

Boston University

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

June 30, 2012

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Boston University
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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 statements 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, 2012 and 2011, and the changes in its 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 12, 2012 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters for the year ended June 30, 2012. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

PricewaterhouseCoopers LLP

October 12, 2012

BOSTON UNIVERSITY • CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2012 and 2011
(\$000)

	2012	2011
ASSETS		
Cash and cash equivalents (Note 2)	\$ 424,884	\$ 550,073
Cash and cash equivalents—restricted (Note 2)	208,020	75,936
Short-term investments (Note 2)	1,413	3,750
Accounts receivable, net of allowance (Note 4)	182,451	152,551
Pledges receivable, net of allowance (Note 4)	127,494	96,965
Prepaid expenses and other assets	89,572	82,035
Investment in residual asset note (Note 2)	47,622	42,789
Long-term investments (Note 2)	1,251,227	1,323,028
Property, plant, and equipment, net (Note 5)	<u>2,010,516</u>	<u>1,912,833</u>
Total assets	<u>\$ 4,343,199</u>	<u>\$ 4,239,960</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accrued payroll and related expenses	\$ 109,249	\$ 130,877
Accounts payable and accrued expenses (Notes 5, 6, 7, and 8)	556,910	380,878
Deferred income and student deposits	120,349	124,583
Annuities payable	17,696	16,636
Capital lease obligation (Notes 6 and 8)	84,330	84,579
Discounted note obligation (Note 2)	47,622	42,789
Bonds, notes, and mortgages payable, net of unamortized bond premium/discount (Note 6)	<u>1,246,633</u>	<u>1,218,285</u>
Total liabilities	<u>2,182,789</u>	<u>1,998,627</u>
Net assets:		
Unrestricted	1,215,251	1,262,044
Temporarily restricted	521,813	590,651
Permanently restricted	<u>423,346</u>	<u>388,638</u>
Total net assets	<u>2,160,410</u>	<u>2,241,333</u>
Total liabilities and net assets	<u>\$ 4,343,199</u>	<u>\$ 4,239,960</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, 2012 and 2011
(\$000)

	2012			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
OPERATING REVENUES				
Student tuition and fees	\$ 1,123,800	\$	\$	\$ 1,123,800
Student aid	(280,801)			(280,801)
Sponsored programs	248,221			248,221
Recovery of facilities and administrative costs	125,896			125,896
Gifts	30,072			30,072
Sales and services	107,840			107,840
Spending formula amount and other investment income (Note 2)	11,285	24,444		35,729
Sponsored program income for student aid	14,257			14,257
Auxiliary enterprises	270,306			270,306
Student aid	(3,614)			(3,614)
Net assets released from restrictions	31,296	(31,296)		
Contributions used for operations		6,389		6,389
Total operating revenues	<u>1,678,558</u>	<u>(463)</u>		<u>1,678,095</u>
OPERATING EXPENSES				
Instruction and departmental research	779,046			779,046
Educational support activities	102,526			102,526
Sponsored programs	242,917			242,917
Libraries	28,684			28,684
General and administrative	201,437			201,437
Student support	15,537			15,537
Auxiliary enterprises	226,226			226,226
Total operating expenses	<u>1,596,373</u>			<u>1,596,373</u>
Net operating gain (loss)	<u>82,185</u>	<u>(463)</u>		<u>81,722</u>
NONOPERATING REVENUES AND (EXPENSES)				
Contribution revenue		34,631	24,726	59,357
Contributions used for operations		(6,389)		(6,389)
Spending formula amount and other investment income (Note 2)	1,584	1,227	1,874	4,685
Excess (deficit) of investment return over spending formula amount (Note 2)	(11,363)	(23,719)	(92)	(35,174)
Net realized and unrealized losses on interest rate exchange agreements (Note 6)	(187,452)			(187,452)
Transfer of non-controlling interest (Note 8)				
Change in value of designated non-core institutional real estate (Note 2)	7,970			7,970
Post-retirement related changes other than net periodic pension cost (Note 7)	(991)			(991)
Other additions (deductions) and transfers, net (Note 8)	61,274	(74,125)	8,200	(4,651)
Net nonoperating income (loss)	<u>(128,978)</u>	<u>(68,375)</u>	<u>34,708</u>	<u>(162,645)</u>
Change in net assets	<u>(46,793)</u>	<u>(68,838)</u>	<u>34,708</u>	<u>(80,923)</u>
Beginning net assets	1,262,044	590,651	388,638	2,241,333
Ending net assets	<u>\$ 1,215,251</u>	<u>\$ 521,813</u>	<u>\$ 423,346</u>	<u>\$ 2,160,410</u>

BOSTON UNIVERSITY • CONSOLIDATED STATEMENTS OF ACTIVITIES

2011				
Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
\$ 1,068,068	\$	\$	\$ 1,068,068	OPERATING REVENUES
(278,565)			(278,565)	Student tuition and fees
252,741			252,741	Student aid
130,117			130,117	Sponsored programs
32,103	676		32,779	Recovery of facilities and administrative costs
110,702			110,702	Gifts
8,279	26,997		35,276	Sales and services
16,456			16,456	Spending formula amount and other investment income (Note 2)
272,843			272,843	Sponsored program income for student aid
(3,662)			(3,662)	Auxiliary enterprises
32,440	(32,440)			Student aid
	4,619		4,619	Net assets released from restrictions
<u>1,641,522</u>	<u>(148)</u>		<u>1,641,374</u>	Contributions used for operations
				Total operating revenues
734,360			734,360	OPERATING EXPENSES
105,500			105,500	Instruction and departmental research
252,741			252,741	Educational support activities
26,552			26,552	Sponsored programs
174,627			174,627	Libraries
14,761			14,761	General and administrative
230,269			230,269	Student support
<u>1,538,810</u>			<u>1,538,810</u>	Auxiliary enterprises
				Total operating expenses
<u>102,712</u>	<u>(148)</u>		<u>102,564</u>	Net operating gain (loss)
	22,853	21,482	44,335	NONOPERATING REVENUES AND (EXPENSES)
	(4,619)		(4,619)	Contribution revenue
2,535	2,913	28	5,476	Contributions used for operations
63,305	78,251	1,936	143,492	Spending formula amount and other investment income (Note 2)
(438)			(438)	Excess (deficit) of investment return over spending formula amount (Note 2)
	70,013		70,013	Net realized and unrealized losses on interest rate exchange agreements (Note 6)
(2,552)			(2,552)	Transfer of non-controlling interest (Note 8)
(2,127)			(2,127)	Change in value of designated non-core institutional real estate (Note 2)
5,154	(614)	808	5,348	Post-retirement related changes other than net periodic pension cost (Note 7)
<u>65,877</u>	<u>168,797</u>	<u>24,254</u>	<u>258,928</u>	Other additions (deductions) and transfers, net (Note 8)
168,589	168,649	24,254	361,492	Net nonoperating income (loss)
<u>1,093,455</u>	<u>422,002</u>	<u>364,384</u>	<u>1,879,841</u>	Change in net assets
<u>\$ 1,262,044</u>	<u>\$ 590,651</u>	<u>\$ 388,638</u>	<u>\$ 2,241,333</u>	Beginning net assets
				Ending net assets

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

BOSTON UNIVERSITY • CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended
June 30, 2012 and 2011
(\$000)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (80,923)	\$361,492
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	85,678	82,758
Loss (gain) on disposal of property and equipment	3,379	(1,841)
Change in value of designated non-core institutional real estate	(7,970)	2,552
Transfer of non-controlling interest (Note 8)		(70,013)
Unrealized losses (gains) on interest rate exchange agreements	162,140	(24,811)
Settlement on swap replacement transactions, net	15,916	15,781
Amortization of bond premium/discount	(215)	(213)
Amortization of capital lease obligation	(249)	(113)
Net realized and unrealized losses (gains) on investments	7,255	(167,448)
Provision for bad debts	1,349	1,760
Restricted and temporarily restricted contributions	(14,152)	(19,623)
Gifts of securities and property	(7,949)	(5,673)
Other non cash adjustments	6,914	
Changes in operating assets and liabilities:		
Increase in accounts receivable	(31,248)	(1,605)
Increase in pledges receivable	(30,529)	(13,110)
(Increase) decrease in prepaid expenses and other assets	(7,537)	1,195
Increase (decrease) in accounts payable, accrued expenses, and non-controlling interest (Note 8)	30,545	(2,895)
(Decrease) increase in accrued payroll and related expenses	(21,628)	5,115
(Decrease) increase in deferred income and student deposits	(4,235)	22,434
Net cash provided by operating activities	<u>106,541</u>	<u>185,742</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(200,173)	(284,069)
Proceeds from sales and maturities of investments	275,029	282,377
Proceeds from sale of property and equipment	699	
Purchases of property and equipment	(167,114)	(139,425)
Proceeds from sale of gifts of securities	5,722	3,184
(Increase) decrease in cash equivalents-restricted	<u>(132,084)</u>	<u>51,879</u>
Net cash used in investing activities	<u>(217,921)</u>	<u>(86,054)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from bonds and notes payable	100,470	
Bond issuance costs	(469)	
Payment of bonds, notes and mortgages	(111,790)	(5,385)
Increase in annuity obligations	666	449
Restricted contributions	14,152	19,623
Payment on swap replacement transactions, net	<u>(15,916)</u>	<u>(15,781)</u>
Net cash used in financing activities	<u>(12,887)</u>	<u>(1,094)</u>
Unrealized loss (gain) on currency exchange	(922)	3,134
Net (decrease) increase in cash and cash equivalents	(125,189)	101,728
Cash and cash equivalents beginning of year	<u>550,073</u>	<u>448,345</u>
Cash and cash equivalents end of year	<u>\$424,884</u>	<u>\$550,073</u>
Supplemental disclosure of non-cash information:		
Property and equipment included in accounts payable	\$ 16,113	\$ 10,353
Acquisition of property and equipment through borrowings	\$ 12,114	\$
Conversion of accounts payable to notes payable	\$ 29,064	\$

For the years ended June 30, 2012 and 2011

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 2011 balances previously reported have been reclassified to conform to the 2012 presentation. During 2012, management identified three transactions incorrectly recorded in the prior year financial statements and corrected them in the 2012 financial statements. These adjustments included two net asset reclassifications and one reduction to temporarily restricted net assets, and have been included within the other additions (deductions) and transfers net line item on the 2012 Consolidated Statement of Activities. The net impact of these adjustments increased (decreased) the change in unrestricted, temporarily restricted, and permanently restricted net assets in 2012 by (\$28,100,000), \$18,100,000, and \$3,200,000, respectively. These adjustments are not considered material to the University’s current or prior year financial statements.

Net Asset Classification:

Net assets, revenues, and realized and unrealized gains and losses are classified based on the existence or absence of donor-imposed restrictions and legal restrictions under Massachusetts General Law. Accordingly, net assets and changes in 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, 2012 and 2011, in thousands of dollars, is as follows:

	2012	2011
Net realized and unrealized gain on endowment	\$ 359,815	\$ 358,500
Life income and annuity funds	17,133	24,795
Contributions receivable, net.	72,612	54,793
Contributions restricted for plant	70,203	152,225
Loan funds and other contributions	2,050	338
	<u>\$ 521,813</u>	<u>\$ 590,651</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.

For the years ended June 30, 2012 and 2011

The composition of permanently restricted net assets as of June 30, 2012 and 2011, in thousands of dollars, is as follows:

	<u>2012</u>	<u>2011</u>
Endowment funds	\$ 342,415	\$ 323,226
Contributions receivable, net	54,882	42,173
Donor funds restricted for student loans	<u>26,049</u>	<u>23,239</u>
	<u>\$ 423,346</u>	<u>\$ 388,638</u>

Collections:

The University’s collections, which were acquired through purchases and contributions since the University’s inception, are not recognized as assets on the Consolidated Statements of Financial Position. Purchases of collection items are recorded as decreases in unrestricted net assets in the year in which the items are acquired 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.

For the years ended June 30, 2012 and 2011

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 Statements of Financial Position.

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 monthly thereafter on a per-unit basis.

In January 2010, the Financial Accounting Standards Board (FASB) issued the Accounting Standards Update (ASU) No. 2010-6, Fair Value Measurement and Disclosure (Topic 820): Improving Disclosure about Fair Value Measurements. The amended disclosure requirements are effective for annual reporting periods beginning after December 15, 2010 and require a greater level of disaggregation of the Level 3 fair value measurements roll forward, among other requirements. Since the new guidance affects disclosure only, its adoption did not impact the University's Consolidated Statements of Financial Position, Consolidated Statements of Activities, or Consolidated Statements of Cash Flows.

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 activities in the Consolidated Statements 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 \$5,146,000 in 2012 and \$5,627,000 in 2011 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; software, 20 years; and library books, 10 years.

