
**Reports on the Audit of
Federal Award Programs
In Accordance with OMB Circular A-133**

**The Pennsylvania State University
Fiscal Year Ended June 30, 2014**

University Park, Pennsylvania

THE PENNSYLVANIA STATE UNIVERSITY
REPORTS ON THE AUDIT OF
FEDERAL AWARDS
IN ACCORDANCE WITH OMB CIRCULAR A-133
FISCAL YEAR ENDED JUNE 30, 2014

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Joseph J. Doncsecz
Associate Vice President for Finance and Corporate Controller

The Pennsylvania State University
408 Old Main
University Park, PA 16802-1505

March 24, 2015

Federal Audit Clearinghouse
1201 E. 10th Street
Jeffersonville, IN 47132

To Whom It May Concern:

The Pennsylvania State University's financial, internal control and compliance reports for the fiscal year ended June 30, 2014 are presented on the accompanying pages. The reports have been issued in accordance with U.S. Office of Management and Budget (OMB) Circular A-133. Also enclosed are The Pennsylvania State University's schedule of findings and questioned costs.

Sincerely,

A handwritten signature in black ink that reads "Joseph J. Doncsecz". The signature is written in a cursive style.

Joseph J. Doncsecz
Associate Vice President for Finance and Corporate Controller

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Enclosures

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Audited Financial Statements

The Pennsylvania State University
Fiscal Year Ended June 30, 2014

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of The Pennsylvania State University
University Park, Pennsylvania

We have audited the accompanying consolidated financial statements of The Pennsylvania State University and its subsidiaries (the "University"), which comprise the consolidated statements of financial position as of June 30, 2014 and 2013, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

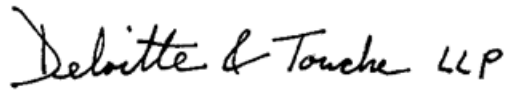
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the University as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2014 on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with the *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

The image shows a handwritten signature in black ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, flowing style.

October 24, 2014

THE PENNSYLVANIA STATE UNIVERSITY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
ASSETS
JUNE 30, 2014 AND 2013
(in thousands)

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Current assets:		
Cash and cash equivalents	\$ 1,028,529	\$ 983,256
Short-term investments	365,851	200,273
Deposits held for others	57,014	44,166
Accounts receivable, net of allowances of \$72,957 and \$66,974	527,213	492,404
Contributions receivable, net	63,573	50,411
Loans to students, net of allowances of \$384 and \$584	8,163	10,683
Inventories	35,484	31,406
Prepaid expenses and other assets	<u>114,963</u>	<u>115,463</u>
Total current assets	<u>2,200,790</u>	<u>1,928,062</u>
Noncurrent assets:		
Deposits held by bond trustees	2,551	2,551
Contributions receivable, net	150,891	127,726
Loans to students, net of allowances of \$2,319 and \$2,497	52,654	48,161
Deferred bond costs, net	5,095	5,181
Total investment in plant, net	3,944,252	3,730,764
Beneficial interest in perpetual trusts	15,498	13,252
Investments	5,319,035	4,816,961
Other assets	<u>19,841</u>	<u>17,958</u>
Total noncurrent assets	<u>9,509,817</u>	<u>8,762,554</u>
Total assets	<u>\$ 11,710,607</u>	<u>\$ 10,690,616</u>

See notes to consolidated financial statements.

THE PENNSYLVANIA STATE UNIVERSITY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
LIABILITIES AND NET ASSETS
JUNE 30, 2014 AND 2013
(in thousands)

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Current liabilities:		
Accounts payable and other accrued expenses	\$ 526,815	\$ 660,096
Deferred revenue	271,684	264,727
Long-term debt	47,177	43,650
Present value of annuities payable	5,597	5,276
Accrued postretirement benefits	<u>53,350</u>	<u>51,390</u>
Total current liabilities	<u>904,623</u>	<u>1,025,139</u>
Noncurrent liabilities:		
Deposits held in custody for others	40,619	50,804
Deferred revenue	1,952	6,969
Long-term debt	934,311	961,758
Present value of annuities payable	45,554	36,979
Accrued postretirement benefits	1,847,056	1,643,651
Refundable United States Government student loans	46,318	45,300
Other liabilities	<u>206,649</u>	<u>210,919</u>
Total noncurrent liabilities	<u>3,122,459</u>	<u>2,956,380</u>
Total liabilities	<u>4,027,082</u>	<u>3,981,519</u>
Net assets:		
Unrestricted -		
Undesignated	1,637	1,635
Designated for specific purposes	3,182,328	2,757,846
Net investment in plant	<u>2,473,238</u>	<u>2,246,228</u>
Total unrestricted - The Pennsylvania State University	5,657,203	5,005,709
Noncontrolling interest	<u>961</u>	<u>831</u>
Total unrestricted	5,658,164	5,006,540
Temporarily restricted	694,240	484,375
Permanently restricted	<u>1,331,121</u>	<u>1,218,182</u>
Total net assets	<u>7,683,525</u>	<u>6,709,097</u>
Total liabilities and net assets	<u>\$ 11,710,607</u>	<u>\$ 10,690,616</u>

