 1, 2009 through June 30, 2014.

Boston University
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

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 basic consolidated financial statements. The balance of loans issued and outstanding at June 30, 2011 consists of:

	Federal CFDA Number	Loans Issued	Outstanding Balance
Perkins	84.038	\$ 6,287,517	\$ 43,020,083
Medical - Primary Care	93.342	330,000	1,991,754
HPSL - Medical	93.342	-	41,123
HPSL - Dental	93.342	134,000	1,047,058
LDS - Dental	93.342	40,000	498,562
LDS - Medical	93.342	20,000	273,428
Total Direct Loans		\$ 6,811,517	\$ 46,872,008

The University recovered an administrative cost allowance from the Perkins Loan Program (CFDA #84.038) of \$582,977 for the year ended June 30, 2011. This CFDA # has been closed by the Department of Education because there will be no further Federal Capital Contributions to the Perkins Loan Program. A new CFDA # (CFDA #84.037) has been created by the Department of Education for Perkins Loans Cancellations. The Perkins Loan Program principal cancelled for the year ended June 30, 2011 is \$450,954.

Federal Direct Loans

Federally-guaranteed loans distributed to students of the University by the William D. Ford Federal Direct Loan Program during the year ended June 30, 2011 are summarized as follows:

	Federal CFDA Number	
Federal Direct Stafford Loan Program	84.032	\$ 185,895,082
Federal Direct PLUS Loan Program	84.032	85,019,277
Total William D. Ford Federal Direct Loans		\$ 270,914,359

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

Boston University
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

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, 2011.

	Federal CFDA Number	Total Federal Expenditure
Sponsoring Agency Pass-through		
Research and Development and Research Training Cluster	Various	\$ 34,953,691
Other Awards:		
Department of Justice	16	2,952
Department of Energy	81.108	223,905
Department of Education	84.133	8,870
Department of Education	84.304	120
Center for Disease Control	93.069	269,013
Health Resources and Services Administration	93.145	62,201
National Institute of Nursing Research	93.361	154,749
Health Resources and Services Administration	93.928	18,668
Substance Abuse and Mental Health Services Administration	93.959	383,699
		<u>\$ 36,077,868</u>

6. National Emerging Infectious Diseases Laboratory

In September 2003, the University received award #1 UC6 AI058618-1, CFDA #93.856, totaling approximately \$191,000,000 from the National Institute of Allergy and Infectious Diseases of the Department of Health and Human Services for purposes of constructing the National Emerging Infectious Diseases Laboratory (NEIDL) on the University's medical campus. The award requires that the University and Boston Medical Center fund 26.19% of the construction costs, and the award would fund the remaining 73.81% of construction costs up to \$141,000,000. 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. The University managed the NIH award and recorded the costs of construction on its consolidated financial statements in full, with Boston Medical Center's participation recorded as a minority interest liability. At June 30, 2010, the minority interest related to Boston Medical Center totaled \$97,171,000 including its equity commitment and its pro-rata share of NIH funding of \$69,789,000.

In May 2010, in accordance with the terms of the agreement between the University and Boston Medical Center, Boston Medical Center notified the University of its intent to withdraw from further participation in the NEIDL as of May 1, 2011. The agreement requires the University to repay Boston Medical Center's equity commitment, \$29,063,000 as of June 30, 2011, over a period of between five and ten years, at an interest rate to be negotiated. At June 30, 2011, this repayment obligation is recorded within the University's accounts payable and accrued expenses. As of May 1, 2011, Boston Medical Center's pro rata share of the NIH funding, \$70,013,000, was transferred to the University and is included in temporarily restricted net assets.

Boston University
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

Total construction costs were approximately \$198,288,000 and \$197,426,000 as of June 30, 2011 and June 30, 2010, respectively. NIH has reimbursed \$140,625,000 and \$139,578,000 as of June 30, 2011 and June 30, 2010, respectively. The University's share of costs funded by NIH of \$140,625,000 as of June 30, 2011 and \$69,789,000 as of June 30, 2010 has been recorded as an increase to temporarily restricted net assets and will be released from restriction when the NEIDL is placed in service.

All costs incurred are capitalized in the University's financial statements and therefore are not included in the Schedule. There are also other nonconstruction related costs that are part of this award agreement and are listed on the Schedule under construction program operating under CFDA #93.856, award #1 UC6 A1058618-1 totaling \$2,749 for the year ended June 30, 2011. These costs are related to travel and administration of the NEIDL project that are not capitalized and are included on the Schedule.

7. Leveraging Educational Assistance Partnership

Included on the Schedule of Expenditures of Federal Awards under Other Programs, Pass-through Programs are awards (CFDA #84.069) totaling \$850,829 received from the following states: Connecticut, Delaware, Maine, Massachusetts, New Hampshire, Pennsylvania, Rhode Island, and Vermont.