For the years ended June 30, 2012 and 2011

Depreciation for the years ended June 30, 2012 and 2011 was \$85,678,000 and \$82,758,000, 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 Statements of Activities.

The asset retirement obligation at June 30, 2012 and 2011 was \$13,151,000 and \$12,762,000, respectively, and is included in accounts payable and accrued expenses in the Consolidated Statements of Financial Position.

Student Aid:

Student aid in the amount of \$280,801,000 and \$278,565,000 for the years ended June 30, 2012 and 2011, respectively, has been classified as a reduction of student tuition and fees. In addition, student aid in the amount of \$3,614,000 and \$3,662,000 for the years ended June 30, 2012 and 2011, respectively, has been classified as a reduction of auxiliary enterprises (room and board) revenue.

Student support in addition to tuition, fees, room and board in the amount of \$15,537,000 and \$14,761,000 for the years ended June 30, 2012 and 2011, 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 Statements of Activities. These expenses are comprised of, in thousands of dollars:

	2012	2011
Operation and maintenance of plant	\$ 92,850	\$ 94,315
Interest on indebtedness	38,942	36,338
Depreciation expense	85,678	82,758

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.

For the years ended June 30, 2012 and 2011

2. Investments

Total investments by type as of June 30, 2012 and 2011, in thousands of dollars, were as follows:

Summary by Investment Type	2012		2011	
	Cost	Fair Value	Cost	Fair Value
Cash and Cash Equivalents . . .	\$ 632,904	\$ 632,904	\$ 626,009	\$ 626,009
Fixed Income	58,470	69,876	70,522	71,047
Global Equities	223,563	295,015	274,672	359,410
Marketable Alternatives	215,800	276,299	223,483	275,458
Non-Marketable Alternatives	245,158	224,015	230,972	211,350
Real Assets	414,331	387,435	416,250	409,513
Residual Asset Note	47,622	47,622	42,789	42,789
Total	<u>\$1,837,848</u>	<u>\$ 1,933,166</u>	<u>\$1,884,697</u>	<u>\$ 1,995,576</u>

As of June 30, 2012, investment commitments to venture capital limited partnerships and private equity funds are approximately \$97,848,000 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.

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 \$252,858,000 and \$243,959,000 as of June 30, 2012 and 2011, 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, 2012 and 2011, the carrying value of the discounted note obligation was \$47,622,000 and \$42,789,000, respectively.

The LLC is consolidated in the financial statements of the University. The LLC’s discounted note obligation is recorded as a liability and its investment has been recorded as an asset on the Consolidated Statements of Financial Position. The valuation of this investment 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 future cash flows. Management considers the risk to be remote for any disruption of future cash flows, as the two principal risks that could cause a disruption have been assumed by DBLF.

For the years ended June 30, 2012 and 2011

Investment Return:

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

2012	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Dividend and interest income	\$ 5,957	\$ 9,236	\$ 259	\$ 15,452
Net realized and unrealized (losses) gains	(4,451)	(7,284)	1,523	(10,212)
Total return on investments	1,506	1,952	1,782	5,240
Less: Spending formula amount	(12,710)	(25,671)	(1,874)	(40,255)
Less: Other non-endowment income	(159)			(159)
	(12,869)	(25,671)	(1,874)	(40,414)
Excess (deficit) of investment return over spending formula amount	\$ (11,363)	\$ (23,719)	\$ (92)	\$ (35,174)
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	74,119	108,161	1,964	184,244
Less: Spending formula amount	(7,697)	(29,910)		(37,607)
Less: Other non-endowment income	(3,117)		(28)	(3,145)
	(10,814)	(29,910)	(28)	(40,752)
Excess (deficit) of investment return over spending formula amount	\$ 63,305	\$ 78,251	\$ 1,936	\$ 143,492

Fair Value Measurements:

The University uses 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 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

For the years ended June 30, 2012 and 2011

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. 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.

- 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 Marketable Alternatives, Non-Marketable Alternatives, and Real Assets. Marketable Alternatives consist of hedge funds. Non-Marketable Alternatives consist of 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.

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.

BOSTON UNIVERSITY • NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *CONTINUED*

For the years ended June 30, 2012 and 2011

The following tables present the financial instruments carried at fair value as of June 30, 2012 and 2011 categorized by the valuation hierarchy defined above, in thousands of dollars:

As of June 30, 2012	Level 1	Level 2	Level 3	Total Fair Value
Assets at fair value				
Cash and				
Cash Equivalents	\$ 632,904	\$	\$	\$ 632,904
Fixed Income.	69,633	243		69,876
Global Equities				
& Convertibles	72,233	220,304	2,478	295,015
Marketable Alternatives. . .		248,109	28,190	276,299
Non-Marketable				
Alternatives.			224,015	224,015
Real Assets	29,044	145,503	212,888	387,435
Residual Asset Note		47,622		47,622
Total Investments:	<u>\$ 803,814</u>	<u>\$ 661,781</u>	<u>\$ 467,571</u>	<u>\$ 1,933,166</u>
Split-interest agreements				
held by third parties			4,392	4,392
Total assets at fair value . . .	<u>\$ 803,814</u>	<u>\$ 661,781</u>	<u>\$ 471,963</u>	<u>\$ 1,937,558</u>
Liabilities at fair value				
Interest rate exchange				
liabilities	\$	\$ 331,272	\$	\$ 331,272
Total liabilities at fair value. .	<u>\$</u>	<u>\$ 331,272</u>	<u>\$</u>	<u>\$ 331,272</u>
As of June 30, 2011	Level 1	Level 2	Level 3	Total Fair Value
Assets at fair value				
Cash and				
Cash Equivalents	\$ 626,009	\$	\$	\$ 626,009
Fixed Income.	70,870	177		71,047
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	162,351	208,943	409,513
Residual Asset Note		42,789		42,789
Total Investments:	<u>\$ 848,044</u>	<u>\$ 665,900</u>	<u>\$ 481,632</u>	<u>\$ 1,995,576</u>
Split-interest agreements				
held by third parties			4,276	4,276
Total assets at fair value . . .	<u>\$ 848,044</u>	<u>\$ 665,900</u>	<u>\$ 485,908</u>	<u>\$ 1,999,852</u>
Liabilities at fair value				
Interest rate exchange				
liabilities	\$	\$ 169,132	\$	\$ 169,132
Total liabilities at fair value. .	<u>\$</u>	<u>\$ 169,132</u>	<u>\$</u>	<u>\$ 169,132</u>

BOSTON UNIVERSITY • NOTES TO CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

For the years ended June 30, 2012 and 2011

The following tables are a rollforward of the Consolidated Statements of Financial Position amounts for financial instruments as of June 30, 2012 and 2011 classified by the University within Level 3 of the fair value hierarchy defined above, in thousands of dollars:

	Global Equities & Convertibles	Marketable Alternatives	Non-Marketable Alternatives	Real Assets	Total Investments	Split-Interest Agreements Held by Third Parties	Total Assets at Fair Value
2012							
Fair Value, July 1, 2011	\$ 16,851	\$ 44,488	\$ 211,350	\$ 208,943	\$ 481,632	\$ 4,276	\$ 485,908
Realized Gains/(Losses)	288	(146)	4,676	1,304	6,122		6,122
Unrealized Gains/(Losses)	(296)	119	466	(1,187)	(898)	116	(782)
Purchases			34,550	17,267	51,817		51,817
Sales or Redemptions	(430)	(63)	(27,027)	(13,439)	(40,959)		(40,959)
Transfers to Level 3		14,157			14,157		14,157
Transfers from Level 3	(13,935)	(30,365)			(44,300)		(44,300)
Fair Value, June 30, 2012	\$ 2,478	\$ 28,190	\$ 224,015	\$ 212,888	\$ 467,571	\$ 4,392	\$ 471,963

	Global Equities & Convertibles	Marketable Alternatives	Non-Marketable Alternatives	Real Assets	Total Investments	Split-Interest Agreements Held by Third Parties	Total Assets at Fair Value
2011							
Fair Value, July 1, 2010	\$ 9,469	\$ 100,162	\$ 224,107	\$ 188,334	\$ 522,072	\$ 3,980	\$ 526,052
Realized Gains/(Losses)	8,439	(930)	13,839	3,187	24,535		24,535
Unrealized Gains/(Losses)	(1,153)	27,358	11,786	7,988	45,979	296	46,275
Purchases	8,281	39,887	18,988	18,351	85,507		85,507
Sales or Redemptions	(15,344)	(8,609)	(57,370)	(8,917)	(90,240)		(90,240)
Transfers to Level 3	7,159				7,159		7,159
Transfers from Level 3		(113,380)			(113,380)		(113,380)
Fair Value, June 30, 2011	\$ 16,851	\$ 44,488	\$ 211,350	\$ 208,943	\$ 481,632	\$ 4,276	\$ 485,908

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

All net realized and unrealized gains (losses) in the table above are reflected in the accompanying Consolidated Statements of Activities. During the year ended June 30, 2012, the change in unrealized appreciation on investments classified as Level 3 was \$(898,000).

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 Statements of Activities. Net unrealized gains (losses) relate to those financial instruments held by the University at June 30, 2012 and 2011. Reclassifications into Level 2 are included as of June 30, 2012 and 2011. 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.

Transfers from Level 3 to Level 2 typically involve investments, or portions of investments, in commingled vehicles having redemption terms that provide for liquidity within the 12 months following the reporting period. The University's policy is to recognize transfers as of the end of the year. As of June 30, 2012, the University recorded transfers from Level 3 to Level 2 in the amount of \$44,300,000. The University also recorded a transfer from Level 2 to Level 3 in the amount of \$14,157,000 due to changes in the underlying investments.

For the years ended June 30, 2012 and 2011

The following tables summarize all such investments recorded at NAV categorized based on the risk and return characteristics of the investments at June 30, 2012 and 2011, in thousands of dollars.

As of June 30, 2012	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Global Equities	\$ 222,782	\$	Daily–Annually	3–92 Days
Real Assets	14,556		Quarterly	60 Days
Marketable Alternatives	276,299		Quarterly–Tri-Annually	30–180 Days
Non-Marketable Alternatives	194,322	55,131	At Maturity	N/A
Private Real Assets	86,709	42,717	At Maturity	N/A
	<u>\$ 794,668</u>	<u>\$ 97,848</u>		

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	167,683	64,311	At Maturity	N/A
Private Real Assets	95,126	30,387	At Maturity	N/A
	<u>\$ 826,040</u>	<u>\$ 94,698</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.

3. Endowment Funds

A pooled endowment fund is included as part of the University’s investments. Total endowment assets at June 30, 2012 and 2011 are \$1,190,512,000 and \$1,194,164,000, 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 monthly amounts per unit and is calculated as 4% of a twenty-quarter average of pooled endowment fund per unit market values. If interest, dividends, and gains are not sufficient to support the current year drawdown, the balance is provided from prior year accumulated earnings. Effective July 1, 2011, the spending policy was changed for newly established endowment funds. Income attributable to the new shares from these funds will be reinvested to principal during the initial six months. During the fiscal years ended June 30, 2012 and 2011, the distribution as a percentage of the ending fair value of the pooled endowment fund for the five preceding quarters was 3.7% and 3.5%, respectively.

At June 30, 2012 and 2011, respectively, approximately \$1,590,000 and \$383,000 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

For the years ended June 30, 2012 and 2011

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 allocation 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.

The following table represents endowment net asset composition by type of fund as of June 30, 2012, in thousands of dollars:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor Restricted	\$ (1,590)	\$ 376,948	\$ 342,415	\$ 717,773
Institution Designated	408,912			408,912
Endowment Net Assets at end of year	<u>\$ 407,322</u>	<u>\$ 376,948</u>	<u>\$ 342,415</u>	<u>\$ 1,126,685</u>

BOSTON UNIVERSITY • NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *CONTINUED*

For the years ended June 30, 2012 and 2011

The following table represents changes in endowment net assets for the fiscal year ended June 30, 2012, in thousands of dollars:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets at beginning of year	\$ 437,389	\$ 383,295	\$ 323,226	\$ 1,143,910
Reclassification of Net Assets	(1,207)	1,207		
Endowment Net Assets after reclassification	436,182	384,502	323,226	1,143,910
Investment income	1,493	1,227	1,679	4,399
Net appreciation (realized and unrealized)	(12,053)	(23,718)	(91)	(35,862)
Total Investment return	(10,560)	(22,491)	1,588	(31,463)
Gifts	1,816	1,025	15,270	18,111
Other changes	(24,354)	13,912	2,331	(8,111)
Institutional transfers from other funds	4,238			4,238
Endowment Net Assets at end of year	<u>\$ 407,322</u>	<u>\$ 376,948</u>	<u>\$ 342,415</u>	<u>\$ 1,126,685</u>

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor Restricted	\$ (383)	\$ 383,295	\$ 323,226	\$ 706,138
Institution Designated	437,772			437,772
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:

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

For the years ended June 30, 2012 and 2011

4. Accounts Receivable and Pledges Receivable

Accounts Receivable:

Accounts and loans receivable at June 30, 2012 and 2011, in thousands of dollars, consist of the following:

	<u>2012</u>	<u>2011</u>
Accounts receivable, net:		
Students	\$ 17,359	\$ 15,862
Less allowances.	(6,843)	(6,320)
	<u>10,516</u>	<u>9,542</u>
Grants and contracts.	58,113	45,486
Departmental sales, services, and other.	47,589	32,550
Less allowances.	(8,246)	(7,855)
	<u>97,456</u>	<u>70,181</u>
Student loans	77,466	76,066
Less allowances.	(2,987)	(3,238)
	<u>74,479</u>	<u>72,828</u>
Total.	<u>\$ 182,451</u>	<u>\$ 152,551</u>

Total allowances for doubtful accounts as of June 30, 2012 and 2011 are \$18,076,000 and \$17,413,000, respectively.