See notes to consolidated financial statements.

THE PENNSYLVANIA STATE UNIVERSITY
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014
(in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenues and other support:				
Tuition and fees, net of discounts of \$153,724	\$ 1,606,079	\$ -	\$ -	\$ 1,606,079
Commonwealth of Pennsylvania -				
Appropriations	275,931	-	-	275,931
Special contracts	71,750	-	-	71,750
Department of General Services projects	82,337	-	-	82,337
United States Government grants and contracts	478,699	-	-	478,699
Private grants and contracts	184,722	-	-	184,722
Gifts and pledges	104,947	42,672	-	147,619
Endowment spending	75,383	-	-	75,383
Other investment income	113,349	674	-	114,023
Sales and services of educational activities	66,758	-	-	66,758
Recovery of indirect costs	148,988	-	-	148,988
Auxiliary enterprises	406,685	-	-	406,685
Medical Center revenue	1,470,925	-	-	1,470,925
Other sources	18,925	-	-	18,925
Net assets released from restrictions	25,649	(25,649)	-	-
Total operating revenues and other support	<u>5,131,127</u>	<u>17,697</u>	<u>-</u>	<u>5,148,824</u>
Operating expenses:				
Educational and general -				
Instruction	1,186,941	-	-	1,186,941
Research	775,321	-	-	775,321
Public service	78,960	-	-	78,960
Academic support	342,876	-	-	342,876
Student services	171,484	-	-	171,484
Institutional support	306,833	-	-	306,833
Total educational and general	2,862,415	-	-	2,862,415
Auxiliary enterprises	366,101	-	-	366,101
Medical Center expense	1,351,131	-	-	1,351,131
Total operating expenses	<u>4,579,647</u>	<u>-</u>	<u>-</u>	<u>4,579,647</u>
Increase in net assets from operating activities	551,480	17,697	-	569,177
Nonoperating activities:				
Gifts and pledges	-	-	114,659	114,659
Current year investment returns	279,217	193,815	9,087	482,119
Endowment appreciation utilized	(47,077)	-	-	(47,077)
Changes in funds held by others in perpetuity	-	363	1,702	2,065
Write-offs and disposals of assets	(5,141)	-	-	(5,141)
Nonperiodic change in postretirement benefit plan	(126,985)	-	-	(126,985)
Actuarial adjustment on annuities payable	-	(2,010)	(12,509)	(14,519)
Increase in net assets from nonoperating activities	<u>100,014</u>	<u>192,168</u>	<u>112,939</u>	<u>405,121</u>
Increase in net assets - The Pennsylvania State University	651,494	209,865	112,939	974,298
Noncontrolling interest:				
Excess of revenues over expenses	130	-	-	130
Increase in net assets noncontrolling interest	<u>130</u>	<u>-</u>	<u>-</u>	<u>130</u>
Increase in total net assets	651,624	209,865	112,939	974,428
Net assets at the beginning of the year	<u>5,006,540</u>	<u>484,375</u>	<u>1,218,182</u>	<u>6,709,097</u>
Net assets at the end of the year	<u>\$ 5,658,164</u>	<u>\$ 694,240</u>	<u>\$ 1,331,121</u>	<u>\$ 7,683,525</u>

See notes to consolidated financial statements.

