

CASE WESTERN RESERVE UNIVERSITY

**Report on Federal Awards in Accordance
With OMB Circular A-133 for the Year Ended
June 30, 2015**

**Entity Identification
Number 1-341018992-A1**



CASE WESTERN RESERVE UNIVERSITY

FINANCIAL



consolidated financial position of Case Western Reserve University as of June 30, 2015, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

In thousands of dollars

| | 2015 | 2014 |
|---|---------------------|---------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 143,096 | \$ 180,828 |
| Operating investments | 148,105 | 128,699 |
| Accounts and loans receivable, net | 106,343 | 107,979 |
| Pledges receivable, net | 97,590 | 96,563 |
| Prepaid expenses and other assets | 6,634 | 6,769 |
| Investments, held for long-term purposes | 1,417,187 | 1,384,953 |
| Funds -0.0252 Tc 0 Tw 0 -1.543 TD(LIA)-27.3(B)-51.5(ILIT)-58.5(I)-6.5(E)-4.1(S)TJ/TT0 1 T2, | | |
| | 930 | 4,898 |
| Accrued pension liability | 67,955 | 55,841 |
| Notes and bonds payable | 583,319 | 588,948 |
| Refundable federal student loans | 29,007 | 26,085 |
| TOTAL LIABILITIES | \$ 849,284 | \$ 831,031 |
| Unrestricted | \$ 201,953 | \$ 182,867 |
| Temporarily restricted | 969,913 | 988,939 |
| Permanently restricted | 1,000,724 | 978,878 |
| TOTAL NET ASSETS | \$ 2,172,590 | \$ 2,150,684 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 3,021,874 | \$ 2,981,715 |

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

CONSOLIDATED STATEMENT OF ACTIVITIES

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Case Western Reserve University ("the University") is an Ohio not-for-profit corporation that operates a private research university in Cleveland, Ohio. The consolidated financial statements of the University as of June 30, 2015, and for the year then ended, as well as summarized information for the year ended June 30, 2014, have been prepared in accordance with accounting principles generally accepted in the United States of America. Accordingly, the accompanying consolidated financial statements have been prepared on the accrual basis of accounting and include the accounts of the University and all wholly-owned subsidiaries.

Triangle Residential LP is a limited partnership formed in 2005 that owned and operated two apartment buildings and a parking garage located in the Ford-Euclid-Mayfield Road area through March 31, 2015. The University is the sole limited partner. The general partner is Triangle Residential LLC, also a wholly-owned subsidiary of the University, formed in 2005. All material transactions between the University and its subsidiaries have been eliminated.

Effective March 31, 2015, Triangle Residential LP assigned to the University all of its right, title, and interest in all of its contracts and leases. All right, title, and interest in all tangible and intangible personal property were also assigned to the University by Triangle Residential LP. In addition, the Ground Lease between Triangle Residential LP and the University was terminated effective March 31, 2015. All transactions, assets, and liabilities related to the operation of the two apartment buildings and the parking garage are included in the accounts of the University beginning April 1, 2015.

Standards for external financial reporting by not-for-profit organizations require that resources be classified for reporting purposes into three net asset categories according to donor-imposed restrictions:

UNRESTRICTED net assets are available for any purpose consistent with the University's mission. Unrestricted net assets and related activity include the following:

- All revenues traditionally classified as unrestricted resources of the University, including tuition and fees, unrestricted gifts, investment returns on unrestricted funds designated to function as endowment, recovery of facility and administrative costs from grants and contracts, and auxiliary services revenues
- Revenues related to sponsored research and other sponsored program agreements which are considered exchange transactions
- Unrestricted funds functioning similar to endowment and related investment returns
- Gifts with donor-imposed restrictions, if the restriction is anticipated to be met within the current fiscal year of the University
- Investments in plant assets
- All expenses of the University

TEMPORARILY RESTRICTED net assets include investment returns from endowments and gifts for which donor-imposed restrictions have not been met. This restriction on temporarily

The Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification ("ASC") 958, "Not for Profit Entities," in August 2008. The standard provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), and expanded disclosures about an organization's endowment (both donor-restricted and board-designated funds). The University's Board of Trustees ("the Board") has interpreted UPMIFA as requiring the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulation to the contrary. As a result of this interpretation, the University classifies as permanently restricted net assets, (a) the original value of initial gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated and expended by the University in a manner consistent with the standard of prudence prescribed by UPMIFA.

Contributions, including unconditional pledges to give and irrevocable trusts held by others with the University as the beneficiary, are recognized as revenues in the period received or promised. They are classified as unrestricted, temporarily restricted, or permanently restricted net assets depending upon the donor's intent.

Contributions restricted for the acquisition of land, buildings and equipment are reported as temporarily restricted revenues. These contributions are reclassified to unrestricted net assets when the assets are placed in service. Promises to give that are subject to donor-imposed stipulations that the corpus be maintained in perpetuity are recognized as increases in permanently restricted net assets.

Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Gifts

whose restrictions are met in the same fiscal year in which they are received are reported with unrestricted contribution revenues. Contributions of assets other than cash are reported at their estimated fair value at the date of gift. Contributions scheduled to be received after one year are discounted using a market rate (Note 3).

(Government and Private)

Revenues from government and private grants and contracts are recognized as earned in accordance with the terms of the grant or contract. Any government payment received before it has been expended is recorded as a refundable advance. Projects funded by government grants that incur expenses prior to payment receipt are recorded as revenue with a corresponding receivable.

The University has invested excess operating funds and certain Board-designated funds with the University's investment pool. The operating funds are invested alongside other funds and receive a pro-rata portion of income, expenses, gains, and losses of the pool.

The University considers all highly liquid investments with an original maturity of 90 days or fewer when purchased as cash and cash equivalents, except those amounts managed by investment managers as part of the investment pool that do not belong to operations, or unspent bond proceeds, which are classified as investments. The University maintains operating cash and reserves for replacement balances in financial institutions which, from time to time, may exceed federally insured limits. The University periodically assesses the financial condition of these institutions and believes that the risk of loss is minimal.

Operating investments are stated at fair value and include all other current investments with original maturities greater than 90 days that are used to support operations. These investments may include obligations of triple A rated banks, various United States Government agencies, other investments, and internal operating funds invested in the University's investment pool. Although the pool primarily

invests in mid- to long-term investments, the pool maintains a sufficient investment mix that allows operating assets to be liquidated upon demand.

Investments are made within guidelines authorized by the Board. Investments are initially recorded at cost at date of acquisition or fair value at date of donation in the case of gifts.

Ownership of marketable securities is recognized as of the trade date. Endowment returns are calculated net of internal

is recognized in the non-operating portion of the statement of activities.

Expenditures for construction in progress are capitalized as incurred and depreciated when placed into service. All identifiable direct costs including other costs incurred to ready the asset for its intended use are included in the cost of the project. The University capitalizes interest on borrowings to finance facilities, net of any investment income earned through the temporary investment of project borrowings, during construction until the project has been substantially completed.