The University recorded an allowance for doubtful accounts of \$2,987,000 and \$3,238,000 as of June 30, 2012 and 2011, respectively, related to student loan receivables of \$77,466,000 and \$76,066,000 as of June 30, 2012 and 2011, respectively. Federally sponsored student loans receivable represents a significant portion of the loan portfolio, \$52,645,000 and \$46,872,000 as of June 30, 2012 and 2011, 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 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, 2012 and 2011 to be reasonable and adequate to absorb potential credit losses inherent in the student loan portfolio.

Included in accounts receivable at June 30, 2012 and 2011 is \$768,000, 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, 2012 and 2011, to certain employees. The aggregate amount as of June 30, 2012 and 2011 is \$6,074,000 and \$5,521,000, respectively.

For the years ended June 30, 2012 and 2011

Pledges Receivable:

Pledges, net of discounts and allowances, in the amount of \$127,494,000 and \$96,965,000, are recorded as a receivable with the revenue assigned to the appropriate net asset category for fiscal years 2012 and 2011, respectively. Pledges consist of unconditional written promises to contribute to the University in the future. At June 30, 2012 and 2011, pledges, in thousands of dollars, are expected to be realized in the following time frame:

	2012	2011
In one year or less	\$ 51,441	\$ 47,479
Between one year and five years	81,405	52,406
More than five years	15,221	10,996
	<u>148,067</u>	<u>110,881</u>
Discount to present value	(12,573)	(8,372)
Less allowance for unfulfilled pledges . .	(8,000)	(5,544)
Pledges receivable	<u>\$ 127,494</u>	<u>\$ 96,965</u>

5. Property, Plant, and Equipment

Property, plant, and equipment and related accumulated depreciation at June 30, 2012 and 2011, in thousands of dollars, consist of the following:

	2012	2011
Land	\$ 94,778	\$ 82,931
Buildings and improvements	2,283,159	2,092,168
Construction in progress	266,697	364,960
Software	52,879	
Equipment	213,568	198,922
Library books	171,385	162,175
	<u>3,082,466</u>	<u>2,901,156</u>
Less accumulated depreciation	(1,071,950)	(988,323)
Property, plant, and equipment, net . . .	<u>\$ 2,010,516</u>	<u>\$ 1,912,833</u>

As of June 30, 2012 and 2011, buildings and improvements include \$84,642,000 associated with office and research space under capital lease.

Software costs related to Enterprise Resource System implementation projects of \$11,930,000 and \$26,680,000 were capitalized in fiscal year 2012 and 2011, respectively. During 2012, the system implementation was completed and software costs of \$52,879,000 were placed in service.

As of June 30, 2012 and 2011, capital expenditures of \$199,521,000 and \$198,288,000, respectively, were incurred for construction of the National Emerging Infectious Diseases Laboratory (NEIDL). Of this, \$117,796,000 was placed in service during the year ended June 30, 2012. The remaining expenditures are included within construction in progress at June 30, 2012, 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 \$1,905,000 and \$6,829,000 was removed from the Consolidated Statements of Financial Position in 2012 and 2011, 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 sub-lease payment obligations and the amounts necessary to exercise each specific lease buyout option. Accordingly, \$54,270,000 and \$51,295,000 has been included in the University's Consolidated Statements of Financial Position within prepaid expenses and other assets and accounts payable and accrued expenses at June 30, 2012 and 2011, respectively.

For the years ended June 30, 2012 and 2011

6. Indebtedness

Bonds and Notes Payable:

The principal amounts of bonds and notes payable at June 30, 2012 and 2011, 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, 2012	Outstanding Principal	
			2012	2011
Fixed Rate Bonds and Notes Payable				
MDFA Series P, blended fixed rate . . .	5/15/59	5.63%	\$ 100,000	\$ 100,000
HEFA Series S, blended fixed rate	10/1/39	4.71%	35,000	35,000
MDFA Series T-1	10/1/39	5.00%	162,740	162,740
MDFA Series T-2 (Taxable)	10/1/30	5.27%	4,260	4,260
MDFA Series U-4	10/1/40	5.65%	50,000	50,000
MDFA Series V-1	10/1/29	5.00%	44,000	44,000
MDFA Series V-2	10/1/14	2.88%	63,170	63,170
MDFA Series V-3	10/1/14	2.88%	10,200	10,200
MDFA Series W (Taxable)	10/1/45	5.20%	100,470	
Century Notes (Taxable)	7/15/97	7.63%	100,000	100,000
Boston Medical Center Note (Taxable)	5/12/16	2.00%	23,251	
Boston Redevelopment Authority Note (Taxable)	6/15/21	0.00%	10,305	
Aetna Loan (Taxable)	9/15/18	10.20%	5,044	5,569
Various notes payable (Taxable)			6,121	5,398
Total Fixed Rate Bonds and Notes Payable			\$ 714,561	\$ 580,337
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	0.15%	25,000	25,000
HEFA Series N (Taxable)	10/1/34	0.23%	31,300	132,450
MDFA Series U-1	10/1/40	0.11%	50,000	50,000
MDFA Series U-2	10/1/40	0.92%	50,000	50,000
MDFA Series U-3	10/1/40	0.11%	50,000	50,000
MDFA Series U-5A	10/1/31	0.10%	38,500	39,300
MDFA Series U-5B	10/1/31	0.14%	40,200	41,100
MDFA Series U-6A	10/1/42	0.78%	62,850	62,850
MDFA Series U-6C	10/1/42	0.17%	52,545	52,545
MDFA Series U-6E	10/1/42	0.14%	62,695	62,695
Royal Bank of Scotland (Taxable)	8/15/29	1.46%	41,535	43,877
Total Variable Rate Bonds Payable			\$ 522,625	\$ 627,817
Total Bonds and Notes Payable			\$1,237,186	\$ 1,208,154
Net Unamortized Bond Premium and Discount			9,447	10,131
Total Bonds and Notes Payable, net			\$1,246,633	\$ 1,218,285

For the years ended June 30, 2012 and 2011

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, 2012. 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.

The fair value of the University's bonds and notes payable at June 30, 2012 and 2011 is approximately \$1,338,249,000 and \$1,247,227,000, respectively, versus the outstanding principal at June 30, 2012 and 2011 of \$1,237,186,000 and \$1,208,154,000, 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 \$37,806,000 and \$35,632,000 were made in fiscal years 2012 and 2011, respectively. These amounts are net of interest capitalized as a cost of construction totaling \$2,599,000 and \$505,000, in fiscal years 2012 and 2011, respectively.

Scheduled principal payments on notes, bonds, and capital lease obligations, in thousands of dollars, are presented in the table below. Capital lease obligations totaled \$84,330,000 at June 30, 2012.

Year	Scheduled Principal Maturities
2013	\$ 30,454
2014	12,758
2015	86,556
2016	13,073
2017	7,905
Thereafter	<u>1,170,770</u>
Total	<u>\$1,321,516</u>

Scheduled principal maturities represent aggregate annual payments as required under long-term debt repayment schedules. The University's debt portfolio includes variable rate demand bonds ("VRDBs") of \$350,240,000 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 2013 and December 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 had been put as of June 30, 2012, aggregate scheduled loan repayments under the VRDB-related LOCs would be as follows: \$152,286,000, \$79,182,000, \$79,182,000, and \$39,590,000 in 2013, 2014, 2015, and 2016, respectively. As of June 30, 2012, 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 June 2012, the University extended the initial term of the Series U-6A direct purchase transaction from January 2013 to April 2014. The final maturity of the underlying bonds is unchanged at October 2042.

In May 2012, the University entered into a Promissory Note with the Boston Redevelopment Authority pursuant to a Land Disposition Agreement. The terms of the Note require the University to pay total principal of \$10,305,000 over a term of nine years at an interest rate of 0%.

In February 2012, the University entered into an agreement with Boston Medical Center to pay a total of \$29,064,000 over a term of five years at an interest rate of 2%. See Note 8 for additional details.

In December 2011, the University closed a direct purchase of its Series U-2 variable rate demand bonds. This \$50,000,000 direct purchase transaction has an initial term of four years. The final maturity of the underlying bonds is unchanged at October 2040.

For the years ended June 30, 2012 and 2011

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 issue were used to partially redeem \$100,000,000 of Series N taxable variable rate bonds and to pay certain transaction expenses.

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.

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, 2012 and 2011, 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, 2012 the University had interest rate exchange agreements in place with total notional amounts of \$569,395,000 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, 2012, 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	23,960	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	78,700	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	41,535	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

For the years ended June 30, 2012 and 2011

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.

Interest rate exchange agreements, including the Series S and Series T swaption agreements, are recorded at an estimated fair value of \$(331,272,000) and \$(169,132,000) at June 30, 2012 and 2011, respectively, and are included in accounts payable and accrued expenses. The change in estimated fair value of \$162,140,000 and of \$24,811,000 in 2012 and 2011, 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 \$27,012,000 and \$11,147,000 at June 30, 2012 and 2011, 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 2012 and 2011, the University paid net settlement costs on interest rate exchange agreements of \$25,312,000 and \$25,249,000, respectively. These net settlement costs have been recorded in nonoperating activities on the Consolidated Statements 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, 2012 and 2011, the University was required to post collateral in the amounts of \$207,284,000 and \$41,625,000, 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 \$61,104,000 in fiscal year 2012 and \$57,936,000 in fiscal year 2011.

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

For the years ended June 30, 2012 and 2011

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 \$12,349,000 in fiscal year 2012 from \$14,710,000 in fiscal year 2011.

The Post-retirement Benefit Plan at June 30, 2012 and 2011, in thousands of dollars, consists of the following:

	Post-retirement Benefits	
	2012	2011
Change in Benefit Obligation		
Benefit obligation at beginning of year	\$ 14,710	\$ 15,806
Interest cost	602	648
Actuarial loss	(568)	775
Benefits paid	(2,395)	(2,519)
Benefit obligation at end of year	<u>12,349</u>	<u>14,710</u>
Change in Funded Status		
Funded status	<u>(12,349)</u>	<u>(14,710)</u>
Net amount recognized	<u>\$ (12,349)</u>	<u>\$ (14,710)</u>
Other Changes in Plan Assets and Benefit Obligations Recognized in the Statement of Activities		
Current year actuarial loss	(568)	775
Amortization of actuarial loss	(1,915)	(2,122)
Current year prior service cost		
Amortization of prior service credit	3,474	3,474
Total recognized in Statement of Activities .	<u>\$ 991</u>	<u>\$ 2,127</u>
Amounts recognized in the Statement of Financial Position consist of:		
Accrued post-retirement benefit obligation .	\$ (12,349)	\$ (14,710)
Amounts recognized in Unrestricted Net Assets consist of:		
Net actuarial loss	\$ 11,036	\$ 13,519
Prior service credit	<u>(11,533)</u>	<u>(15,007)</u>
	<u>\$ (497)</u>	<u>\$ (1,488)</u>
Weighted-average Assumptions as of June 30 used to determine benefit obligation		
Discount rate	3.35%	4.45%
Initial health care trend	9.00%	9.50%
Assumed health care trend in subsequent year	8.50%	9.00%
Ultimate health care trend	5.00%	5.00%
Years to reach ultimate	8	9

For measurement purposes, a 9.0% and 9.5% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2012 and 2011, respectively, decreasing at .5% per year thereafter until an ultimate rate of 5% in 2020.

For the years ended June 30, 2012 and 2011

	<u>Post-retirement Benefits</u>	
	<u>2012</u>	<u>2011</u>
Components of Net Periodic Benefit Cost		
Interest cost	\$ 602	\$ 648
Amortization of prior service cost	(3,474)	(3,474)
Amortization of actuarial loss	1,915	2,122
Net periodic benefit cost	<u>\$ (957)</u>	<u>\$ (704)</u>
Weighted-average Assumptions as of June 30 used to determine net periodic cost		
Discount rate	3.35%	4.45%
Initial health care trend	9.00%	9.50%
Ultimate health care trend	5.00%	5.00%
Years to reach ultimate	8	9

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	433	(401)

There was no accumulated benefit obligation at the end of the fiscal year 2012 and 2011.