None of the states have been able to confirm with the University which portion of the award relates to amounts received from the federal government. Therefore, the University has included the full amounts received from the states on the schedule. Management believes the vast majority of the awards are from state sources.

Part II

Reports on Internal Control and Compliance



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

To the Board of Trustees of
Boston University:

We have audited the consolidated financial statements of Boston University (the "University") as of and for the year ended June 30, 2011, and have issued our report thereon dated October 18, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the University in a separate letter dated November 21, 2011.

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

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

October 18, 2011



**Report of Independent Auditors on Compliance with Requirements
That Could Have a Direct and Material Effect on each Major Program
and on Internal Control Over Compliance in Accordance with OMB Circular A-133**

To the Board of Trustees of
Boston University:

Compliance

We have audited the compliance of Boston University (the "University") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011, except as described in the second paragraph of this report. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

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

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

In our opinion, based on our audit and the report of other auditors, the University complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2011-1 and 2011-2.

Internal Control over Compliance

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

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

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

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

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

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

PricewaterhouseCoopers LLP

February 21, 2012

Part III

Audit Findings and Questioned Costs

Boston University
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unqualified

Internal control over financial reporting

Material weakness(es) identified? yes no

Significant deficiency(ies) identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs

Material weakness(es) identified? yes no

Significant deficiency(ies) identified that are not considered to be material weaknesses? yes none reported

Type of auditor's report issued on compliance for major programs Unqualified

Any audit findings that are required to be reported in accordance with Section .510(a) of Circular A-133? yes no

Identification of Major Programs

CFDA Number(s)	Name of Federal Program/Cluster
Various	Research and Development and Research Training Program Cluster
Various 64	Student Financial Assistance Program Cluster Department of Veterans Affairs

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

Auditee qualifies as a low-risk auditee? yes no

II. Financial Statement Findings

None noted.

Boston University
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

III. Federal Award Findings and Questioned Costs

2011-1 Effort certification - ARRA and Non-ARRA

Federal Program or Cluster:	Grantor:	Award Year:	Award Number:	CFDA:
Research and Development and Research Training Cluster	National Institute Diabetes, Digestive and Kidney Disease - ARRA	06/01/2010-05/31/2011	3 R01 DK052057-11A2S1REV	93.701
Department of Veterans Affairs Program	Department of Veterans Affairs	10/01/2010-09/30/2011	VA241-P-1808-HS	64
Department of Veterans Affairs Program	Department of Veterans Affairs	10/01/2010-09/30/2011	VA241-P-1807-ST	64

Condition

University policy requires that Post Award Financial Operations generate Personnel Activity Reports (PARs) on a regular basis for all employees whose compensation is supported by sponsored awards, according to the following schedule:

- Faculty, Managerial and Professional Employees: Semi-annually for the periods from January to June and July to December
- Non-Professional, Clerical and Technical Employees: Quarterly for the periods from January to March, April to June, July to September, and October to December
- Graduate Students: Annually for the period from July to June

PARs are required under University policy to be completed by the appropriate individual within 60 days to ensure salaries and wages charged to federal awards are complete and accurate. In addition, on the PAR form, it states that the PARs should to be returned to Post Award Financial Operations by the specified date, which is within 60 days.

During fiscal year 2011, we selected 58 PARs for testing within the Research and Development and Training Cluster and significant improvement from fiscal year 2010 was noted. From our selected sample, 1 PAR was signed 2 days subsequent to the due date and received by Post Award Financial Operations 29 days subsequent to the due date.

In addition, we selected a total of 16 additional PARs for testing within the Department of Veterans Affairs Program. From our selected sample, 5 of the 16 PARs were appropriately signed prior to the due date, but were not received by Post Award Financial Operations until after the due date. These PARs were received between 2 and 85 days late (average of 48 days). A 6th PAR was signed 98 days subsequent to the due date, and received by Post Award Financial Operations 99 days subsequent to the due date.

Boston University

Schedule of Findings and Questioned Costs

Year Ended June 30, 2011

Criteria

OMB Circular A-21, Section J.10 (c)(1)(2) requires certification of salary distribution, but does not specify the timelines within which the certifications must be collected. At least annually a statement must be signed by the employee, principal investigator, or responsible official(s) using suitable means of verification that the work was performed, stating that salaries and wages charged to sponsored agreements as direct charges, and to residual, F&A cost or other categories are reasonable in relation to work performed. For professorial and professional staff, the reports must be prepared each academic term, but no less frequently than every six months. For other employees, unless alternate arrangements are agreed to, the reports will be prepared no less frequently than monthly and will coincide with one or more pay periods.