In addition, ASC 740 provides guidance on recognition, classification and disclosure

2. ACCOUNTS AND LOANS RECEIVABLE

Accounts and loans receivable of the University at June 30, 2015 and 2014 were as follows:

| | 2015 | 2014 |
|------------------------------|-----------|-----------|
| ACCOUNTS RECEIVABLE, NET | | |
| Grants, contracts and others | \$ 50,594 | \$ 52,825 |
| Students | 2,160 | 2,814 |
| STUDENT LOANS, NET | 53,589 | 52,340 |

Allowance for doubtful accounts:

| | | |
|---------------------|----------|----------|
| Accounts receivable | \$ 3,703 | \$ 3,915 |
| Loans receivable | \$ 2,134 | \$ 2,107 |

Management regularly assesses the adequacy of the allowance for doubtful accounts by performing ongoing evaluations of

4. LONG-TERM INVESTMENTS

The University holds long-term investments for permanently restricted endowment funds, donor-restricted funds, annuity assets, Board-designated funds and excess operating assets that are able to be invested in longer term investments.

The University invests through traditional investments as well as operating an investment pool that works similar to a mutual fund (Note 5). The University's long-term investments at June 30, 2015 and 2014 were as follows:

| | 2015 | 2014 |
|--|------------|------------|
| Cash and cash equivalents | \$ 39,049 | \$ 14,935 |
| Domestic stocks | 45,384 | 76,055 |
| International securities | 23,079 | 40,150 |
| Global securities | 110,681 | 117,511 |
| Bonds | | |
| Government and municipal | 6,922 | 6,885 |
| Corporate | 8,167 | 23,549 |
| Mutual funds | 414,750 | 261,786 |
| Derivatives | 38,325 | 5,109 |
| Limited partnerships and Other | | |
| Venture capital | 105,390 | 100,350 |
| Private equity | 238,595 | 287,838 |
| Real estate | 101,885 | 102,119 |
| Hedge funds | 385,232 | 432,033 |
| Other | 47,753 | 45,252 |
| Equity real estate | 80 | 80 |
| <hr/> | | |
| | 2015 | 2014 |
| Operating investments, at market | \$ 148,105 | \$ 128,699 |
| Investments, held for long-term purposes | 1,417,187 | 1,384,953 |

Investment returns shown on the statement of activities are netted against investment management fees of \$9,811 (2015) and \$14,781 (2014). The investments were held for the following purposes:

| | 2015 | 2014 |
|--------------------------------------|--------------|--------------|
| Endowment | \$ 1,107,222 | \$ 1,089,658 |
| Donor-restricted funds | 297,129 | 305,687 |
| University investments | 100,164 | 55,142 |
| Annuities | 50,896 | 53,459 |
| Funds held for the benefit of others | 9,881 | 9,706 |

University investments include unspent bond proceeds of \$24,506 as of June 30, 2015 (Note 8).

Unless otherwise directed in the gift instrument, both endowment and similar funds are pooled for efficient investment purposes.

The pool is accounted for on a dollarized method of accounting similar to a money market fund and accounted for on an account basis. The total investment return for the pooled investments, net of external manager fees, approximated 4.77% (2015) and 15.96% (2014).

The Board has approved an endowment spending policy for pooled investments based on a hybrid formula. The objective of this two-pronged approach is to provide support for operations, preserve intergenerational equity, and insulate programming supported by endowment and similar funds from short-term fluctuations in the investment markets. The two components are:

- A constant growth component which seeks to provide growth in annual spending equal to the rate of academic inflation as measured by the Higher Education Price Index

- A market value component based on 5% of the average of the three previous calendar year-end market values

Specific appropriation for expenditure of funds under the policy occurs each spring when the Board approves the operating budget for the following year. The fiscal 2015 and 2014 pooled endowment and similar funds spending allocation approximated 4.88% and 5.04%, respectively, of beginning market value. The total amount allocated was \$65,578 and \$62,216, respectively.

While the policy provides guidance for the level of spending permitted (allocation), the actual spending will vary from the spending allocation based on the timing of actual expenditures. Funds are transferred from the investment pool to the University's operating account after they have been spent in accordance with the endowment and similar funds requirements. The actual movement of cash and investments between the investment pool and operating accounts occurs on a periodic basis as determined by the University and its processes to maintain the proper balance between liquidity and the remaining invested.

For years where actual investment return exceeds actual approved spending, the difference remains in temporarily restricted net assets; years in which the actual endowment and similar funds return is less than distributions under the policy, the shortfall is covered by realized returns from prior years. Both fiscal years 2015 and 2014 pooled endowment and similar funds distribution were funded from a combination of current year investment income and prior year accumulated realized gains.

In addition to the general distribution described above, the Board has authorized a temporary supplemental distribution of previously reinvested income and realized appreciation to support certain development-related activities. This 74800ati7141 -0.emporaril

| | Quoted Prices in Active Markets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total |
|--------------------------------|--|---|--|-----------|
| INVESTMENTS | | | | |
| Cash and cash equivalents | \$ 10,578 | \$ 4,357 | | \$ 14,935 |
| Domestic stocks | 19,575 | 980 | \$ 55,500 | 76,055 |
| International securities | | 4,856 | 35,294 | 40,150 |
| Global securities | | 35,725 | 81,786 | 117,511 |
| Bonds | | | | |
| Government and municipal | | 6,885 | | 6,885 |
| Corporate | | 6,130 | 17,419 | 23,549 |
| Mutual funds | 257,727 | 4,059 | | 261,786 |
| Derivatives | | 5,109 | | 5,109 |
| Limited partnerships and Other | | | | |
| Venture capital | | | 100,350 | 100,350 |
| Private equity | | | 287,838 | 287,838 |
| Real estate | | | 102,119 | 102,119 |
| Hedge funds | | 97,350 | 334,683 | 432,033 |
| Other | | 74 | 45,178 | 45,252 |
| Equity real estate | | | 80 | 80 |

Investments included in Level 3 consist primarily of the University's ownership in alternative investments (principally limited partnership interests in hedge funds, private equity, real estate, real assets and other similar funds), beneficial interests in funds held in trust by others, and portions of investments in the pension assets. Level 3 investments are more difficult to value due to the following:

The value of certain alternative investments represents the ownership interest in the net asset value of the respective partnership.

The fair values of the securities held by limited partnerships that do not have readily determinable fair values are determined by the general partner based on appraisals or other estimates that require varying degrees of judgment.

If no public market consideration, the fair value is determined by the general partner taking into

consideration, among other things, the cost of the securities, prices of recent significant placements of securities of the same issuer, subsequent developments concerning the companies to which the securities relate, or other estimates requiring varying degrees of judgment. The University regularly reviews, evaluates and performs significant due diligence around these investments to ensure that the values

stages of a company's growth, some very early and others at a later stage where the company may already produce revenues. The valuations for these investments have been estimated using the managers' fair market values, which have been vetted to make sure they meet the ASC 820 guidelines. These investments can never be redeemed with the funds. As these investments age in duration, distributions will be received from these funds as the underlying portfolio companies are sold in the market. It is estimated that the underlying investments within the funds would be fully liquidated over the next 7-12 years.

e) **Private equity** includes several private equity funds that invest across all industries. While the portfolio is U.S. centric, there has been an increasingly larger allocation to companies in foreign markets. The funds typically invest capital into more mature companies for a minority or majority of ownership and through operational and financial expertise, generate a return of capital greater than the original amount invested. The valuations for these investments have been estimated using the managers' fair market values, which have been vetted to make sure they meet the ASC 820 guidelines. These investments can never be redeemed with the funds. As these investments age in duration, distributions will be received from these funds as the underlying portfolio companies are sold in the market. It is estimated that the underlying investments within the funds would be fully liquidated over the next 7-12 years.