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	
2013 (expected)	\$ 2,395
Expected benefit payments	
2013	1,907
2014	1,804
2015	1,603
2016	1,390
2017	1,225
2018–2022	3,996

For the years ended June 30, 2012 and 2011

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:

	Operating	Capital
2013	\$ 23,859	\$ 3,868
2014	23,049	3,956
2015	21,790	3,956
2016	21,574	4,021
2017	20,540	4,021
Thereafter	144,234	196,833
	<u>\$ 255,046</u>	<u>\$ 216,655</u>
Less: Amounts representing interest		132,325
Capital lease obligation		<u>\$ 84,330</u>

For the fiscal years 2012 and 2011 rent expense for educational facilities and office space was \$27,362,000 and \$24,670,000, 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 \$57,526,000 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 \$26,804,000 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 \$9,443,000 at June 30, 2012.

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 \$18,372,000 at June 30, 2012.

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 \$9,600,000 at June 30, 2012.

The University entered into a 10-year non-cancellable operating lease of an office property in fiscal 2001. Minimum annual lease payments of approximately \$1,409,000 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 \$9,125,000 at June 30, 2012.

For the years ended June 30, 2012 and 2011

National Emerging Infectious Diseases Laboratory (“NEIDL”):

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

Construction of the NEIDL was substantially completed in fiscal 2009. The use of the building for Biosafety Level 4 research has been delayed due to pending litigation challenging the environmental review process relating to the planned use of the building for BSL-4 research. In March of 2012 the University received clearance from the Massachusetts Executive Office of Energy and Environmental Affairs to begin research at NEIDL at Biosafety Level 2 and as of March 15, 2012, the related portion of the facility was placed into service and research began.

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 non-controlling interest. At June 30, 2010, the non-controlling 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 required the University to repay Boston Medical Center’s equity commitment of \$29,064,000. Repayment terms for this obligation were finalized in February of 2012, with repayment to be made over 5 years at an interest rate of 2%. The balance of this obligation as of June 30, 2012 of \$23,251,000 is reflected in Bonds and Notes Payable. As of June 30, 2011, prior to the finalization of the Note, the original obligation of \$29,064,000 was included in the University’s accounts payable and accrued expenses.

Total construction costs were approximately \$199,521,000 and \$198,288,000 as of June 30, 2012 and 2011, respectively. NIH has reimbursed \$140,625,000 as of June 30, 2012 and 2011, respectively. When initially received by the University, NIH funding for NEIDL construction was recorded as an increase to temporarily restricted net assets, to be released from restriction when the asset is placed in service. As noted above, over 60% of the building was placed into service during 2012, and as a result, in 2012, a pro-rata share of NIH funding, \$86,507,000, was transferred from temporarily restricted net assets to unrestricted net assets.

Other:

As of June 30, 2012, the University has commitments of approximately \$271,366,000, 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 2013 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, 2012 and 2011

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 Statements of Cash Flows within cash flows from financing activities, the University paid net settlement costs of \$15,916,000 and \$15,781,000 related to the swap replacement transactions in fiscal year 2012 and 2011, respectively.

10. Subsequent Events

The University has assessed the impact of subsequent events through October 12, 2012, 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.

Schedule of Expenditures of Federal Awards

Boston University
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA Number	Federal Expenditures
Research and Development and Research Training Programs Cluster		
Research and Development Direct Programs		
Agency for International Development		
Agency for International Development	98.001	<u>2,288,377</u>
Agency for International Development Total		<u>2,288,377</u>
Department of Agriculture		
Department of Agriculture	10	<u>1</u>
Department of Agriculture Total		<u>1</u>
Department of Commerce		
Department of Commerce	11.000	23,770
Department of Commerce	11.420	13,366
Department of Commerce	11.427	36,815
Department of Commerce	11.440	<u>41,285</u>
Department of Commerce Total		<u>115,236</u>
Department of Defense		
Air Force	12	492,225
Air Force	12.630	1,794,673
Air Force	12.800	1,516,567
Army	12	911,466
Army	12.420	1,839,999
Army	12.431	756,925
Army	12.630	786,188
Army	12.910	216,871
Defense Threat Reduction Agency	12.000	1,613,956
Defense Threat Reduction Agency	12.351	430,004
Defense Threat Reduction Agency	12.630	188,035
National Security Agency	12.901	13,255
Navy	12	309,457
Navy	12.300	<u>6,523,447</u>
Department of Defense Total		<u>17,393,068</u>
Department of Education		
Department of Education	84.002	1,489
Department of Education	84.133	922,236
Department of Education	84.305	401,563
Department of Education	84.324	<u>325,962</u>
Department of Education Total		<u>1,651,250</u>
Department of Energy		
Department of Energy	81	90,919
Department of Energy	81.049	4,857,774
Department of Energy - ARRA	81.049	58,429
National Energy Technology Lab	81.089	<u>130,105</u>
Department of Energy Total		<u>5,137,227</u>
Department of Health and Human Services		
Agency For Healthcare, Research and Quality	93	1,015,404
Agency For Healthcare, Research and Quality	93.226	499,411
Agency For Healthcare, Research and Quality - ARRA	93.715	224,972
Center For Disease Control	93	317,492
Center For Disease Control	93.067	5,623,033
Center For Disease Control	93.262	88,194
Center For Disease Control	93.283	322,753
Center For Disease Control	93.542	665,531
Eunice Kennedy Shriver National Institute Of Child Health and Human Development	93.838	87,452
Eunice Kennedy Shriver National Institute Of Child Health and Human Development	93.864	66,793
Eunice Kennedy Shriver National Institute Of Child Health and Human Development	93.865	5,380,103
Eunice Kennedy Shriver National Institute Of Child Health and Human Development - ARRA	93.701	731,654
Fogarty International Center	93.989	194,597
Food And Drug Administration	93.103	156,787
Health Resources And Services Administration	93.110	624,331
Health Resources And Services Administration	93.145	342,748
Health Resources And Services Administration	93.250	72,282
Health Resources And Services Administration	93.516	337,456

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, 2012

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA 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	93.887	205,224
Health Resources And Services Administration - ARRA	93.411	137,311
National Cancer Institute	93	245,902
National Cancer Institute	93.393	2,995,015
National Cancer Institute	93.394	518,037
National Cancer Institute	93.395	1,121,554
National Cancer Institute	93.396	2,377,940
National Cancer Institute	93.398	390,316
National Cancer Institute	93.838	124,420
National Cancer Institute	93.934	11,444
National Cancer Institute - ARRA	93.701	472,635
National Center For Complementary & Alternative Medicine	93.213	113,641
National Center For Complementary & Alternative Medicine - ARRA	93.701	294,459
National Center For Health Research Resources	93.350	549,449
National Center For Health Research Resources	93.389	6,884,778
National Center For Health Research Resources - ARRA	93.701	465,072
National Center On Minority Health and Health Disparities	93.307	16,911
National Center On Minority Health and Health Disparities - ARRA	93.701	154,720
National Eye Institute	93.867	2,568,741
National Eye Institute - ARRA	93.701	220,634
National Heart, Lung, And Blood Institute	93	12,345,884
National Heart, Lung, And Blood Institute	93.310	535,076
National Heart, Lung, And Blood Institute	93.837	15,127,847
National Heart, Lung, And Blood Institute	93.838	7,348,625
National Heart, Lung, And Blood Institute	93.839	1,507,400
National Heart, Lung, And Blood Institute	93.847	675
National Heart, Lung, And Blood Institute	93.866	60,219
National Heart, Lung, And Blood Institute - ARRA	93.701	1,747,531
National Human Genome Research Institute	93.172	2,311,383
National Human Genome Research Institute - ARRA	93.701	154,168
National Institute of Allergy and Infectious Diseases	93	519,242
National Institute of Allergy and Infectious Diseases	93.855	17,011,018
National Institute of Allergy and Infectious Diseases - ARRA	93.701	1,242,498
National Institute of Arthritis & Musculoskeletal & Skin Diseases	93.846	8,512,026
National Institute of Arthritis & Musculoskeletal & Skin Diseases - ARRA	93.701	619,476
National Institute of Biomedical Imaging and Bioengineering	93.286	1,442,829
National Institute of Biomedical Imaging and Bioengineering - ARRA	93.701	85,743
National Institute of Dental & Craniofacial Research	93.121	6,078,257
National Institute of Dental & Craniofacial Research	93.837	570,653
National Institute of Dental & Craniofacial Research - ARRA	93.701	389,958
National Institute of Environmental Health Services	93.113	2,144,250
National Institute of Environmental Health Services	93.143	258,225
National Institute of Environmental Health Services - ARRA	93.701	596,974
National Institute of General Medical Sciences	93.310	42,579
National Institute of General Medical Sciences	93.589	94,736
National Institute of General Medical Sciences	93.853	392,654
National Institute of General Medical Sciences	93.859	9,178,422
National Institute of General Medical Sciences - ARRA	93.701	1,410,875
National Institute of Mental Health	93.242	9,584,115
National Institute of Mental Health	93.281	755,441
National Institute of Mental Health	93.282	663
National Institute of Mental Health	93.310	34,334
National Institute of Mental Health	93.867	243,417
National Institute of Neurological Disorders and Stroke	93.853	8,129,119
National Institute of Neurological Disorders and Stroke - ARRA	93.701	644,732
National Institute on Aging	93.866	14,329,014
National Institute on Aging - ARRA	93.701	381,583
National Institute on Alcohol Abuse and Alcoholism	93.271	1,791
National Institute on Alcohol Abuse and Alcoholism	93.273	2,429,128
National Institute on Deafness and Other Communication Disorders	93.173	5,552,856

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, 2012

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA 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 on Deafness and Other Communication Disorders - ARRA	93.701	233,598
National Institute on Drug Abuse	93.226	178,486
National Institute on Drug Abuse	93.279	2,097,493
National Institute on Drug Abuse	93.855	716,148
National Institute on Drug Abuse - ARRA	93.701	75,040
National Institutes of Diabetes, Digestive and Kidney Disease	93.847	4,954,436
National Institutes of Diabetes, Digestive and Kidney Disease - ARRA	93.701	228,947
National Institutes of Health Office of the Director	93.310	791,435
NIH Center, Clinical Center	93	579,724
NIH Center, Clinical Center - ARRA	93.701	42,803
Public Health Contracts	93	2,245,717
Department of Health and Human Services Total		182,578,439
Department of Homeland Security		
Department of Homeland Security	97.077	271,150
Department of Homeland Security Total		271,150
Department of Housing and Urban Development		
Department of Housing and Urban Development	14.516	6,025
Department of Housing And Urban Development Total		6,025
Department of Justice		
Department of Justice	16	59,711
Department of Justice Total		59,711
Department of Labor		
Department of Labor	17	104,847
Department of Labor Total		104,847
Department of the Interior		
Department of Interior	15	239,005
Department of Interior	15.608	26,446
Department of Interior	15.642	7,270
Department of the Interior Total		272,721
Department of Transportation		
Department of Transportation	10	164,803
Department of Transportation Total		164,803
Department of Veterans Affairs		
Department of Veterans Affairs	64	3,777,634
Department of Veterans Affairs Total		3,777,634
Environmental Protection Agency		
Environmental Protection Agency	66.509	525,980
Environmental Protection Agency	66.514	8,342
Environmental Protection Agency Total		534,322
National Aeronautics and Space Administration		
National Aeronautics and Space Administration	43	348,031
National Aeronautics and Space Administration	43.001	3,521,295
National Aeronautics and Space Administration	43.003	475,612
National Aeronautics and Space Administration	43.009	29,735
National Aeronautics and Space Administration Total		4,374,673
National Science Foundation		
National Science Foundation	47.041	3,461,618
National Science Foundation	47.049	4,709,605
National Science Foundation	47.050	6,223,601
National Science Foundation	47.070	3,098,527
National Science Foundation	47.074	2,030,834
National Science Foundation	47.075	4,455,489
National Science Foundation	47.076	3,025,876
National Science Foundation	47.078	95,557
National Science Foundation	47.079	89,351
National Science Foundation	47.080	214,681
National Science Foundation - ARRA	47.082	4,279,105
National Science Foundation Total		31,684,244
Total Research and Development Direct Programs		\$ 250,413,728