Cause

From our selected sample, 5 of the 6 PAR exceptions for the Department of Veterans Affairs Program were signed by the due date, but were not received by Post Award Financial Operations within the time specified by University guidelines. These PARs relate to individuals who perform services for the Department of Veterans Affairs Program, which takes place at an off-campus location. Management has indicated that the remoteness of this program contributed to the lack of timely return. The 2 remaining PAR exceptions were not signed or returned to Post Award Financial Operations timely as they were not completed by personnel within the required time.

Effect

The lack of timely submission of the PARs can lead to unsupported, inaccurate, or incomplete charges to sponsored awards due to either the passage of time or inappropriate oversight.

Questioned cost

None noted.

Recommendation

We recommend the University continue to emphasize the importance of timely effort reporting through training and communication (including to personnel at off-campus locations) and clarify its policy to indicate that completion of the PAR certification process includes receipt and review by Post Award Financial Operations.

Management's Views and Corrective Action Plan

Following these findings are management's views and corrective action plan.

Boston University
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

2011-2 Federal Funding Accountability and Transparency Act Reporting

Research and Development and Research Training Cluster

Grantor:	Award Year:	Award Number:	CFDA:	Action Date and Date Submitted:	Months Late
National Aeronautics and Space Administration	01/21/2011-01/20/2015	NNX11AE18G	43.001	April 19, 2011 & October 2011	5
National Heart, Blood, and Lung Institute	04/01/2011-03/31/2012	1 R01 HL107385-01	93.837	May 4, 2011 & October 2011	4

Condition

In testing 2 Federal Funding Accountability and Transparency Act (FFATA) reports out of a total population of 3, we noted both reports were submitted in October 2011, which was not within the required timeframe of May 2011 and June 2011, respectively.

Criteria

Beginning October 1, 2010, the FFATA reporting requirement was effective for the University. This law requires that Grant, Cooperative Agreement, and Contract recipients report information related to subawards issued which have an obligation of \$25,000 or greater by the end of the month following the month in which the subaward agreement or modification was fully executed. These reports are required to be submitted once each time a subagreement or modification is fully executed for all applicable awards.

Cause

This was a new requirement in fiscal year 2011 and management's process was not effective in ensuring timely submission.

Effect

The lack of timely reporting under FFATA does not allow information to be made available to the public in a timely manner.

Questioned cost

None noted.

Recommendation

We recommend management of the University emphasize the importance of compliance with FFATA requirements to applicable personnel and develop a policy to ensure reporting requirements are met.

Management's Views and Corrective Action Plan

Following these findings are management's views and corrective action plan.

Boston University

Summary Schedule of Prior Audit Findings and Status

Year Ended June 30, 2011

2010-1 Return of Title IV Funds Calculations

Grantor: Department of Education

Award Year: 7/1/09 - 6/30/10

Award Numbers: P268K110183 and 001828

CFDA Numbers: 84.032 and 84.038

Condition

Of 25 students selected for return of Title IV refund calculation testing, PwC noted 2 instances where the federal refund distribution calculations were misstated. In the first instance, the total amount of federal aid inputted into the calculation was misstated, but due to the student withdrawing after the 60% mark of the semester, no refund was required and therefore, there was no financial impact to the Department of Education or student due to this error. The second misstatement in the calculation was the result of the University transposing digits in the amount of total federal aid in the calculation and therefore, the refund calculation was overstated. As a result, the University reimbursed the Department of Education \$499 more than required, but the student subsequently re-enrolled and was awarded the proper amount of federal aid. Both of these errors occurred prior to the University implementing new controls and conducting training for University personnel related to Title IV refunds in the Spring of 2010, as detailed in the University's Fiscal Year 2009 Corrective Action Plan. 4 of the refund selections tested were subsequent to April 1, 2010, and no exceptions were noted.

Recommendation

PwC recommended that the University continue to diligently execute the revised monitoring policies implemented during the Spring of 2010 to ensure the accuracy of the Return of Title IV calculations.

Status

To address findings in 2009's A-133 audit, relating to the need to improve training and oversight of the process for calculating refunds due to Title IV programs, in early fiscal 2010 the Office of Financial Assistance put new training programs in place and strengthened oversight of the refund calculation process. There were 2 additional findings in 2010, both with no financial consequence to the Federal Government or the student and corrected prior to the end of the fiscal year, and both taking place before the new processes had been fully implemented. We are pleased to note that in fiscal 2011 there were no findings of calculation errors in this area, supporting the effectiveness of these new training and oversight processes.