(f) **Real estate** includes private real estate funds that invest primarily in the United States. Some of these private partnerships also make investments internationally, primarily in Europe, India and Brazil. The private funds make investments in various real estate types, such as office, industrial, retail and multi-family properties. The valuations for these investments have been estimated using the managers' fair market values, which have been vetted to make sure they meet the ASC 820 guidelines. These investments can never be redeemed with the funds. As these investments age in duration, distributions will be received from these funds as the underlying properties are sold at the market. It is estimated that the underlying investments within the funds would be fully liquidated over the next 5-7 years.

(g) **Hedge funds** include hedge fund investments across a multitude of strategies including long/short equity, long/short commodity, global macro, multi-strategy, event-driven, credit, fund of hedge funds, and emerging markets. The vast majority of these investments are U.S. based, but some may invest internationally. Investment managers may make investment decisions based on top down macroeconomic analysis or bottom up company or theme specific analysis; managers may shift portfolios from net long to net short positioning but on balance tend to carry a net long exposure within their portfolios. The estimated fair values of the investments are received on a monthly basis from the fund administrators. Final valuations are typically received around mid-month for most funds but in some instances funds will report final valuations on a quarterly basis in accordance with the reporting period specified in the fund legal documents. Fund liquidity varies across the hedge fund category from monthly, quarterly, annually, and up to a maximum period of three years. Approximately 84% of the net asset value in this class is accessible within one year or less, with all funds accessible within three years.

(h) **Other** includes various investments that do not fall within the other categories listed. Examples would include investments in timber and other liquid multi-asset strategy investments.

(i) **Equity real estate** includes liquid real estate securities and indices domiciled in both the United States and countries outside of the United States including developed and emerging markets.

The use of financial derivative instruments is governed by the University's Investment Policy Statement, which is approved and overseen by the Investment Committee of the Board. The University assumes many risks as a result of its investment decisions and investment holdings. Many risks are discussed in the Investment Policy Statement:

Manager risk – the risk that a manager underperforms similar managers, benchmarks, or appropriate indices.

Benchmark risk – the risk of harm caused by constructing, selecting, or managing to an inappropriate benchmark.

Peer risk – the risk that one's peers generate better investment performance, thereby boosting the relative size of their endowments and enhancing their competitive advantage.

Market risk – the risk that the value of an investment will decrease due to market moves.

Interest rate risk – the risk that an investment's value will

The following table provides detailed information on the derivatives included in the investment portfolio as of June 30

and where they are located in the consolidated statements of financial position:

| Location | Derivative Type | Notional Amount | Level 1 Fair Value | Level 2 Fair Value | Level 3 Fair Value |
|-------------|----------------------------|-----------------|--------------------|--------------------|--------------------|
| Investments | Total return swaps | \$ 288,601 | | \$ 33,519 | |
| | Options (over-the-counter) | | | (230) | |
| | Futures contracts | 20,234 | | 4,872 | |
| | Forward contracts | | | (5) | |
| | Interest rate hedges | | | 216 | |
| | Yield curve hedges | 332,069 | | (47) | |

7. PROPERTY, PLANT, EQUIPMENT AND BOOKS

Property, plant, equipment and books are stated at cost, less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful life of 40 years

for buildings, 5 to 12 years for equipment, and 10 years for books. Components of property, plant, equipment and books are as follows:

| | 2015 | 2014 |
|------------------------------------|-----------|-----------|
| Land and land improvements | \$ 56,099 | \$ 52,180 |
| Building and building improvements | 1,222,821 | 1,165,187 |
| Equipment and software | 275,034 | 264,005 |
| Library books | 40,566 | 38,917 |
| Construction-in-progress | 86,361 | 73,543 |
| Less: Accumulated depreciation | (914,787) | (858,183) |

The above assets include \$476,126 leased from the Ohio Higher Education Facility Commission ("OHEFC"). The University may purchase each of the leased assets for a nominal amount at the end of the lease period. Therefore, these assets have been capitalized and are included in the above listing. The corresponding liability is included in Notes and bonds payable on the consolidated statements of financial position.

Capitalized interest added to construction in progress was \$430 (2015) and \$38 (2014). The expected cost to complete construction-in-progress is approximately \$22,543.

Depreciation expense included in the consolidated statement of activities is \$64,240 (2015) and \$61,383 (2014).

8. NOTES AND BONDS PAYABLE

Notes and bonds payable are as follows:

| | | Interest Rate(s) | Maturity (Calendar Year) | | 2015 | 2014 |
|--|--------------|------------------|-----------------------------|----|--------|-----------|
| OHEFC revenue notes and bonds: | Series 1990 | 6.50% | 2015-2020 | \$ | 11,650 | \$ 11,650 |
| | Series 1994 | 6.125 - 6.25% | 2015-2018 | | 16,500 | 20,000 |
| | Series 1997 | 6.25% | 2014 | | | 1,855 |
| | Series 2001 | 0.04% | 2015-2022 | | 10,605 | 11,200 |
| | Series 2002A | 0.04% | 2023-2031 | | 64,875 | 64,875 |
| | Series 2006 | 4.00 - 5.25% | 2015-2044 | | 78,330 | 79,860 |
| | Series 2008A | 0.04% | 2030-2044 | | 60,000 | 60,000 |
| | Series 2008C | 4.00 - 5.25% | 2015-2033 | | 47,805 | 50,490 |
| | Series 2012A | 2.00 - 5.00% | 2015-2023 | | 26,680 | 27,520 |
| | Series 2013A | 2.00 - 5.00% | 2015-2023 | | 39,180 | 42,120 |
| | Series 2014A | 0.55% | 2030-2044 | | 67,500 | 67,500 |
| | Series 2015A | 2.00 - 5.00% | 2015-2034 | | 51,630 | |
| OHEFC commercial paper | | 0.09 - 0.10% | 2030 | | 68,939 | 79,000 |
| Compass Group USA, Inc. | | -n/a- | 2015-2019 | | 1,162 | 1,462 |
| Housing and Urban Development loan: | Part A | 4.96% | 2015 | | | 11,679 |
| | Part B | 5.33% | 2015 | | | 4,032 |

In March 2014, the OHEFC Series 2014A bonds were issued to refinance the OHEFC Series 2008B bonds. The amount refinanced for the OHEFC Series 2008B bonds was \$67,500. The financing fees of \$182 were not included in the refinancing and were expensed.

In February 2015, the OHEFC Series 2015A bonds were issued to finance the construction of the new residence hall in the amount of \$37,240 and to refinance the Housing and Urban Development Part A and Part B loans in the amount of \$14,390. The total amount of the bond issue was \$51,630. Deferred financing fees of \$707 were paid and the unamortized balance is included in Prepaid expenses and other assets.