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, 2012

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.	98.001	not available	\$ 22,563
Cornell University	98.001	42618-9232	35
Eastern Virginia Medical School, Conrad	98.001	PPC-11-111	21,113
Emerging Markets Group, LTD	98.001	4391-CPFF-07-03 MOD.3	36,370
Family Health International	98.001	GPO-A-00-05-00028-00	279,888
Save The Children	98.001	SAVE THE CHILDREN-USAID	54,343
United States Pharmacopeial Convention	98.001	not available	139,498
Agency for International Development Total			553,810
Department of Agriculture			
Impaq International, LLC	10	2151	23,252
Indiana University	10.206	not available	3,991
Kidscook, LLC	10.212	not available	32,617
University Of New Hampshire	10.652	PZ10-0009	31,169
Department of Agriculture Total			91,029
Department of Commerce			
Massachusetts Institute of Technology	11.417	5710002976	395
Umass/Boston - MIT Sea Grant	11.417	not available	15,911
University of Maryland	11.440	Z765101	136,349
University of Maryland	11.440	Z765201	107,094
University of Rhode Island/Sea Grant	11.417	040510/0002476	42,989
Woods Hole Oceanographic Institution	11.417	A100704	36,105
Woods Hole Oceanographic Institution	11.417	A100924	2,293
Department of Commerce Total			341,136
Department of Defense			
BAE Systems, Inc.	12	678520	44,746
Battelle Memorial Institute	12	not available	1,037
Battelle Memorial Institute	12	US001-0000289743	70,353
Beth Israel Deaconess Medical Center	12.420	not available	48,868
Boston Medical Center	12.420	ACTIVITY 0262001	46,235
Boston Medical Center	12.420	BMC--DOD ARMY	(1,059)
Boston VA Research Institute, Inc.	12.420	1	12,673
Charles River Analytics, Inc.	12	SC0904001	13,723
Charles River Analytics, Inc.	12	SC1015501	39,801
Charles River Analytics, Inc.	12	SC1105601	5,733
Charles River Analytics, Inc.	12	SC1105801	40,000
City College of New York	12	47194A	31,613
DCG Systems, Inc.	12	not available	286,608
Draper Laboratory, Inc.	12	SC001-0000000588	47,206
Energesis Pharmaceuticals, Inc	12	not available	27,443
Harvard School of Public Health	12	HARVARD SPH	35,927
Harvard University	12	167824.0003	63,734
Harvard University	12.420	133160-02	210,202
Harvard University	12.420	133174-01	75,835
Henry M. Jackson Foundation	12.420	739614	1,564
Henry M. Jackson Foundation	12.420	W81XWH-07-2-0067	41,388
HRL Laboratories, LLC	12	11090-200926-DS	5,442
HRL Laboratories, LLC	12	8036-801881-BS	335,459
Massachusetts General Hospital	12	MASS GENERAL/CIMIT	(2,970)
Massachusetts General Hospital	12.420	208358	16,134
Massachusetts General Hospital	12.420	215439	71,979
Massachusetts General Hospital	12.420	215444	8,892
Massachusetts General Hospital	12.420	217663	6,074
Massachusetts Institute of Technology	12.300	5710002582	52,102
Massachusetts Institute of Technology	12.300	5710002632	33,978
Massachusetts Institute of Technology	12.300	5710002645	161,972
Massachusetts Institute of Technology	12.431	5710003052	62,068
Massachusetts Institute of Technology	12.800	5710002021	4,134
MIT Lincoln Laboratory	12	7000109721	47,534
MIT Lincoln Laboratory	12	7000141894	73,321
Northwestern University	12	SP 8967/PROJ2520	1,412
Ohio State University Research Foundation	12.800	RF01060065	367,404

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, 2012

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)			
Photon Systems, Inc.	12.431	035BU	615,412
Photonix, Inc.	12.431	not available	92,700
Raytheon BBN Technologies Corp.	12	PO 9500010409	17,152
Raytheon Company	12	RAYTHEON---DARPA	98,965
Science Applications International Corp	12	P010091737	39,837
Science Research Laboratory, Inc.	12	C-0297-393	40,924
Scientific Systems Company, Inc.	12	1541-B.U.	27,853
Syracuse University	12.800	24380-02478-S01	80,977
Telcordia Technologies, Inc.	13	20016026	59,514
Tufts University	12.431	ARM168	4,946
Tufts University	13	USAF13	482
University of California, San Diego	12.800	10312239-SUB	55,244
University of Illinois, Urbana-Champaign	12.800	A1795	136,728
University of Rochester	12.431	415338-G	86,558
University of Washington	12.300	705016	489,692
Woods Hole Oceanographic Institution	12.300	A100728	112,773
Department of Defense Total			4,348,322
Department of Education			
Boston Medical Center	84	2482	20,943
Trustees of Dartmouth College	84.133	960	32,673
University of Pittsburgh	84	0024730 (601047-1)	208,249
University of Pittsburgh	84	AGR NO. 600982-1	1,243
Department of Education Total			263,108
Department of Energy			
ALEM-RMD Joint Venture	81.049	C09-13	3,856
Battelle Energy Alliance, LLC	81	00108082	51,274
Battelle Energy Alliance, LLC	81	00109840	1,568
Battelle Energy Alliance, LLC	81	00113954	51,786
Battelle Memorial Inst/Pacific Northwest	81	176254	6,684
Battelle Memorial Inst/Pacific Northwest	81	179721	6,871
Duke University	81.049	10-DOE-1053	134,827
Harvard University	81.049	133183-5041151	31,141
Moxst, Inc.	81	not available	(731)
Moxst, Inc.	81.086	not available	69,939
Pennsylvania State University	81.049	4331-BU-SU-9105	35,543
Sandia National Laboratories	81	1222895	1,745
Tulane University	81.049	TUL-603-10/11	10,820
UT-Battelle, LLC/Oak Ridge National Laboratory	81	4000053931	11,620
UT-Battelle, LLC/Oak Ridge National Laboratory	81	4000091123	16,031
Department of Energy Total			432,974
Department of Health and Human Services			
Acpharis, Inc.	93.589	not available	10,257
Albert Einstein College Of Medicine	93.866	9-526-2762	109,719
ALEM-RMD Joint Venture - ARRA	93.701	C10-16	18,091
Allina Health System	93.213	1 R21 AT003315-01A2	19,680
Behavioral Tech Research, Inc.	93.242	not available	133,083
Beth Israel Deaconess Medical Center	93.395	057-816-4435-5	121,553
Beth Israel Deaconess Medical Center	93.846	BIDMC---NIH NIAMS	138,018
Biohelix Corporation	93.855	not available	54,317
Board of Trustees of The Leland Stanford	93	23057560-41466-F	747,879
Boston College	93.173	1097-1	7,608
Boston College	93.855	1520-1	25,710
Boston College	93.865	1521-1	166,848
Boston Medical Center	93	2344	19,607
Boston Medical Center	93	2370	40,111
Boston Medical Center	93	not available	(1,009)
Boston Medical Center	93.110	0283402	1,045
Boston Medical Center	93.110	291102	4,806
Boston Medical Center	93.136	0286302	24,295
Boston Medical Center	93.242	0298601	18,252

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, 2012

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)			
Boston Medical Center	93.242	1793	14,335
Boston Medical Center	93.243	1756	43,684
Boston Medical Center	93.243	INTF2330M04W76112076	12,448
Boston Medical Center	93.273	0240501	66,138
Boston Medical Center	93.273	226002	21,708
Boston Medical Center	93.273	not available	8,646
Boston Medical Center	93.279	0262301	72,017
Boston Medical Center	93.279	0296101	141,167
Boston Medical Center	93.279	2138	28,640
Boston Medical Center	93.279	2563	49,550
Boston Medical Center	93.279	not available	294,748
Boston Medical Center	93.283	0252003	26,124
Boston Medical Center	93.283	0252804	56,706
Boston Medical Center	93.393	0268301	13,422
Boston Medical Center	93.393	1592 Amendment 1	43,763
Boston Medical Center	93.393	2192	127,312
Boston Medical Center	93.395	1950	26,299
Boston Medical Center	93.395	2165	69,892
Boston Medical Center	93.399	2508	1,965
Boston Medical Center	93.399	2514	30,615
Boston Medical Center	93.837	1869	315,347
Boston Medical Center	93.838	2309	28,592
Boston Medical Center	93.839	2139	159,190
Boston Medical Center	93.847	1915	14,837
Boston Medical Center	93.847	1945	9,535
Boston Medical Center	93.847	2619	2,832
Boston Medical Center	93.848	0187008	(300)
Boston Medical Center	93.853	1783	143,110
Boston Medical Center	93.866	0252701	16,576
Boston Medical Center	93.866	0270504	39,318
Boston Medical Center	93.866	2133	66,902
Boston Medical Center	93.866	2163	29,385
Boston Medical Center	93.866	2371	39,603
Boston Medical Center	93.866	2453	30,453
Boston Medical Center	93.866	2533	70,656
Boston Medical Center - ARRA	93.701	0379001	62,206
Brandeis University	93.279	4-01896	95,217
Brandeis University	93.866	4-01176	10,489
Brigham & Women's Hospital - ARRA	93.701	104980	82,414
Brigham & Women's Hospital - ARRA	93.701	105126	10,469
Brigham & Women's Hospital - ARRA	93.701	PS 105992	120,290
Brigham & Women's Hospital	93	101949	109,642
Brigham & Women's Hospital	93.121	103106	69,953
Brigham & Women's Hospital	93.172	107049	52,285
Brigham & Women's Hospital	93.286	106368	49,508
Brigham & Women's Hospital	93.389	103891	87,558
Brigham & Women's Hospital	93.838	104228	348,025
Brigham & Women's Hospital	93.838	106776	76,246
Brigham & Women's Hospital	93.846	103128	76,805
Brigham & Women's Hospital	93.855	104684	26,501
Brigham & Women's Hospital	93.864	104182	719
Broad Institute	93	5215810-5500000234	8,786
Broad Institute	93.172	5410420-5500000447	12,677
Broad Institute	93.847	520340-5500000394	86,948
Carmot Therapeutics, Inc.	93.395	not available	18,042
Children's Hospital, Boston	93	not available	10,266
Children's Hospital, Boston	93.837	0000326029	35,994
Children's Hospital, Boston	93.837	0000352078	1,739

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, 2012

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)			
Children's Hospital, Boston	93.847	0000433275	165,946
Children's Hospital, Boston - ARRA	93.701	0000323970	26,321
Children's Hospital, Boston - ARRA	93.701	82084	158,401
Children's Hospital, Seattle	93.838	10215SUB	135,420
Cincinnati Children's Hospital Medical Center	93.226	104857	25,850
Cleveland Clinic Lerner College Of Medicine	93	HHSN2682007000018C	50,574
Cleveland Clinic Lerner College Of Medicine	93	not available	(91,921)
Cold Spring Harbor Laboratory	93.242	54740312	25,518
Columbia University	93.390	5-76643	141,781
Columbia University	93.394	1 (ACCT# 5-36866)	52,538
Columbia University	93.394	1 (ACCT. #5-30079)	98,122
Commonwealth Of Massachusetts	93	200-2001-00082	8,655
Commonwealth Of Massachusetts	93	INTF3122HH2W97913014	354,632
Commonwealth Of Massachusetts	93.121	MASS DPH--NIH NIDCR	159,913
Dana-Farber Cancer Institute	93.172	1158102	82,066
Dana-Farber Cancer Institute	93.396	1187905	737
Dartmouth College	93.859	592	301,102
Dartmouth College	93.999	791	90,397
Denver Health Medical Center	93	E265913	20,361
Dimagi, Inc.	93	DIMAGI INC.--NIH NCI	67,351
Duke University	93	2031988	349,040
Duke University	93	3038571	45,729
Duke University	93.837	203-9989	103,482
Duke University	93.855	2031952	17,733
Feinstein Institute For Medical Research	93	BOS-01-NON-ARRA	17,869
Fenway Community Health Center	93.865	BU1763	29,682
Forsyth Institute	93.307	006964-BUMC2390	34,540
Fraunhofer USA	93.855	3358-SUBA	246,988
Fraunhofer USA	93.855	3358-SUBC	105,870
Georgetown University	93.393	RX 4442-003-BU	65,850
Harvard School of Public Health	93	not available	7,750
Harvard School of Public Health	93.061	5P01TP000307-04	54,858
Harvard School of Public Health	93.262	HARVARD SPH	8,534
Harvard School of Public Health	93.859	23570-114041	51,635
Harvard School of Public Health	93.864	23570-114045	333,820
Harvard School of Public Health	93.865	111066-004	12,908
Harvard University	93.195	5031928	16,013
Harvard University	93.859	133130-04	11,365
Harvard University Medical School	93	14907-0843	86,518
Harvard University Medical School	93.855	149632.5030240.0003	97,603
Harvard University Medical School - ARRA	93.701	149729.386546.0265	641
Hebrew Rehabilitation Center For The Aged	93	10.10.90041	20,541
Hebrew Rehabilitation Center For The Aged	93.846	10.10.90038	48,208
Hebrew Rehabilitation Center For The Aged	93.866	10.10.90049	96,827
Hebrew Rehabilitation Center For The Aged	93.866	10.10.90053	37,084
Hebrew Seniorlife	93.846	10.10.90052	428,345
Hektoen Institute For Medical Research	93.855	50611-324-BU1-AI034993	25,594
Henry Ford Health System	93.393	B40540	17,894
Henry Ford Health System	93.393	not available	38,157
Indiana University	93.847	539557	29,233
Indiana University	93.847	IUPUI4682197BU	61,873
Jackson Laboratory	93.856	659980	25,166
JBS International, Inc.	93	541712	17,105
Johns Hopkins University	93.273	not available	287,890
Johns Hopkins University	93.866	2000407677	234,632
Johns Hopkins University - ARRA	93.701	3R01 DK076770-04S1	21,719
Judge Baker Children's Center	93.242	47000-12000-47777	5,538
Kaiser Family Foundation - ARRA	93.701	115-9772-03-M2	5,878
Kaiser Permanente - ARRA	93.701	115-9155-01-M1	51,753