THE PENNSYLVANIA STATE UNIVERSITY
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013
(in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenues and other support:				
Tuition and fees, net of discounts of \$127,987	\$ 1,548,974	\$ -	\$ -	\$ 1,548,974
Commonwealth of Pennsylvania -				
Appropriations	272,431	-	-	272,431
Special contracts	65,712	-	-	65,712
Department of General Services projects	49,890	-	-	49,890
United States Government grants and contracts	503,517	-	-	503,517
Private grants and contracts	182,661	-	-	182,661
Gifts and pledges	74,454	16,827	-	91,281
Endowment spending	71,459	-	-	71,459
Other investment income	100,094	592	-	100,686
Sales and services of educational activities	66,054	-	-	66,054
Recovery of indirect costs	153,662	-	-	153,662
Auxiliary enterprises	378,290	-	-	378,290
Medical Center revenue	1,372,500	-	-	1,372,500
Other sources	15,998	-	-	15,998
Net assets released from restrictions	<u>76,783</u>	<u>(76,783)</u>	<u>-</u>	<u>-</u>
Total operating revenues and other support	<u>4,932,479</u>	<u>(59,364)</u>	<u>-</u>	<u>4,873,115</u>
Operating expenses:				
Educational and general -				
Instruction	1,129,431	-	-	1,129,431
Research	806,333	-	-	806,333
Public service	82,221	-	-	82,221
Academic support	327,327	-	-	327,327
Student services	167,061	-	-	167,061
Institutional support	<u>376,602</u>	<u>-</u>	<u>-</u>	<u>376,602</u>
Total educational and general	2,888,975	-	-	2,888,975
Auxiliary enterprises	347,606	-	-	347,606
Medical Center expense	<u>1,232,710</u>	<u>-</u>	<u>-</u>	<u>1,232,710</u>
Total operating expenses	<u>4,469,291</u>	<u>-</u>	<u>-</u>	<u>4,469,291</u>
Increase/(decrease) in net assets from operating activities	463,188	(59,364)	-	403,824
Nonoperating activities:				
Gifts and pledges	-	-	68,521	68,521
Current year investment returns	56,633	62,315	8,103	127,051
Endowment appreciation utilized	(35,180)	-	-	(35,180)
Changes in funds held by others in perpetuity	-	424	353	777
Write-offs and disposals of assets	(2,000)	-	-	(2,000)
Nonperiodic change in postretirement benefit plan	283,416	-	-	283,416
Actuarial adjustment on annuities payable	<u>-</u>	<u>(1,208)</u>	<u>(3,159)</u>	<u>(4,367)</u>
Increase in net assets from nonoperating activities	<u>302,869</u>	<u>61,531</u>	<u>73,818</u>	<u>438,218</u>
Increase in net assets - The Pennsylvania State University	766,057	2,167	73,818	842,042
Noncontrolling interest:				
Excess of revenues over expenses	<u>57</u>	<u>-</u>	<u>-</u>	<u>57</u>
Increase in net assets noncontrolling interest	<u>57</u>	<u>-</u>	<u>-</u>	<u>57</u>
Increase in total net assets	766,114	2,167	73,818	842,099
Net assets at the beginning of the year	<u>4,240,426</u>	<u>482,208</u>	<u>1,144,364</u>	<u>5,866,998</u>
Net assets at the end of the year	<u>\$ 5,006,540</u>	<u>\$ 484,375</u>	<u>\$ 1,218,182</u>	<u>\$ 6,709,097</u>

See notes to consolidated financial statements.

THE PENNSYLVANIA STATE UNIVERSITY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013
(in thousands)