The OHEFC authorized a \$63,000 tax-exempt commercial paper program in February 2000 to provide construction funds for several approved capital projects and to refinance earlier projects. In November 2008, the OHEFC authorized a \$27,000 expansion of that program, to a total size of \$90,000, to provide funding for future projects.

In February 2013, \$27,000 was drawn to provide bridge financing for the construction of the Tinkham Veale University Center. During 2014, \$11,000 of principal was paid down and made available for financing of future projects. In August 2014, \$5,000 was drawn to provide bridge financing for the new residence hall. During 2015, \$15,061 of principal was paid down making \$21,061 of funds available for the financing of future projects. The amount outstanding under the commercial paper program was \$68,939 (2015) and \$79,000 (2014), with maturities not exceeding 270 days from the issuance date. All commercial paper issued under the terms of the program must mature no later than February 1, 2030. The annualized interest cost and credit facility expense for this program was 0.63% (2015) and 0.67% (2014).

| Year | Scheduled Principal Payments | Outstanding VRDOs | Total Maximum Principal Payments |
|------|------------------------------|-------------------|---|
| 2c | 05T016 | \$ 163,480 | 111,65 |
| 2c | 05T017 | 2c8.9(0)115,000 | 3570 |
| 2c | 05T018 | 8c8.9(0)137,000 | 110, 8c8.5(0)1.3(0)TJ-0.028%Tc 189TBc 0 |
| | 2c | | 05T020 3c8.9(0)117,000 4c8.7(6 |
| | Thereafter | \$ 530,561 | 10.4(4)10.4(3)TJ-0.028%Tc 050056v |

The University has letter of credit agreements, standby purchase agreements and "VRDOs" and

(2014). 2015) and \$20

Certain borrowing agreements comply with certain covenants. The University is in compliance with these provisions

9. RETIREMENT PLANS

The University has both defined benefit and defined contribution pension plans for its employees. In accordance with provisions of the Employee Retirement Income Security Act of 1974, the University has established a trust to hold plan assets for its defined benefit plan. The funded status of the University's defined benefit plan is as follows:

| | 2015 | 2014 |
|--------------------------------------|------------|------------|
| Benefit obligation at June 30 | \$ 223,119 | \$ 204,471 |
| Fair value of plan assets at June 30 | 155,164 | 148,630 |

Accumulated benefit obligation

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

| | 2015 | 2014 |
|---------------------------|----------|----------|
| Net periodic benefit cost | \$ 8,004 | \$ 8,051 |
| Employer contributions | 10,445 | |
| Benefits paid | 5,632 | 4,665 |

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

The amounts recognized in the University's consolidated statements of financial position and in unrestricted net assets related to the defined benefit plan are as follows:

| | 2015 | 2014 |
|-------------------------|--------|--------|
| <hr/> | | |
| <hr/> | | |
| UNRESTRICTED NET ASSETS | | |
| Actuarial losses | 78,318 | 63,763 |
| <hr/> | | |

The estimated amortization of prior year service costs expected in fisc

11. RELATED PARTY TRANSACTION

In 1998, the University entered into a thirty-year agreement with the Medical Center Company (a cooperative utility company formed by and serving institutions in the University Circle area) to purchase chilled water and other utilities for several University buildings. The amounts purchased were \$19,382 (2015) and \$20,118 (2014). No obligation associated with this agreement is recorded in the accompanying consolidated financial statements.

In July 2012, the University received an energy efficiency grant from the Medical Center Company in the amount of \$998. The grant required a capital contribution of \$267 from the University and payback of a portion of projected energy cost savings. Payback terms are 36 months beginning January 2014. The obligation recorded in Deferred income and other liabilities is \$543 (2015) and \$772 (2014).

12. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The University uses floating-to-fixed interest rate swap agreements of various durations to manage both its funding cost and the interest rate risk associated with variable rate debt. Under these swap agreements, the University pays a fixed rate and receives from its counterparty a variable rate payment, each calculated by reference to specified notional principal amounts during the agreement period. Operations are charged the variable rate interest on the corresponding bonds; the difference between the fixed and variable interest amounts under the swap agreements is recorded in non-operating revenues and expenses as investment and other income.

The University follows accounting guidance that defines fair value, establishes a framework for measuring fair value and expands disclosure requirements about fair value measurements, including derivatives. The University's interest rate swaps are valued by an independent swap consultant that uses the mid-market levels, as of the close of business, to value the agreements. The valuations provided are derived from proprietary models based upon well-recognized financial principles and reasonable estimates about relevant future

market conditions and the University's credit worthiness. The University's interest rate swap arrangements have inputs that can generally be corroborated by market data and are classified as Level 2 in the fair value hierarchy.

At June 30, 2015, the University has five interest rate swap agreements. Net payments or receipts under the swap agreements are recorded as adjustments to investment and other income and the incremental expense is disclosed below.

Under one agreement in effect at June 30, 2015, the counterparty pays the University a variable interest rate equal to the Securities Industry and Financial Markets Association (SIFMA) index, and under four other agreements, the counterparty pays a variable interest rate equal to a

including the associated OHEFC borrowing, where applicable, and the liability recognized in the consolidated statements of

financial position in Deferred income and other liabilities are as follows:

| | Notional Amount | Interest Rate | Commencement | Termination Date | Basis | | 2015 | | 2014 |
|----|--------------------|---------------|----------------|------------------|-------|----|---------|----|---------|
| \$ | 18,875 | 4.34% | Aug. 12, 2004 | Oct. 1, 2022 | LIBOR | \$ | (1,541) | \$ | (1,778) |
| | 15,000 | 4.43% | Jun. 5, 2002 | Jun. 5, 2022 | LIBOR | | (2,943) | | (3,174) |
| | 15,000 | 3.60% | Sept. 25, 2002 | Sept. 25, 2022 | LIBOR | | (2,202) | | (2,300) |
| | 35,000 | 3.81% | Aug. 4, 2004 | Aug. 1, 2034 | LIBOR | | (9,029) | | (8,074) |
| | 100,000 | 3.37% | Jan. 3, 2012 | Jan. 1, 2017 | SIFMA | | (4,885) | | (7,491) |

14. SUBSEQUENT EVENTS

The University has performed an evaluation of subsequent events through October 3, 2015, the date on which the consolidated financial statements were issued.

In September 2015, the University completed the purchase of real property from the Cleveland Institute of Art. The property was acquired as part of a joint purchase with the Cleveland Museum of Art as described in Note 10.

In September 2015, the Board approved the commencement of the construction phase of the Health Education Campus, a

joint project with the Cleveland Clinic Foundation. At this time, it is expected that the project will be funded by gifts and private grants.

In July 2015, the OHEFC Series 2015B bonds were issued to refinance the balance of the OHEFC Series 2001A bonds (\$10,605) and the OHEFC Series 2002A bonds (\$64,875) for a total of \$75,480. The financing fees of \$176 were not included in the refinancing and were expensed.