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, 2012

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)			
KBD, Inc.	93.866	not available	59,827
Legacy Research	93.853	LEGACY RESEARCH---NIMH	1,508
Massachusetts Eye And Ear Infirmary	93.173	not available	60,985
Massachusetts Eye And Ear Infirmary	93.867	MASS EYE & EAR---NEI	23,553
Massachusetts Eye And Ear Infirmary - ARRA	93.701	39965	(7,419)
Massachusetts General Hospital	93	216307	62,501
Massachusetts General Hospital	93.173	206553	15,792
Massachusetts General Hospital	93.242	216648	45,316
Massachusetts General Hospital	93.242	216944	69,009
Massachusetts General Hospital	93.279	217206	63,304
Massachusetts General Hospital	93.283	206401	16,203
Massachusetts General Hospital	93.394	204767	40,592
Massachusetts General Hospital	93.837	218179	94,253
Massachusetts General Hospital	93.838	205123	50,344
Massachusetts General Hospital	93.847	208376	55,265
Massachusetts General Hospital	93.847	218446	297,508
Massachusetts General Hospital	93.853	217143	6,049
Massachusetts General Hospital	93.854	MGH--NINDS	31,397
Massachusetts General Hospital	93.855	58-255-3035-5	17,717
Massachusetts General Hospital - ARRA	93.701	219692	24,572
Massachusetts Institute of Technology	93.173	5710002175	28,445
Massachusetts Institute of Technology	93.173	5710003037	87,819
Massachusetts Institute of Technology	93.397	5710003041	62,435
Massachusetts Institute of Technology	93.853	5710003080	10,117
McLean Hospital	93.242	not available	(7)
Medical Discovery Partners, Inc.	93.855	not available	21,127
Microbiotix, Inc.	93.855	not available	1,217
Mt. Sinai School Of Medicine	93.866	0255-3171-4609	94,604
National Center For Healthy Housing	93	not available	2,897
National Jewish Health - ARRA	93.701	5 RC2 HL101715-02	28,585
National Jewish Health - ARRA	93.701	not available	759
Network Biosystems, Inc. - ARRA	93.701	not available	(8,032)
New England Medical Center	93.837	not available	(2,681)
New England Research Institutes	93.847	not available	41,236
New England Research Institutes	93.866	not available	24,977
New Jersey Institute of Technology	93.286	not available	142,194
Northeastern University - ARRA	93.701	500140	23,375
Northwestern University	93.867	SP0004560/PROJ0001556	48,836
Northwestern University	93.855	60026860BUMC	109,608
Northwestern University	93.865	SP0014607-PROJ0004971	1,962
Oklahoma Medical Research Foundation	93.855	PG290809-002	259,913
Oregon Health Science University - ARRA	93.701	APATH0086	1,621
Oregon State University	93.866	P0330A-A	37,430
Phoenicia Biosciences, Inc.	93.837	1R41HL087542-01A2	40,769
Places For People	93.242	BU110607IMR	19,568
President And Fellows of Harvard College	93.113	112116.5038586	20,765
President And Fellows of Harvard College	93.292	5044460-114897	29,967
President And Fellows of Harvard College	93.838	113063-5037484	109,654
Professional & Scientific Associates	93	118678	7,095
Program For Appropriate Technology In Health	93.286	not available	27,622
Prothera, Inc.	93.855	5R42 A1062095-04	112,986
Public Health Institute	93.273	1016104R	43,182
Purdue University	93.866	4102-45155	35,833
Rand Corporation	93	9920110109	21,629
Regents of The University of Michigan	93	3001824517	30,055
Regents of The University of Michigan	93.279	3001759093	18,487
Regents of The University of Michigan	93.847	not available	13,039
Roswell Park Cancer Institute	93.393	55-8009-01	567,227
RTI International	93	13-312-0209853	8,815

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, 2012

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)			
Schepens Eye Research Institute	93.867	1DP2OD006649-SUB2	34,313
Seattle Institute For Biomedical And Clinical Research - ARRA	93.701	BJ18-BOSTON-ARRA	179,610
Simbex, LLC	93	not available	58,252
Spaulding Rehabilitation Hospital	93.837	500173	22,470
Spaulding Rehabilitation Hospital	93.866	500187	18,172
Texas A&M University	93.113	S080016	(126)
Texas A&M University	93.242	S080069	15,656
The Regents of The University of California	93.173	1712 G JB624	33,571
The Regents of The University of California	93.866	PO# 10323238	1,218
The Scripps Institute	93.172	5-20402	113,773
The Wistar Institute	93.839	23584-02-314	20,511
Tufts - New England Medical Center	93.837	not available	7,768
Tufts - New England Medical Center	93.846	5004324-SERV	13,574
Tufts University	93.113	P01ES011624	568,434
Tufts University	93.121	5U01DE017788-05	29,532
Tufts University	93.396	HS2724	9,217
Tufts University	93.837	980243	40,383
Tufts University	93.837	HS2037	149,740
Tufts University	93.853	HS2877	119,799
Tufts University	93.855	not available	56,655
University of Alabama	93.837	000393678-001	91,446
University of British Columbia	93.853	F09-04856	149,260
University of California, Los Angeles	93.394	1562 G NC385	241,168
University of California, Los Angeles	93.838	1460GKB108	(6,207)
University of California, Los Angeles	93.846	1563 G JB615 AMEND 2	15,221
University of California, Los Angeles	93.866	150052.5014357.0010	34,945
University of California, Los Angeles	93.866	1580 G HF562	159,154
University of California, Riverside	93.866	S-000369	415,867
University of California, San Diego	93.242	10323361	7,713
University of California, San Diego	93.866	10304007-002	142,197
University of California, San Diego	93.866	not available	33,702
University of California, San Diego - ARRA	93.701	1448	10,386
University of California, San Diego - ARRA	93.701	1462	(1,191)
University of California, San Francisco	93.928	6767sc	49,287
University of California, San Francisco - ARRA	93.701	not available	113,038
University of Colorado, Denver	93.853	FY11.414.001	35,382
University of Colorado, Denver - ARRA	93.701	FY12.576.007	1,031,356
University of Connecticut	93.213	not available	184,481
University of Florida	93.847	UF10103	55,536
University of Illinois, Urbana-Champaign	93.859	2010-00365-03	141,995
University of Kansas	93.866	FY2010-040-M3	225,469
University of Louisville	93.866	09-1398	414,149
University of Massachusetts, Boston	93.242	S20070000060354	211,845
University of Massachusetts, Boston	93.396	not available	9
University of Massachusetts, Medical School	93.846	not available	79,181
University of Massachusetts, Medical School	93.855	6137122/RFS2012076	62,647
University of Massachusetts, Worcester	93.838	6033211/ RFS100105	(503)
University of Massachusetts, Worcester	93.846	6133615/RFS2011245	321,055
University of Massachusetts, Worcester	93.855	6137067/RFS2012073	317,048
University of Miami	93.837	68444M	23,611
University of Minnesota	93.847	P663654801	50,861
University of Mississippi	93.837	67481-BU02	19,050
University of New Mexico	93.859	889265-8710	63,785
University of North Carolina	93.859	5-32100	36,228
University of Pennsylvania	93	not available	55,035
University of Pennsylvania	93.837	548346	105,485
University of Pennsylvania	93.837	557344	107,117
University of Pennsylvania	93.866	not available	261,209
University of Puerto Rico	93.389	3 P40 RR003640-23S1	55,319
University of Rochester	93.839	415342-G	91,474
University of Rochester	93.855	415558-G	26,994
University of Rochester	93.859	PO# 413905-G	3,991
University of Rochester	93.999	415158-G	15,522
University of South Dakota	93.837	SR-2008-10	159,898

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, 2012

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 Texas - ARRA	93.701	UTA09-001041	132,641
University of Texas Health Science Center - ARRA	93.701	0007006B	60,575
University of Texas Medical Branch	93.855	11-096	7,545
University of Texas Medical Branch - ARRA	93.701	11-009	91,926
University of Texas Southwestern Medical - ARRA	93.701	GMO-100905	45,057
University of Texas, Houston - ARRA	93.701	0007224D	218,884
University of Utah	93.173	10020047-01	18,404
University of Utah	93.837	10022504-00	17,383
University of Utah - ARRA	93.701	10020646-01	154,648
University of Utah - ARRA	93.701	WHITE 10013543-001	24,225
University of Vermont - ARRA	93.701	24807 Amendment 1	66,616
University of Virginia - ARRA	93.701	ZC10075-139366	26,787
University of Washington	93.242	730860	11,926
University of Washington	93.393	716776	38,953
University of Washington	93.837	735661	32,311
University of Washington	93.837	740599	52,451
University of Washington	93.847	646910	200,297
University of Washington	93.866	721759	22,579
University of Washington	93.866	741794	67,051
University of Wisconsin	93.856	X561164	1,170,879
University of Wisconsin	93.394	188K661	106,152
University of Wisconsin	93.856	J033316	1,680
University of Wisconsin	93.866	X329792	116,518
Utah State University - ARRA	93.701	090011-002	(2,858)
Vanderbilt University	93.394	VUMC38556	48,308
Vanderbilt University	93.847	VUMC30937	8,162
Veterans Medical Research Foundation	93.242	08152-02-302636	36,060
Washington University	93.837	WU-07-99	(29,795)
Washington University	93.837	WU-12-93	255,762
Washington University	93.847	WU-11-196	130,124
Wave 80 Biosciences, Inc.	93	W802010001	132,404
Yale University	93.226	M08A00779(A08572)	85,969
Yale University	93.279	M08A00793 (A06469)	167,992
Yale University	93.310	C11A10967	126,493
Yale University - ARRA	93.701	M10A10467 (AS0190)	327,265
Department of Health and Human Services Total			24,482,010
Department of Homeland Security			
Northeastern University	97.061	504928	263,074
Department of Homeland Security Total			263,074
Department Of Housing and Urban Development			
Boston Public Health Commission	14	BPHC	4,301
Department Of Housing and Urban Development Total			4,301
Department of Labor			
Institute For Educational Leadership	17.720	not available	87,460
Mathematica Policy Research, Inc. - ARRA	17	6868S02161	18,138
Department of Labor Total			105,598
Department of the Interior			
University of Massachusetts Amherst	15	10-005983	3,892
Department of the Interior Total			3,892
Department of the Treasury			
Boston Medical Center	21	93354	7,631
Department of the Treasury Total			7,631
Department of Transportation			
Harvard University	20	23520.112413	36,333
Department of Transportation Total			36,333
Environmental Protection Agency			
RTI International	66	12-312-0210826	44,550
Environmental Protection Agency Total			44,550