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Cash flows from operating activities:		
Increase in net assets	\$ 974,428	\$ 842,099
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Actuarial adjustment on annuities payable	14,519	4,366
Contributions restricted for long-term investment	(115,854)	(100,126)
Interest and dividends restricted for long-term investment	(60,684)	(61,553)
Net realized and unrealized gains on long-term investments	(512,770)	(132,907)
Depreciation expense	275,369	251,407
Amortization expense	536	480
(Gain)/loss on early extinguishment of debt	25	(213)
Write-offs and disposals of assets	4,693	16,000
Contributions of land, buildings and equipment	(27,089)	(14,821)
Buildings and equipment provided by Pennsylvania Department of General Services	(222)	(1,293)
Contribution to government student loan funds	431	154
Provision for bad debts	54,115	49,433
Increase in deposits held for others	(12,848)	(40,601)
Increase in receivables	(132,791)	(90,238)
Increase in inventories	(4,013)	(503)
(Increase)/decrease in prepaid expenses and other assets	(5,725)	14,598
(Decrease)/increase in accounts payable and other accrued expenses	(68,638)	80,820
Increase in deferred revenue	1,184	18,564
Increase/(decrease) in accrued postretirement benefits	<u>205,365</u>	<u>(169,858)</u>
Net cash provided by operating activities	<u>590,031</u>	<u>665,808</u>
Cash flows from investing activities:		
Purchase of land, buildings and equipment	(450,139)	(434,933)
Advances on student loans	(11,013)	(9,836)
Collections on student loans	8,983	8,320
Proceeds from sale of donated financial assets	159	-
Purchase of investments	(39,148,432)	(40,907,840)
Proceeds from sale of investments	<u>38,919,400</u>	<u>40,068,438</u>
Net cash used in investing activities	<u>(681,042)</u>	<u>(1,275,851)</u>
Cash flows from financing activities:		
Contributions restricted for long-term investment	115,854	100,126
Interest and dividends restricted for long-term investment	60,684	61,553
Payments of annuity obligations	(5,620)	(5,297)
Proceeds from notes payable	10,000	-
Principal payments on notes, bonds and capital leases	(45,322)	(163,604)
Proceeds related to government student loan funds, net of collection costs	<u>688</u>	<u>658</u>
Net cash provided by/(used in) financing activities	<u>136,284</u>	<u>(6,564)</u>
Net increase/(decrease) in cash and cash equivalents	45,273	(616,607)
Cash and cash equivalents at the beginning of the year	<u>983,256</u>	<u>1,599,863</u>
Cash and cash equivalents at the end of the year	<u>\$ 1,028,529</u>	<u>\$ 983,256</u>

Supplemental disclosures of cash flow information (Note 2)

See notes to consolidated financial statements.

THE PENNSYLVANIA STATE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

1. THE UNIVERSITY AND RELATED ENTITIES

The Pennsylvania State University (“the University”), which was created as an instrumentality of the Commonwealth of Pennsylvania (“the Commonwealth” or “Pennsylvania”), is organized as a non-profit corporation under the laws of the Commonwealth. As Pennsylvania’s land grant university, the University is committed to improving the lives of the people of Pennsylvania, the nation and the world through its integrated, tri-part mission of high-quality teaching, research and outreach.

Basis of Presentation

The financial statements of the University include, on a consolidated basis, the combined financial statements of The Milton S. Hershey Medical Center (“TMSHMC” or “Medical Center”), a not-for-profit corporation and Penn State Hershey Health System, Inc. (“Health System”) and The Corporation for Penn State and its subsidiaries (“the Corporation”). See Note 11 for additional information about TMSHMC and the Health System. The Corporation is a non-profit member corporation organized in 1985 for the exclusive purpose of benefiting and promoting the interests of the University, the Corporation’s sole member. The Corporation’s financial statements consist primarily of the assets and revenues of The Pennsylvania College of Technology (“Penn College”), a wholly-owned subsidiary of the Corporation. All significant transactions between the University, TMSHMC and the Corporation have been eliminated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The University’s consolidated financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). The Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) is the source of authoritative GAAP.

The University’s consolidated financial statements include statements of financial position, activities and cash flows. In accordance with FASB ASC requirements, net assets and the changes in net assets are classified as permanently restricted, temporarily restricted or unrestricted.

Permanently restricted net assets consist primarily of the historical amounts of endowed gifts. Additionally, contributions receivable and remainder interests, which are required by donors to be permanently retained, are included at their estimated net present values.

Temporarily restricted net assets consist of contributions receivable and remainder interests whose ultimate use is not permanently restricted. In addition, the excess of current market value over the historical cost of permanently restricted endowments is classified as temporarily restricted net assets.

Unrestricted net assets are all the remaining net assets of the University. Net unrealized losses on permanently restricted endowment funds for which historical cost exceeds market value are recorded as a reduction to unrestricted net assets.

Revenue from temporarily restricted sources is reclassified as unrestricted revenue when the circumstances of the restriction have been fulfilled. Donor-restricted revenues whose restrictions are met within the same fiscal year are reported as unrestricted income.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts on the financial statements and the disclosure of contingencies and commitments. Actual results could differ from those estimates.

Revenue Recognition

Tuition revenue is recognized in the fiscal year in which the substantial portion of the educational term occurs. Institutional financial aid provided by the University for tuition and fees is reflected as a reduction of tuition and fee revenue. Revenues for auxiliary enterprises are recognized as the related goods and services are delivered and rendered. Grant revenues are recognized as the eligible grant activities are conducted. Payments received in advance for tuition, goods and services are deferred.