CASE WESTERN RESERVE UNIVERSITY
Schedule of Expenditures of Federal Awards

For the year ended June 30, 2015

| FEDERAL GRANTOR/PROGRAM TITLE | Catalog of Federal Domestic Assistance Number | Pass Through Entity Identifying Number | Expenditures |
|---|---|---|--------------------------|
| Education | 43.008 | | 48,960 |
| Cross Agency Support | 43.009 | | 120,093 |
| Pass Through Programs | | | |
| Universities Space Research Association | 43. | 04555-004 | 1,462,259 |
| Materials Answers, LLC | 43.001 | NNX14CL25P | 33,731 |
| Princeton University | 43.001 | 00002045 | 305,691 |
| National Aeronautics and Space Administration Subtotal | | | <u>3,166,702</u> |
| National Science Foundation | | | |
| Direct Programs | | | |
| Engineering Grants | 47.041 | | 2,601,654 |
| Mathematical & Physical Sciences | 47.049 | | 7,504,259 |
| Geosciences | 47.050 | | 214,147 |
| Computer and Information Science & Engineering | 47.070 | | 1,451,557 |
| Biological Sciences | 47.074 | | 2,468,327 |
| Social, Behavioral and Economic Sciences | 47.075 | | 60,178 |
| Education and Human Resources | 47.076 | | 56,433 |
| International Science and Engineering (OISE) | 47.079 | | 722,842 |
| Office of Cyberinfrastructure | 47.080 | | 45,884 |
| Trans-NSF Recovery Act Research Support-ARRA | 47.082 | | 180,986 |
| Pass Through Programs | | | |
| PolymerPlus LLC | 47.041 | POLYMERPLUS | 30,602 |
| vascuVis Inc. | 47.041 | 1353532 | 20,609 |
| Columbia University | 47.049 | 5-25107; PO#G02694 | 54,615 |
| University of California, Davis | 47.049 | 201222382-01 | 20,405 |
| University of Michigan | 47.049 | 3002527784 | 91,378 |
| University of Chicago | 47.050 | FP052668 | 254,040 |
| University of Southern California | 47.050 | 119935 | 490 |
| Rehabilitation Institute Research Corp. | 47.070 | PRIME CNS-0932263 | 25,415 |
| University of California, Davis | 47.074 | 201117695-01 | (107) |
| The Ohio State University | 47.075 | 60029525 | 22,489 |
| University of Denver | 47.076 | SC37033A-01-00 | 71,688 |
| National Science Foundation Subtotal | | | <u>15,897,891</u> |
| Environmental Protection Agency | | | |
| Direct Programs | | | |
| Environmental Education Grants | 66.951 | | 13,647 |
| Pass Through Programs | | | |
| Buffalo State College | 66.469 | GL-00E00503-CWR | 4 |
| Environmental Protection Agency Subtotal | | | <u>13,651</u> |
| Department of Energy | | | |
| Direct Programs | | | |
| Office of Science Financial Assistance Program | 81.049 | | 906,409 |
| Conservation Research and Development | 81.086 | | 225,226 |
| Renewable Energy Research and Development | 81.087 | | 276,065 |
| Fossil Energy Research and Development | 81.089 | | 421,773 |
| Stewardship Science Grant Program | 81.112 | | 245,583 |
| Advanced Research and Projects Agency Energy Financial Assistance Program | 81.135 | | 1,675,460 |
| Pass Through Programs | | | |
| Faraday Technology, Inc. | 81.049 | DE-SC0007516 | 265,865 |
| Bay Area Photovoltaic Consortium | 81.087 | 60220829-51077-T | 142,880 |
| Indiana University | 81.087 | BL-4344500-CWRU | 15,153 |
| LEEDCo, Inc. | 81.087 | LEEDCOINC | 40,893 |
| LG Fuel Cell Systems Inc. | 81.087 | DE-FE0012077 | 148,477 |
| Department of Energy Subtotal | | | <u>4,363,784</u> |
| Department of Education | | | |
| Pass Through Programs | | | |
| Cincinnati Children's Hospital | 84.133 | H133B090010 (107354) | 59,641 |
| Department of Education Subtotal | | | <u>59,641</u> |

CASE WESTERN RESERVE UNIVERSITY
 Schedule of Expenditures of Federal Awards

For the year ended June 30, 2015

| FEDERAL GRANTOR/PROGRAM TITLE | Catalog of Federal Domestic Assistance Number | Pass Through Entity Identifying Number | Expenditures |
|--|---|---|--------------------------------|
| Department of Health & Human Services | | | |
| Direct Programs | | | |
| Research and Development | 93. | | 6,145,511 |
| Family Smoking Prevention and Tobacco Control Act Regulatory Research | 93.077 | | 3,853 |
| Food and Drug Administration Research | 93.103 | | 78,910 |
| Maternal and Child Health Federal Consolidated Programs | 93.110 | | 183,125 |
| Environmental Health | 93.113 | | 143,224 |
| Oral Diseases & Disorder Research | 93.121 | | 2,237,163 |
| Grants to Increase Organ Donations | 93.134 | | 310,544 |
| Centers for Research and Demonstration for Health Promotion and Disease Prevention | 93.135 | | 863,032 |
| Human Genome Research | 93.172 | | 1,146,933 |
| Research Related to Deafness & Communications Disorders | 93.173 | | 1,981,080 |
| Improvement Projects | 93.185 | | 48,415 |
| Research and Training in Complementary and Alternative Medicine | 93.213 | | 591,685 |
| Research on Healthcare Costs, Quality and Outcomes | 93.226 | | 920,966 |
| National Center on Sleep Disorders Research | 93.233 | | 33,919 |
| Mental Health Research Grants | 93.242 | | 2,625,320 |
| Alcohol Research Programs | 93.273 | | 348,575 |
| Drug Abuse and Addiction Research Programs | 93.279 | | 2,204,933 |
| Centers for Disease Control and Prevention Investigations and Technical Assistance | 93.283 | | 2,955,509 |
| Discovery and Applied Research for Technological Innovations to Improve Human Health | 93.286 | | 5,020,703 |
| Minority Health and Health Disparities Research | 93.307 | | 1,400,182 |
| Trans-NIH Research Support | 93.310 | | 1,793,835 |
| National Center for Advancing Translational Sciences | 93.350 | | 11,928,787 |
| Research Infrastr 1 342.72 448.32 C2(r)5.3D(i)8.6(s)4.2(pa8.6(ng)-250.3(T8a)1.5(nd)-2]TJ | ET | Q T /F216.23 Tf 1 674 0 2.72 465.36 Tm | [(93.307)-27412.2(1,400,18231T |

CASE WESTERN RESERVE UNIVERSITY
 Schedule of Expenditures of Federal Awards

For the year ended June 30, 2015

| FEDERAL GRANTOR/PROGRAM TITLE | Catalog of Federal Domestic Assistance Number | Pass Through Entity Identifying Number | Expenditures |
|-------------------------------|---|---|--------------|
| Harvard University | 93.226 | HS021636-01 (HARVARD) | 1,554 |
| Rhode Island Hospital | 93.226 | 701-713-7041-OH | 27,620 |
| Northwestern University | 93.233 | 204-SUBI | 119,189 |
| Geisinger Clinic | 93.242 | U01HG006382 | 85,773 |
| Johns Hopkins University | | | |