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, 2012

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 Aeronautics and Space Administration			
University of Arizona Board of Regents	43.001	Y502545	61,316
Boston Micromachines Corporation	43	not available	41,730
Jet Propulsion Laboratory	43	1259071	69,944
Jet Propulsion Laboratory	43	1407345	154,911
Jet Propulsion Laboratory	43	RSA NO. 1440385	29,910
Johns Hopkins University Applied Physics	43	103473	71,817
Johns Hopkins University Applied Physics	43	923497	57,863
Massachusetts Institute of Technology	43	5710002308	138,764
Photon Systems, Inc.	43	100108	28,092
Scientific Systems Company, Inc.	43	1474-1	3,814
Smithsonian Astrophysical Observatory	43	GO9-0147X	3,187
Smithsonian Astrophysical Observatory	43	SV0-80009	3,283
Southwest Research Institute	43	699068N	16,167
Southwest Research Institute	43	E99019MO	15,041
Space Telescope Science Institute	43	HST-GO-11645.01-A	36,311
Space Telescope Science Institute	43	HST-GO-11649.01-A	1,625
Space Telescope Science Institute	43	HST-GO-11970.01-A	5,433
Space Telescope Science Institute	43	HST-GO-11984.01-A	18,007
Space Telescope Science Institute	43	HST-GO-12045.02-A	159
Space Telescope Science Institute	43	HST-GO-12176.01-A	14,810
Space Telescope Science Institute	43	HST-GO-12235.01-A	20,628
Space Telescope Science Institute	43	HST-GO-12538.01-A	5,851
Space Telescope Science Institute	43	HST-GO-12601.01-A	8,931
University of Colorado	43.002	1000025587	37,427
National Aeronautics and Space Administration Total			845,021
National Science Foundation			
Administrators of The Tulane Educational - ARRA	47.082	TUL-588-09/10	79,571
Brown University	47.070	00000370	16,158
Case Western Reserve University	47.049	RES502677	5,021
Children's Hospital, Boston	47.070	80295	47,620
City Of Boston/Boston Public Schools	47.076	PO 0000581114	4,700
Columbia University	47.049	1 (Acct. #5-24324)	15,851
Columbia University	47.049	1 (ACCT.#5-25191)	40,434
Columbia University	47.049	2 (Acct. #5-24324)	848,699
Columbia University	47.049	2 (Acct.#5-25191)	120,773
Computing Research Association	47.070	CIF-A-235	19,804
Consortium For Ocean Leadership	47.050	PO #T322A6	3,828
Consortium For Ocean Leadership	47.050	PO #T329A6	63,691
Consortium For Ocean Leadership	47.050	PO #T333A6	13,860
Consortium For Ocean Leadership	47.050	SA 10-03	8,856
Dana-Farber Cancer Institute	47	3501104/NSF	16,212
Gallaudet University	47.075	0000019768	19,557
George Mason University	47.076	E2021727	18,687
IODP Management International, Inc.	47	IODP-MI-10-02	16,256
Massachusetts General Hospital	47.082	216473	15,604
Massachusetts Institute of Technology	47.050	5710002912	35,485
Moxst, Inc.	47.041	not available	59,825
National Council For Science And The Environment	47.076	not available	16,721
National Radio Astronomy Observatory	47.049	GSSP10-016	3,997
Northeastern University	47.041	400013P104935	22,813
Northeastern University	47.041	501850	42,541
Northwest Research Associates, Inc.	47.050	NWRA-09-S-121	47,060
Physics Teacher Education Coalition	47	not available	66,550
Rensselaer Polytechnic Institute	47.041	A12020	735,919
Rutgers University	47.076	4204	27,961
State University Of New York At Stonybrook	47.041	58149-1096358-2	50,523
University of California, Berkeley	47.070	00007703	73,050
University of California, Davis	47.049	sub09000769-BU	90,060
University of California, Los Angeles	47.049	1000 G HD770	178,085
University of Colorado	47.071	1000049858	53,839
University of Massachusetts, Amherst	47.076	05-003146 G 00	22,431
University of Oregon	47.049	2063811	1,560
University of Vermont - ARRA	47.082	24143, Headrick, Boston	41,215
University of Virginia	47.074	GA10618-127104	10,511
University of Wisconsin	47.070	092K643	(953)
Vanderbilt University - ARRA	47.082	20743-51	27,637
National Science Foundation Total			2,982,012
Research and Development Pass-through Total			\$ 34,804,801
Total Research and Development Programs			\$ 285,218,529

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, 2012

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA Number	Federal Expenditures
Research and Development and Research Training Programs Cluster		
Research Training Direct Programs		
Agency for International Development		
Agency for International Development	98.001	\$ 1,544
Agency of International Development Total		<u>1,544</u>
Department of Defense		
National Security Agency	12.900	169,137
National Security Agency	12.901	31,118
National Security Agency	12.902	71,422
Department of Defense Total		<u>271,677</u>
Department of Education		
Department of Education	84.015	265,047
Department of Education	84.047	598,516
Department of Education	84.063	28,285
Department of Education	84.133	912,471
Department of Education	84.200	559,993
Department of Education	84.325	60,900
Department of Education Total		<u>2,425,212</u>
Department of Health and Human Services		
Health Resources and Services Administration	93.110	299,425
Health Resources and Services Administration	93.236	44,922
Health Resources and Services Administration	93.249	(1,296)
Health Resources and Services Administration	93.516	358,355
Health Resources and Services Administration	93.884	260,729
Health Resources and Services Administration	93.924	701,186
Health Resources and Services Administration	93.925	141,795
National Cancer Institute	93.398	359,629
National Center for Health Research Resources	93.389	(756)
National Center for Health Research Resources - ARRA	93.701	847
National Heart, Lung and Blood Institute	93.837	980,013
National Heart, Lung and Blood Institute	93.838	897,555
National Heart, Lung and Blood Institute	93.839	338,159
National Institute of Arthritis & Musculoskeletal & Skin Diseases	93.846	182,053
National Institute of Allergy and Infectious Diseases	93.855	447,875
National Institute of Allergy and Infectious Diseases - ARRA	93.701	11,610
National Institute of Biomedical Imaging and Bioengineering	93.286	181,271
Eunice Kennedy Shriver National Institute of Child Health and Human Development	93.865	660,457
National Institute of Environmental Health Services	93.113	123,039
National Institute of General Medical Sciences	93.859	830,633
National Institute of General Medical Sciences - ARRA	93.701	15,084
National Institute of Mental Health	93.242	8,597
National Institute of Mental Health	93.281	16,018
National Institute of Mental Health	93.282	436,991
National Institute of Mental Health	93.853	28,009
National Institute of Neurological Disorders and Stroke	93.853	260,080
National Institute on Aging	93.866	704,974
National Institute on Deafness & Other Communication Disorders	93.173	118,462
National Institute on Drug Abuse	93.279	102,648
Department of Health and Human Services Total		<u>8,508,364</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, 2012

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA Number	Federal Expenditures
Research and Development and Research Training Programs Cluster		
Research Training Direct Programs		
Environmental Protection Agency		
Environmental Protection Agency	66.514	<u>33,194</u>
Environmental Protection Agency Total		<u>33,194</u>
National Aeronautics and Space Administration		
National Aeronautics and Space Administration	43.001	<u>83,016</u>
National Aeronautics and Space Administration Total		<u>83,016</u>
National Endowment for the Arts		
National Endowment for the Arts	45.024	<u>75,000</u>
National Endowment for the Arts Total		<u>75,000</u>
Total Research Training Direct Programs		<u>\$ 11,398,007</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, 2012

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			
Department of Defense			
Institute of International Education	12.550	U634005-BU	\$ 87,188
Institute of International Education	12.550	2011-ROTC-U634009-BU	131,263
Massachusetts General Hospital	12.420	FUND #208359	74,560
Department of Defense Total			293,011
Department of Education			
City of Boston/Boston Public Schools	84.215	0000606283	38,630
Comm. of Mass./Department of Education	84.027	268-001-2-3412-M	13,130
Comm. of Mass./Department of Elementary	84.366	150-006-2-3412-M	227,704
University of Montana	84.133	PG11-25906-02	5,374
Department of Education Total			284,838
Department of Health and Human Services			
Boston Medical Center	93.156	0297402	163,830
Dartmouth College	93.999	468 #4	104,724
Harvard University	93.879	151844.5057320.2014	115,251
Partners Healthcare Systems, Inc.	93.846	#107155	26,286
Partners Healthcare Systems, Inc.	93.846	106001	24,521
University of Massachusetts Memorial Medical Center	93.107	6126071	6,015
University of Massachusetts, Worcester	93.107	0006135138	8,749
University of Massachusetts, Worcester	93.145	6136286ETC-14	20,253
Department of Health and Human Services Total			469,629
Department of State			
Institute of International Education	19.400	Not Available	86,460
Department of State Total			86,460
Department of Labor			
City of Boston	17.268	Not Available	14,307
Department of Labor Total			14,307
Research Training Pass-through Total			1,148,245
Total Research Training Programs			12,546,252
Total Research and Development and Research Training Programs Cluster			\$ 297,764,781

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, 2012

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA Number	Federal Expenditures
Student Financial Assistance Programs Cluster		
Department of Education		
Federal Pell Grant Program	84.063	\$ 11,092,099
Federal Supplemental Educational Opportunity Grants	84.007	2,828,044
Teacher Education Assistance for College and Higher Education Grants	84.379	16,000
Federal Work Study	84.033	<u>2,811,529</u>
Department of Education Total		<u>\$ 16,747,672</u>
Total Student Financial Assistance Programs Cluster		<u>\$ 16,747,672</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, 2012

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA 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	\$ 2,053
National Institute of Allergy and Infectious Diseases (construction) (Note 6)	93.856	-
National Center for Research Resources - ARRA	93.702	5,829,992
Department of Health and Human Services - Construction Programs Total		<u>5,832,045</u>
Construction Programs Total		<u>5,832,045</u>
Child Nutrition Cluster		
Child Nutrition Pass-through Programs		
Commonwealth of Massachusetts		
Department of Agriculture	10.559	16,259
Commonwealth of Massachusetts Total		<u>16,259</u>
Child Nutrition Cluster Total		<u>16,259</u>
Other Programs		
Direct Programs		
Agency for International Development		
Agency for International Development	98.001	1,118,665
Agency for International Development Total		<u>1,118,665</u>
Department of Defense		
Army	12	119,126
Army	12.420	56,421
Department of Defense Total		<u>175,547</u>
Department of Education		
Department of Education	84.015	157,885
Department of Education	84.133	257,259
Department of Education Total		<u>415,144</u>
Department of Energy		
Department of Energy	81.108	1,124,529
Department of Energy Total		<u>1,124,529</u>
Department of Health and Human Services		
National Institute of Health Clinical Center	93	98,281
Health Resources And Services Administration	93.145	29,712
National Center For Complementary & Alternative Medicine	93.213	3,477
Substance Abuse And Mental Health Services Administration	93.243	97,211
National Institute of Biomedical Imaging and Bioengineering	93.286	5,003
National Institute of Nursing Research	93.361	376,412
National Institute of Arthritis, Musculoskeletal And Skin Diseases	93.846	3,682
National Institute of Child Health & Human Development	93.865	16,276
National Institute of Aging	93.866	30,808
Department of Health And Human Services	93.924	389,126
Health Resources And Services Administration	93.928	369,911
Department of Health and Human Services Total		<u>1,419,899</u>
Department of Justice		
Department of Justice	16	379,459
Department of Justice Total		<u>379,459</u>
National Aeronautics and Space Administration		
National Aeronautics and Space Administration	43	114,063
National Aeronautics and Space Administration Total		<u>114,063</u>
National Archives and Records Administration		
National Historical Publications and Records Commission	89.003	76,687
National Archives and Records Administration Total		<u>76,687</u>
National Endowment for the Arts		
National Endowment For The Arts	45	43,150
National Endowment For The Arts	45.024	10,000
National Endowment for the Arts Total		<u>53,150</u>
National Endowment For The Humanities		
National Endowment For The Humanities	45.161	113,479
National Endowment For The Humanities	45.163	30,389
National Endowment For The Humanities Total		<u>143,868</u>
Other Direct Programs Total		<u>\$ 5,021,011</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, 2012

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Number	Federal Expenditures
Other			
Pass-through Programs			
Agency for International Development			
Emerging Markets Group, LTD	98.001	4390-CPFF-07-02 Mod#5	\$ 140,885
Agency for International Development Total			<u>140,885</u>
Corporation for National and Community Service			
Jumpstart For Young Children, Inc.	94.006	CFDA-94.006-JS-SITE#84	64,379
Corporation for National and Community Service Total			<u>64,379</u>
Department of Defense			
Massachusetts General Hospital	12.420	CFDA-94.006-JS-SITE#84	45,662
Department of Defense Total			<u>45,662</u>
Department of Education			
Boston Medical Center	84.133	0239101	125,295
Center For Civic Education	84.304	CC 10-11 5801 MA	7,623
Center For Civic Education	84.304	CC 10-11 5804 MA	3,248
Center For Civic Education	84.304	Not Available	4,483
City of Boston/Boston Public Schools	84.010	PO # 0000616040	99,380
Comm. Of Mass./Department of Elementary	84.027	CTDOE12CT8300BOSUNIV12LV	31,773
Corporation for Public Broadcasting	84.295	Not Available	80,478
Public Broadcasting Service	84.295	Not Available	156,654
Research Foundation of City University of New York	84.116	46355-O	8,979
Department of Education Total			<u>517,913</u>
Department of Energy			
Harvard University Medical School	81.049	Not Available	75,886
Department of Energy Total			<u>75,886</u>
Department of Health and Human Services			
New Jersey Medical School	93	P0274388	14,319
Beth Israel Deaconess Medical Center	93	Not Available	14,339
Brigham & Women's Hospital	93.233	BWH #104414	39,046
Casa Esperanza, Inc.	93.243	Not Available	235,578
Center for Social Innovation, LLC	93.000	Not Available	55,434
Comm. Of Mass./Department of Public Health	93.069	INTF6208HH4005212094	612,471
Comm. Of Mass./Department of Public Health	93	INTF2330M04703015074	844,686
CRECareE, LLC	93.866	CRECARE, LLC--NIH NIA	245
CRECareE, LLC	93.866	CRECARE, LLC--NIH NICHD	(11,347)
Dana-Farber Cancer Institute	93	1135005/NIH	16,251
Harvard University Medical School	93	150760	30,743
Harvard University Medical School	93	150765	32,796
Institute for Health and Recovery, Inc.	93.243	Not Available	67,428
Tapestry Health Systems, Inc.	93.243	Not Available	170,872
University of California, San Diego	93.866	ADC-039	15,485
University of Massachusetts, Worcester	93	6131894/RFS2011127	40,509
Department of Health and Human Services Total			<u>2,178,855</u>
Leveraging Educational Assistance Partnership			
State of Delaware (Note 7)	84.069	Not Available	5,300
Commonwealth of Massachusetts	84.069	Not Available	586,726
State of Connecticut (Note 7)	84.069	Not Available	14,175
State of Maine (Note 7)	84.069	Not Available	25,000
State of Pennsylvania (Note 7)	84.069	Not Available	70,307
State of Rhode Island (Note 7)	84.069	Not Available	34,968
State of Vermont (Note 7)	84.069	Not Available	18,195
Leveraging Educational Assistance Partnership Total			<u>754,671</u>
Other Pass-through Programs Total			<u>\$ 3,778,251</u>
Total Other Programs			<u>\$ 8,799,262</u>
Total Federal Expenditures			<u>\$ 329,160,019</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, 2012