Boston University

Summary Schedule of Prior Audit Findings and Status

Year Ended June 30, 2011

2010-2 Effort Certification

Grantor	Award Year	Award Number	CFDA #
National Institute on Alcohol Abuse	5/1/09 - 4/30/10	5 R01 AA07112	93.273
National Institute on Drug Abuse	7/1/08 - 6/30/11	5 R01 DA01984109	93.279
National Institute of Allergy and Infectious Diseases	3/15/09 - 2/28/10	I U01 AI82121 01	93.855
National Institute on Aging	5/1/09 - 4/30/10	5 T32 AG00115 23	93.866
National Institute on Aging	6/15/09 - 5/31/10	5 K23 AG30962 03	93.866
National Heart, Lung and Blood Institute	7/1/09 - 6/30/11	5 R01 HL083269 04	93.837
National Heart, Lung and Blood Institute	7/1/09 - 6/30/10	2 R01 HL73304-05A2	93.837
National Institute of Biomedical Imaging and Bioengineering	7/1/09 - 6/30/10	5 R01 EB008268-03	93.286
National Institute of Arthritis & Musculoskeletal & Skin Diseases	6/1/09 - 5/31/11	5R21AR056628-02	93.846
Department of Energy	9/1/08 - 8/31/10	DE-FG02-08ER46512	81.049
National Science Foundation - ARRA	9/1/09 - 8/31/11	OCI-0946441	47.082

Condition

University policy requires that Post Award Financial Operations generate Personnel Activity Reports (PARs) on a regular basis for all employees whose compensation is supported by sponsored awards according to the following schedule:

- Faculty, Managerial and Professional Employees: Semi-annually for the periods from July to December and January to June
- Non-Professional, Clerical and Technical Employees: Quarterly for the periods from January to March, April to June, July to September, and October to December
- Graduate Students: Annually for the period from July to June

For the first half of fiscal year 2010, PARs were required by University policy to be completed and returned to the Office of Facilities Cost Analysis within 14 calendar days from the time they were generated from the PAR system. Subsequent to June 30, 2010, however, the University revised the policy to require all PARs to be completed and returned within 60 calendar days from the time they are generated from the PAR system. The University made this policy revision to allow for a more appropriate time period for sufficient reviews to take place to ensure completeness and accuracy of the University PARs and to be more in-line with similar policies at other large research institutions.

60 PARs were selected for testing, which included 26 due under the "old" policy and 34 due under the "revised" policy. Of the 26 PARs tested under the "old" policy, 16 were not submitted in a timely manner and on average, were 35 days late, however, all charges were allowable. Of the 34 PARs tested under the "revised" policy, there were no exceptions.

Recommendation

PwC recommended the University continue to emphasize the revised effort reporting policies through training and continue to communicate the importance of timeliness and accuracy of sponsored program effort certifications.

Status

Please refer to current year response to finding 2011-1 for our fiscal 2011 update.



**Management's Response to the
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011**

2011-1 Effort Certification

Boston University will continue to refine its procedure for obtaining completed effort certifications on a timely basis. As reflected in the comparison between the fiscal 2010 and fiscal 2011 A-133 audit reports, the University's performance in obtaining timely efforts certification has improved substantially. During fiscal 2011, the university continued to develop its effort reporting training program and provided educational materials for a variety of faculty and department administrator forums. We plan to continue to expand this training program in 2012 through additional outreach to faculty and include effort reporting as a key topic in a newly-developed Sponsored Administration Training program. Further, the Senior Vice President for Financial Affairs and the University Provost communicated the importance of timely, accurate certification in a joint memo to the University research community during fiscal 2011. Senior university leadership will continue to stress the importance of this process through additional communications in fiscal 2012.

The primary contact for inquires regarding this response is Andrew Horner, Associate Vice President, Financial Affairs. Andrew's telephone number is (617) 358-5258.

2011-2 Federal Funding Accountability and Transparency Act Reporting

During fiscal year 2012, Boston University has developed new procedure for identify subawards and sub agreements that are subject to Federal Accountability and Transparency Act (FFATA) Reporting as well as ensuring that these awards are reported timely. The Office of Sponsored Programs Research Programs Research Administrators will flag the subawards that require FFATA reporting prior to providing the award file to the Post-Award Administrative Coordinator. Once a subaward is fully executed, the Post-Award Administrative Coordinator will complete the required FFATA reporting in compliance with regulations. In the instances where the subaward information has not been entered into the FFATA Subaward Reporting System (FSRS) by the prime sponsor, the Awards coordinator will hold the file in pending status until the FFATA is available to be reported through FSRS(s). The procedures have been documented and shared with all OSP staff involve in the process.

The primary contact for inquires regarding this response is Andrew Horner, Associate Vice President, Financial Affairs. Andrew's telephone number is (617) 358-5258.

A handwritten signature in cursive script, appearing to read "Martin J. Howard".

Martin J. Howard
Senior Vice President, CFO, and Treasurer