CASE WESTERN RESERVE UNIVERSITY
 Schedule of Expenditures of Federal Awards

For the year ended June 30, 2015

| FEDERAL GRANTOR/PROGRAM TITLE | Catalog of Federal Domestic Assistance Number | Pass Through Entity Identifying Number | Expenditures |
|---|---|---|--------------|
| University of California, Los Angeles | 93.837 | 1568 G KB381 | (3,082) |
| University of California, San Francisco | 93.837 | HL117713 (138316-4000) | 59,201 |
| University of Chicago | 93.837 | FP053547 | 26,438 |
| University of Colorado, Denver | 93.837 | FY15.734.001 | 7,999 |
| University of Maryland | 93.837 | SR00000925 | (171,836) |
| University of Michigan | 93.837 | HL094345 | 2,128 |
| University of North Carolina | 93.837 | HL123677 (5-50144) | 16,538 |

CASE WESTERN RESERVE UNIVERSITY
Schedule of Expenditures of Federal Awards

For the year ended June 30, 2015

| FEDERAL GRANTOR/PROGRAM TITLE | Catalog of Federal Domestic Assistance Number | Pass Through Entity Identifying Number | Expenditures |
|---|---|---|--------------|
| Northwestern University | 93.853 | 60029363 CWRU | 70,089 |
| University of California, San Diego | 93.853 | 10322639 | (198) |
| University of California, San Diego | 93.853 | NS076896(S9000249) | (1,644) |
| University of California, San Francisco | 93.853 | NS049477 (8077SC) | 61,816 |
| University of Minnesota | 93.853 | NS085188 (N003584201) | 202,631 |
| University of Pittsburgh | 93.853 | NS 0017392 (122175-2) | 187,909 |
| Van Andel Research Institute | 93.853 | NS060729-07 V1858-1 | 119,819 |
| Vanderbilt University | 93.853 | 2797-018496 | 31,413 |
| Yale University School of Medicine | 93.853 | NS044876 (A07593) | 7,312 |
| Beth Israel Deaconess Medical Center | 93.855 | AI095985 (01027421 CORE E) | 698,663 |
| Brigham and Women Hospital | 93.855 | AI068636 (108080) | 22,020 |
| Brigham and Women Hospital | 93.855 | AI068636 (108561) | 24,291 |
| Brigham and Women Hospital | 93.855 | AI068636 (110230) | 8,708 |
| Brigham and Women Hospital | 93.855 | AI068636 (110256) | 203,404 |
| Brigham and Women Hospital | 93.855 | AI068636 (B&WH) | (138) |
| Brigham and Women Hospital | 93.855 | AI068636 (SUB) | 327 |
| Brigham and Women Hospital | 93.855 | AI106701 (109928) | 44,271 |
| Brigham and Women Hospital | 93.855 | AI106701 (SUB) | 375,688 |
| Brigham and Women Hospital | 93.855 | AI068636(111668) | 174,508 |
| Brigham and Women Hospital | 93.855 | AI068636(111857) | 58,751 |
| Brigham and Women Hospital | 93.855 | AI068638(110668) | 115,610 |
| Brigham and Women Hospital | 93.855 | AI068638(110198) | 1,378 |
| Brigham and Women Hospital | 93.855 | AI068638(110758) | 59,988 |
| Brigham and Women Hospital | 93.855 | AI068638(109928) | 32,257 |
| Children's Hospital of Boston | 93.855 | AI084011 (75940) | 1,554 |
| Children's Hospital of Oakland | 93.855 | AI (12.8216.003) | 4,360 |
| Colorado State University | 93.855 | AI115619 (G-16851-1) | 18,085 |
| Duke University | 93.855 | AI098588 (203-2437) | 2,829 |
| Duke University | 93.855 | AI104681 (203-9707) | 264,372 |
| Duke University | 93.855 | AI104681 (203 9894) | 97,247 |
| Emory University | 93.855 | AI107960 (T270260) | 182,264 |
| Emory University | 93.855 | AI110334 (T310399) | 147,485 |
| Fred Hutchinson Cancer Research Ctr | 93.855 | AI068614(0000750859) | 2,824 |
| Fred Hutchinson Cancer Research Ctr | 93.855 | AI068614(000819593) | 228,687 |
| Iowa State University | 93.855 | AI091031(430-23-05B) | 45,132 |
| Johns Hopkins University | 93.855 | 2001317194 | 105,209 |
| Magee-Women's Research Institute and Foundation | 93.855 | AI068633(9329) | 31,514 |
| Magee-Women's Research Institute and Foundation | 93.855 | AI068633(9374) | 8,614 |
| Mount Sinai School of Medicine of the NE | 93.855 | AI (0255-1358-4609) | 195,062 |
| Mount Sinai School of Medicine of the NE | 93.855 | AI (0255-1611-4609) | 222,114 |
| Rutgers, The State University of New Jersey | 93.855 | AI030155(8095) | 90,166 |
| Social & Scientific Systems, Inc. | 93.855 | A5207 | 44 |
| St. Jude Children's Research Hospital | 93.855 | 112192019-7633216 | 92,337 |
| University of Alabama, Birmingham | 93.855 | AI (000397076-007) | 269,911 |
| University of Alabama, Birmingham | 93.855 | 000503356-SP02-SC01 | 262,452 |
| University of California, San Francisco | 93.855 | AI096109(8428SC) | 139,127 |
| University of California, San Francisco | 93.855 | AI096109(8429SC) | 156,766 |
| University of Maryland | 93.855 | AI0277630 (1400231) | 34,258 |
| University of North Carolina | 93.855 | AI050410 (5-33806) | 19,060 |
| University of North Carolina | 93.855 | AI096113(5-31533) | 324,899 |
| University of North Carolina | 93.855 | AI096113(5100235) | 121,215 |
| University of South Florida | 93.855 | AI(6408-1063-00-A) | 216,598 |
| University of Southern California | 93.855 | AI104751(54233861) | 8,468 |
| University of Southern California | 93.855 | AI101750(61454407) | 3,920 |
| University of Southern California | 93.855 | AI101492(54267827) | 5,941 |
| University of Texas Medical Branch | 93.855 | 0007207A | 16,592 |
| University of Washington | 93.855 | AI104920(759576) | 164,031 |
| University of Washington | 93.855 | 747348 | (14,721) |
| Vanderbilt University | 93.855 | AI093234 (VUMC 51740) | 82,261 |
| ViTi, Inc. | 93.855 | AI091267 (9003_CWRU) | 127,789 |
| Washington University | 93.855 | AI057160 (WU-13-229) | 43,463 |
| Washington University | 93.855 | WU-12-223 | (4,752) |
| The J. Craig Venter Institute | 93.856 | JCVI-12-013 | 16,215 |
| Cleveland Clinic Foundation | 93.859 | (GM050009) CCLCM | 27,858 |
| CommonWealth Informatics, Inc. | 93.859 | GM112523 | 4,720 |
| Mayo Foundation- Rochester | 93.859 | GM061388 (63246114) | 110,024 |
| New York Structural Biology Center | 93.859 | GM(NYSBCG01908-4) | 99,301 |
| University of California, San Diego | 93.859 | 10313432-001 | 121,494 |
| University of Michigan | 93.859 | 3002520016 | 143,432 |
| University of Michigan | 93.859 | GM083241(3002596977) | 4,246 |