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, 2012. 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 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, 2012

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, 2012 consists of:

Program	Federal CFDA Number	Loans Issued	Outstanding Balance
Perkins	84.038	\$ 5,612,499	\$ 42,893,874
Medical - Primary Care	93.342	39,750	1,900,650
HPSL - Medical	93.342	-	29,447
HPSL - Dental	93.342	90,000	1,050,653
LDS - Dental	93.342	10,000	466,411
LDS - Medical	93.342	20,000	277,685
Totals		<u>\$ 5,772,249</u>	<u>\$ 46,618,720</u>

The University recovered an administrative cost allowance from the Perkins Loan Program (CFDA #84.038) of \$529,724 for the year ended June 30, 2012. This CFDA # has been closed by the Department of Education because there will be no further Federal Capital Contributions to the Perkins Loan Program. The Perkins Loan Program principal cancelled for the year ended June 30, 2012 is \$418,578.

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, 2012 are summarized as follows:

	Federal CFDA Number	
Federal Direct Stafford Loan Program	84.268	\$ 184,487,102
Federal Direct PLUS Loan Program	84.268	<u>84,160,158</u>
Total William D. Ford Federal Direct Loans		<u>\$ 268,647,260</u>

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, 2012

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, 2012.

	Federal CFDA Number	Total Federal Expenditure
Sponsoring Agency Pass-through		
Research and Development and Research Training Cluster	Various	\$ 37,429,755
Other Awards		
Department of Energy	81.108	368,030
Department of Education	84.133	59,703
National Institute of Health Clinical Center	93	15,297
Health Resources and Services Administration	93.145	3,535
National Institute of Nursing Research	93.361	114,048
National Institute of Aging	93.866	2,500
Health Resources and Services Administration	93.928	13,409
Substance Abuse and Mental Health Services Administration	93.959	498,468
		<u>\$ 38,504,745</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 noncontrolling interest liability.

Boston University

Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

In May 2010, in accordance with the terms of the agreement between the University and Boston Medical Center, Boston Medical Center notified the University of its intent to withdraw from further participation in the NEIDL as of May 1, 2011. The agreement required the University to repay Boston Medical Center's equity commitment, \$29,064,000. Repayment terms for this obligation were finalized in February 2012, with repayment to be made over 5 years at an interest rate of 2%. The balance of this obligation as of June 30, 2012 of \$23,251,000 is reflected in Bonds and Notes Payable. As of June 30, 2011, prior to the finalization of the Note, the original obligation of \$29,064,000 was included in the University's accounts payable and accrued expenses.

Construction of the NEIDL was substantially completed in fiscal year 2009. The use of the building for Biosafety Level 4 research has been delayed due to pending litigation challenging the environmental review process relating to the planned use of the building for BSL-4 research. In March of 2012 the University received clearance from the Massachusetts Executive Office of Energy and Environmental Affairs to begin research at the NEIDL at Biosafety Level 2 and as of March 15, 2012, the related portion of the facility was placed into service and research began.

Total construction costs were approximately \$199,521,000 and \$198,288,000 as of June 30, 2012 and June 30, 2011, respectively. NIH has reimbursed \$140,625,000 as of June 30, 2012 and June 30, 2011, respectively. When initially received by the University, NIH funding for the NEIDL construction was recorded as increase to temporarily restricted net assets, to be released from restriction when the asset is placed in service. As noted above, over 60% of the building was placed in to service during 2012, and as a result, in 2012, a pro-rata share of NIH funding, \$86,507,000 was transferred from temporarily restricted net assets to unrestricted net assets.

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 AI058618-1 totaling \$2,053 for the period ended June 30, 2012. These costs are related to travel and administration of the NEIDL project.

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 \$754,671) received from the following states: Connecticut, Delaware, Maine, Massachusetts, 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, 2012, and have issued our report thereon dated October 12, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the University's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the 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 September 11, 2012.

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

October 12, 2012



**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, 2012, except as described in the second paragraph of this report. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

We did not audit the University's compliance with the 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, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2012-1.

Internal Control over Compliance

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

We did not consider internal control over compliance with the 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 response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the University's response and, accordingly, we express no opinion on the response.

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

December 19, 2012

Part III

Audit Findings and Questioned Costs

Boston University
Schedule of Findings and Questioned Costs
Year Ended June 30, 2012

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 Programs Cluster
Various	Student Financial Assistance Programs Cluster
93.702	Construction Program - ARRA

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
Federal Award Findings and Questioned Costs
Year Ended June 30, 2012

III. Federal Award Findings and Questioned Costs

2012-1 Davis-Bacon Wage Rate Compliance

Federal Program: National Center for Research Resources, Recovery Act Construction Support
Federal Agency: Department of Health and Human Services
Project Title: Laboratory Renovation for Translational Synthetic and Medicinal Chemistry
Award Number: 1C06RR030481-01 REVISED
CFDA No.: 93.702 – ARRA award
Federal Award Year: March 25, 2010 - January 31, 2013

Condition

Through our testing of the University's compliance with the special terms and conditions specified in the project's Notice of Award, it was determined that the University did not perform the required due diligence procedures to ensure compliance by its contractor with the wage rate requirements required by the Davis-Bacon and Related Acts (the Act or Davis-Bacon) in a timely manner.

Criteria

The American Recovery and Reinvestment Act of 2009 (ARRA) contains wage rate requirements under section 1606 which require contractors and subcontractors on projects funded directly or through the Federal Government, pursuant to the Recovery Act, to follow Title 29 section 5.5 of the code of federal regulations (29 CFR 5.5) concerning the application of the Standard of Davis-Bacon.

29 CFR 5.5 (a) (3) (ii) '*Davis-Bacon and Related Acts Wage Rate Requirements - Contract provisions and related matters*' requires the following for any contracts in excess of \$2,000 involving construction, alteration or public work, building or work financed from Federal funds or in accordance with guarantees of a Federal agency:

- (1) The contractor shall submit weekly for each week in which a contract work is performed a copy of all payrolls to the award applicant, sponsor, or owner. The payroll submitted shall set out accurately and completely the required information (name, address, correct classification, hourly rates of wages paid, daily and weekly number of hours worked, deductions made and actual wages paid). The prime contractor is also responsible for submission of copies of payrolls by all subcontractors. The contractors and subcontractors shall maintain additional required information for submission to the agency, sponsor, applicant or owner for purposes of an investigation or audit of compliance with prevailing wage requirements.
- (2) Each payroll submitted shall be accompanied by a "Statement of Compliance", signed by the contractor or subcontractor, stating:
 - a. That the payroll for the payroll period contains the information required to be provided under section 5.5 (a) (3) (ii) of Regulations 29 CFR part 5, the appropriate information is being maintained, and that such information is complete.
 - b. That each laborer or mechanic (including each helper, apprentice, and trainee) employed on the contract has been paid the full weekly wages earned, and has not been paid less than the applicable wage rates and fringe benefits or cash equivalent for the classification of work performed.

Boston University Federal Award Findings and Questioned Costs Year Ended June 30, 2012

Cause

This is the first construction related federal award that the University has ever received for which the provisions of Davis-Bacon were applicable. Although the University has in place certain informal policies and procedures to comply with the provisions of Davis-Bacon, the University did not request and review all payroll information from its contractor to verify compliance with the wage rate requirements of Davis-Bacon.

Effect

The University may not be aware that the contractor may not be paying prevailing wages. Upon bringing this to the University's attention, the certified payrolls have been requested and reviewed after the fact.

Questioned Cost

None noted.

Recommendation

We recommend the University establish a formal process for determining whether ARRA or other construction awards are required to comply with specific Davis-Bacon requirements. In addition, the University should incorporate into its current Davis-Bacon Act compliance program additional procedures to ensure the University is receiving the required payroll, and other relevant information, from the contractor and performing the necessary due diligence over that information in a timely manner.

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, 2012

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, our auditors selected 58 PARs for testing within the Research and Development and Research Training Cluster and significant improvement in timeliness of completion from fiscal year 2010 was noted. From the auditor's 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, our auditors selected a total of 16 additional PARs for testing within the Department of Veterans Affairs Program. From the 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
Summary Schedule of Prior Audit Findings and Status
Year Ended June 30, 2012

Recommendation

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

Status

The University has significantly improved our procedure for obtaining completed effort certifications on a timely basis. During fiscal year 2012, the University implemented a new SAP financial system which included an effort reporting component. While the process is still largely manual in nature, this component has allowed for some electronic automation in the manner in which effort reports are tracked, entered, and reported. The University will continue to develop its effort reporting training program and provide educational materials reflecting this new system. Further, effective April 2012, an Executive Director, Costing and Compliance was hired to oversee the effort reporting process. With these new resources, we anticipate that effort reporting will continue to improve and be a priority of the University's mission.

Boston University
Summary Schedule of Prior Audit Findings and Status
Year Ended June 30, 2012

2011-2 Federal Funding Accountability and Transparency Act Reporting

Grantors: N.A.S.A and National Heart, Blood, and Lung Institute
Award Year: 01/21/11-01/20/15 and 04/01/11-3/31/12
Award Numbers: NNX11AE18G and 1R01HL107385
CFDA Numbers: 43.001 and 93.837

Conditions

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

Recommendation

Our auditors recommended 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.

Status

The University has significantly improved its procedures for identifying subawards and sub agreements that are subject to Federal Accountability and Transparency Act (FFATA) Reporting as well as ensuring that those awards are reported on a timely basis. Specifically, during early fiscal year 2012, the University developed and implemented the following formal procedures to ensure compliance with FFATA reporting.

The Office of Sponsored Programs (OSP) Research Administrators 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 completes 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 holds 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 involved in the process.

Boston University Senior Vice President, CFO & Treasurer
881 Commonwealth Avenue, 4th Floor
Boston, Massachusetts 02215
T 617-353-2290 F 617-353-5492



**Management's Views and Corrective Action Plan
For the Year Ended June 30, 2012**

2012-1 Davis-Bacon Wage Rate Compliance

Award 1C06RR030481-01 Revised was awarded using funds from the American Recovery and Reinvestment Act and, to the knowledge of management, is the first sponsored award in the history of Boston University subject to the wage rate requirements mandated by Davis-Bacon and Related Acts. As such, some confusion existed surrounding the procedures for monitoring weekly payroll. Specifically, Boston University was relying on the prime contractor to perform this due diligence. Upon further review of federal regulation 29 CFR 5.5 and in consultation with PricewaterhouseCoopers, it was determined that this monitoring could not be delegated and was the responsibility of the University.

Upon clarifying this requirement, Boston University immediately implemented formal procedures for receiving, reviewing, and monitoring certified weekly payroll reports for the subject award to ensure that employees were paid in accordance with the requirements outlined by Davis-Bacon. The University is diligently working with Facilities Management & Planning and the prime contractor to resolve open questions and will perform all necessary corrective actions to ensure compliance with the Davis-Bacon requirements as warranted.

Additionally, Post Award Financial Operations is coordinating with the Office of Sponsored Programs and Facilities Management & Planning to develop procedures for ensuring that any future construction and renovation projects subject to Davis Bacon requirements are identified timely and monitored in compliance with federal regulation 29 CFR 5.5.

The primary contact for inquiries regarding this response is Andrew Horner, Associate Vice President, Financial Affairs. Andrew's telephone number is (617) 358-2290.

A handwritten signature in black ink, appearing to read "Martin J. Howard".

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