CASE WESTERN RESERVE UNIVERSITY
Schedule of Expenditures of Federal Awards

For the year ended June 30, 2015

| FEDERAL GRANTOR/PROGRAM TITLE | Catalog of Federal Domestic Assistance Number | Pass Through Entity Identifying Number | Expenditures |
|--|---|---|----------------|
| Department of Defense | | | |
| Direct Programs | | | |
| Basic and Applied Scientific Research | 12.300 | | (609) |
| Department of Defense Subtotal | | | (609) |
| National Aeronautics and Space Administration | | | |
| Direct Programs | | | |
| Aerospace Education Services Program | 43.001 | | 9,290 |
| Education | 43.008 | | 63,948 |
| Cross Agency Support | 43.009 | | 176,275 |
| National Aeronautics and Space Administration Subtotal | | | 249,513 |
| National Science Foundation | | | |
| Direct Programs | | | |
| Education and Human Resources | 47.076 | | 425,553 |
| National Science Foundation Subtotal | | | 425,553 |
| Department of Education | | | |
| Direct Programs | | | |
| Graduate Assistance in Areas of National Need | 84.200 | | 446,609 |
| Special Education - Personnel Development to Improve Services and Results for Children with Disabilities | 84.325 | | 255,372 |
| Department of Education Subtotal | | | 701,981 |
| Vietnam Education Foundation | | | |
| Direct Programs | | | |
| Fellowship Program | 85.802 | | 22,792 |
| Vietnam Education Foundation Subtotal | | | 22,792 |
| Department of Health & Human Services | | | |
| Direct Programs | | | |
| Maternal and Child Health Federal Consolidated Programs | 93.110 | | (2,320) |
| Oral Diseases & Disorder Research | 93.121 | | 114,665 |
| Nurse Anesthetist Traineeships | 93.124 | | 43,038 |
| Research Related to Deafness and Communication Disorders | 93.173 | | 12,075 |
| National Center on Sleep Disorders Research | 93.233 | | (890) |
| Mental Health Research Grants | 93.242 | | 28,458 |
| Substance Abuse and Mental Health Services Projects of Regional and National Significance | 93.243 | | 65,876 |
| Advanced Nursing Education Grant Program | 93.247 | | 90,597 |
| Discovery and Applied Research for Technological Innovations to Improve Human Health | 93.286 | | 420,806 |
| National Center for Advancing Translational Sciences | 93.350 | | 650,275 |

CASE WESTERN RESERVE UNIVERSITY
Schedule of Expenditures of Federal Awards

For the year ended June 30, 2015

| FEDERAL GRANTOR/PROGRAM TITLE | Catalog of Federal Domestic Assistance Number | Pass Through Entity Identifying Number | Expenditures |
|--|---|---|--------------------|
| Cuyahoga Community College | 93.859 | GM049010 (TRI-C) | 6,715 |
| Ohio Department of Mental Health | 93.958 | 99-GB-14-411-02-001 | 5,198 |
| Ohio Department of Mental Health | 93.958 | 99-3095-BESTPRACT-T | 497,542 |
| Ohio Department of Mental Health | 93.958 | 99-3095-BESTPRACT | 89,167 |
| Ohio Department of Mental Health | 93.958 | 99-3095-FCSPT-P-15 | 291,170 |
| Ohio Department of Mental Health | 93.958 | 99-3095-T-15-15155 | 3,295 |
| Ohio Department of Mental Health | 93.958 | 99MHBGC14100201485 | (116) |
| Ohio Department of Alcohol & Drug Addiction Services | 93.959 | 99-3095-SAMI-T-13031 | (11,375) |
| Ohio Department of Mental Health and Addiction Services | 93.959 | 99-3095-SAMI-T-15-03 | 105,055 |
| Department of Health & Human Services Subtotal | | | 12,190,014 |
| Total Research Training Grants | | | 13,597,950 |
| Sub Total Research and Development and Research Training Cluster - University only (see Footnote 1) | | | 222,224,923 |
| Research and Development - Cleveland Clinic Lerner College of Medicine (see Footnote 1) | | | |
| Department of Health & Human Services | | | |
| Direct Programs | | | |
| Oral Diseases and Disorders Research | 93.121 | | 175,763 |
| Human Genome Research | 93.172 | | 21,889 |
| Research Related to Deafness and Communication Disorders | 93.173 | | 67,826 |
| National Center on Sleep Disorders Research | 93.233 | | 784,628 |
| Mental Health Research Grants | 93.242 | | 774,470 |
| Geriatric Academic Career Awards | 93.250 | | 65,870 |
| Alcohol Research Programs | 93.273 | | 3,375,458 |
| Discovery and Applied Research for Technological Innovations to Improve Human Health | 93.286 | | 312,938 |
| Trans-NIH Research Support | 93.310 | | 106,892 |
| Research Infrastructure Programs | 93.351 | | 611,057 |
| National Center for Research Resources | 93.389 | | 503,039 |
| Cancer Cause & Prevention Research | 93.393 | | 2,060,022 |
| Cancer Detection and Diagnosis Research | 93.394 | | 375,760 |
| Cancer Treatment Research | 93.395 | | 3,019,159 |
| Cancer Biology Research | 93.396 | | 4,240,352 |
| Cancer Research Manpower | 93.398 | | 733,729 |
| Cardiovascular Diseases Research | 93.837 | | 16,579,004 |
| Lung Diseases Research | 93.838 | | 5,666,329 |
| Blood Diseases & Resources Research | 93.839 | | 3,049,442 |
| Arthritis, Musculoskeletal, & Skin Diseases Research | 93.846 | | 2,491,414 |
| Diabetes, Digestive, and Kidney Diseases Extramural Research | 93.847 | | 6,261,211 |
| Kidney Diseases, Urology and Hematology Research | 93.849 | | (29,571) |
| Extramural Research Programs in the Neurosciences and Neurological Disorders | 93.853 | | 10,729,229 |
| Allergy, Immunology and Transplantation Research | 93.855 | | 3,235,790 |
| Biomedical Research and Research Training | 93.859 | | 3,554,800 |
| Child Health and Human Development Extramural Research | 93.865 | | 1,684,905 |
| Aging Research | 93.866 | | 2,102,293 |
| Vision Research | 93.867 | | 3,037,271 |
| Pass Through Programs | | | |
| Massachusetts General Hospital | 93.213 | U01AT000613 | 7,766 |
| Butler Hospital | 93.242 | U01MH076179 | 187 |
| FHC, Inc. | 93.242 | R34MH107037 | 6,579 |
| Flocel, Inc. | 93.242 | R42MH093302 | 111,522 |
| Vanderbilt University | 93.242 | R01MH095621 | 176,837 |
| Yale University | 93.242 | U01MH081902 | 18,526 |
| Applied Nanotech | 93.273 | R43AA022854 | 18,962 |
| Massachusetts General Hospital | 93.286 | R01EB009048 | 76,524 |
| University Of Southern California | 93.286 | R01EB010197 | 4,796 |
| Vanderbilt University | 93.350 | UH2TR000491 | 196,863 |
| Boston University | 93.389 | U54RR019497 | (25) |
| Lam Foundation | 93.389 | U54RR019498 | (1,000) |
| Sloan-Kettering Cancer Research | 93.393 | R01CA179115 | 11,344 |
| St. Jude Children's Research Hospital | 93.393 | R01CA157838 | 2,894 |
| Stanford University | 93.393 | UM1CA167551 | 39,112 |
| University Of North Carolina Chapel Hill | 93.393 | R01CA059005 | 567 |
| University Of North Carolina Chapel Hill | 93.393 | R01CA098286 | 112,344 |
| Advance Cell Diagnostics | 93.394 | R44CA122444 | (78,031) |
| Advance Cell Diagnostics | 93.394 | R44CA168019 | 136,740 |
| Advance Cell Diagnostics | 93.394 | R43CA192728 | 10,458 |
| Cornell University | 93.394 | R01CA184712 | 23,478 |

CASE WESTERN RESERVE UNIVERSITY
 Schedule of Expenditures of Federal Awards

For the year ended June 30, 2015

| FEDERAL GRANTOR/PROGRAM TITLE | Catalog of Federal Domestic Assistance Number | Pass Through Entity Identifying Number | Expenditures |
|------------------------------------|---|---|--------------|
| Harvard University | 93.847 | R01DK100383 | 23,515 |
| Johns Hopkins University | 93.847 | R01DK097087 | 194,967 |
| Kaiser Permanente | 93.847 | R01DK076165 | 46,748 |
| Mayo Clinic | 93.847 | R01DK090358 | 47,268 |
| Mayo Clinic | 93.847 | U01DK062410 | 79,798 |
| New England Medical Center - Tufts | 93.847 | DK098245 | 200,352 |
| New York University | 93.847 | R33DK070341 | (4,308) |

CASE WESTERN RESERVE UNIVERSITY

Schedule of Expenditures of Federal Awards

1. Summary of Significant Accounting Policies

Basis of Presentation:

transactions of Case Western Reserve University

Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net assets or cash flows of the University. Negative amounts represent adjustments or credits to amounts reported as expenditures in prior years. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Therefore some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic consolidated financial statements.

In May 2002, the University entered into an agreement with the Cleveland Clinic Foundation ("CCF") to form a new medical education and research program, the Cleveland Clinic Lerner College of Medicine ("CCLCM"). This is a collaborative arrangement governed jointly by the University and CCF. The results of operations of the CCLCM are included in the University's accompanying financial statements. Beginning in fiscal 2004, research grants from the National Institutes of Health to support work by CCF-based investigators were awarded to and administered through the University by CCLCM, which operates as an academic unit of the University's School of Medicine.

Subrecipients:

Certain funds are passed through to subgrantee organizations by the University and CCLCM. Expenditures incurred by the subgrantees and reimbursed by the University are presented in the Schedule. The University has 144 research and development cluster awards with subcontracts of its federal funds, which have been issued to subrecipients that total approximately \$19,664,695.

2. Catalog of Federal Domestic Assistance Numbers:

Catalog of Federal Domestic Assistance ("CFDA") Numbers and Pass Through Entity Identifying Numbers are presented for those programs for which such numbers are available and were able to be identified by the University.

3. Facilities and Administrative Cost Rates:

The University recovers facilities and administrative costs by means of final facilities and administrative cost rates. The final rates are a result of negotiated agreements with the U.S. Department of Health and Human Services. The final rate effective for the period July 1, 2014 to June 30, 2015

CASE WESTERN RESERVE UNIVERSITY
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2015

4. Loan Advances:

The following schedule represents total loans advanced to students by the University and balances outstanding for the Perkins, Nursing, Health Professional Student and Disadvantaged Students Loan Programs for the year ended June 30, 2015:

| | CFDA Number | Advances | Outstanding Balance |
|--|------------------------|-----------------|--------------------------------|
| Perkins Loan Program | 84.038 | \$ 2,236,193 | \$ 11,941,917 |
| Nursing Student Loan Program | 93.364 | \$ 22,000 | \$ 265,992 |
| Health Professional Student Loan Program/PCL | 93.342 | \$ 192,000 | \$ 1,906,523 |
| Loan for Disadvantaged Students | 93.342 | \$ - | \$ 10,695 |

The Perkins Loan administrative cost allowance totaled \$0 for the year ended June 30, 2015.

The loan programs noted above are administered directly by the University and balances and transactions

5. Federal Direct Loan Program

During the year ended June 30, 2015, the University disbursed the following loan amounts under the Federal Direct Loan Program (FDLP) (which includes Stafford Loans, unsubsidized Stafford Loans, and Parents Plus Loans for Undergraduate Students):

| | CFDA Number | Amounts |
|-----------------------------|------------------------|----------------|
| Federal Direct Loan Program | 84.268 | \$ 111,641,451 |

The University is responsible only for the performance of certain administrative duties with respect to the consolidated financial statements. It is not practical to determine the balance of loans outstanding under these programs as of June 30, 2015.

6. Housing and Urban Development (HUD, CFDA #14.) Mortgage Note:

As of June 30, 2015,
mortgage note was fully paid off and there were no continuing compliance requirements.
See note 8 of the financial statements for further information regarding these agreements.

**REPORTS ON COMPLIANCE AND ON THE
INTERNAL CONTROL STRUCTURE**



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

To the Board of Trustees,
Case Western Reserve University:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in _____ issued by the Comptroller General of the United States, the consolidated financial statements of Case Western Reserve University, which comprise the consolidated statement of financial position as of June 30, 2015, and the related consolidated statements of activities and of cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 3, 2015.

Internal Control Over Financial Reporting



Compliance and Other Matters

If the financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of 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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the compliance. This report is an integral part of an audit performed in accordance with

and is not intended to be relied upon as suitable for any other purpose.



October 3, 2015





We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program.

Opinion on Each Major Federal Program

In our opinion, Case Western Reserve University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

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

A control deficiency 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 is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.



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

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

March 23

CASE WESTERN RESERVE UNIVERSITY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2015

Section I

Financial Statements

report issued:

Unmodified

Internal control over financial reporting:

| | | |
|--|------------------------------|---|
| Material weakness(es) identified? | <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no |
| Significant deficiency (s) identified that are not considered to be material weaknesses? | <input type="checkbox"/> yes | <input checked="" type="checkbox"/> none reported |
| Noncompliance material to financial statements noted? | <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no |

Federal Awards

Internal control over major programs:

| | | |
|---|------------------------------|---|
| Material weakness(es) identified? | <input type="checkbox"/> yes | <input checked="" type="checkbox"/> no |
| Significant deficiency(s) identified that are not considered to be material weaknesses? | <input type="checkbox"/> yes | <input checked="" type="checkbox"/> none reported |

for major programs:

Unmodified

CASE WESTERN RESERVE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2015

CASE WESTERN RESERVE UNIVERSITY
SUMMARY OF STATUS OF PRIOR AUDIT FINDINGS

For the year ended June 30, 2015

Summary of Status of Prior Audit Findings

There are no findings from prior years that require an update in this report.