Unconditional promises to give are recognized as revenues and receivables in the year made and consist of written or oral promises to contribute to the University in the future. Contributions receivable are recorded with the revenue assigned to the appropriate category of restriction. The amounts are present valued based on timing of expected collections.

TMSHMC and Health System have agreements with third-party payors that provide for payments to TMSHMC and Health System at amounts different from their established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. In addition, net patient service revenue is net of provision for bad debts of \$50.1 million and \$43.6 million for the years ended June 30, 2014 and 2013, respectively. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined or such estimates change.

TMSHMC provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than established rates. The Medical Center does not pursue collection of amounts determined to qualify as charity care; they are not reported as net patient service revenue. The amounts of direct and indirect costs for services and supplies furnished under the Medical Center's charity care policy totaled approximately \$20.2 million and \$20.0 million for the years ended June 30, 2014 and 2013, respectively, and is based on a ratio of the Medical Center's operational costs to its gross charges. The amount of charges foregone for services and supplies furnished under the Medical Center's charity policy during 2014 and 2013 totaled approximately \$56.3 million and \$54.9 million, respectively.

Fair Value of Financial Instruments

The University has provided fair value estimates for certain financial instruments in the notes to the financial statements. Fair value information presented in the financial statements is based on information available at June 30, 2014 and 2013. The carrying amounts of cash and cash equivalents, accounts receivable and accounts payable and other accrued expenses approximate fair value because of the terms and relatively short maturity of these financial instruments. The carrying values of the University's loans to students are also reasonable estimates of their fair value, as the total outstanding loans to students as of June 30, 2014 and 2013 have been made at the rates available to students for similar loans at such times. Investments are reported at fair value as disclosed in Note 3. The fair value of the University's bonds payable is disclosed in Note 7. See Note 5 for further discussion of fair value measurements.

Cash Flows

The following items are included as supplemental disclosure to the statements of cash flows for the years ended June 30:

<i>(in thousands of dollars)</i>	<u>2014</u>	<u>2013</u>
Interest paid	\$ 44,673	\$ 46,798
Non-cash acquisitions of land, buildings and equipment	38,470	32,723

Capitalized costs accrued related to construction are \$46.2 million and \$44.8 million as of June 30, 2014 and 2013, respectively. Taxes paid for 2014 and 2013 are considered immaterial. Cash and cash equivalents include certain investments in highly liquid instruments with initial maturities of 90 days or less, except for such assets held by the University's investment managers as part of their long-term investment strategies. Short-term investments include other current investments held for general operating purposes with maturities greater than three months but less than 12 months.

Accounts Receivable

Accounts receivable, net at June 30 consists of the following:

<i>(in thousands of dollars)</i>	<u>2014</u>	<u>2013</u>
Grants and contracts, net of allowance of \$1,211 and \$1,241	\$ 222,981	\$ 166,963
Patient accounts receivable, net of allowance of \$60,108 and \$54,759	172,104	173,582
Student receivables, net of allowance of \$6,689 and \$6,434	30,946	33,178
Investment and interest receivable	58,765	78,419
Other, net of allowance of \$4,949 and \$4,540	42,417	40,262
Total accounts receivable, net	<u>\$ 527,213</u>	<u>\$ 492,404</u>

The University maintains allowances for doubtful accounts to reflect management's best estimate of probable losses inherent in receivable balances. Management determines the allowances for doubtful accounts based on known factors, historical experience, and other currently available evidence. Receivables are written off when management determines they will not be collected.

Related to patient accounts receivable associated with services provided to patients who have third-party coverage, management analyzes contractually due amounts and provides an allowance for doubtful accounts (for example, for expected uncollectible deductibles and copayments or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables from self-pay patients the Medical Center and Health System records a provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. In estimating the allowance for doubtful accounts, account age is taken into consideration. The difference between the standard rates (or the discounted rates if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts.

Loans to Students

Loans to students are disbursed to qualified students based on need and include loans granted by the University from institutional resources and under federal government loan programs. Students have a grace period until repayment is required based upon the earlier of graduation or no longer achieving at least half-time enrollment status. The grace period varies depending on the type of loan. Loans accrue interest after the grace period and are repaid directly to the University. Loans to students are uncollateralized and carry default risk. At June 30, 2014 and 2013, student loans represent 0.5% and 0.6% of total assets, respectively.

The availability of funds for loans under federal government revolving loan programs is dependent on reimbursements to the pool from repayments of outstanding loans. Funds advanced by the federal government of \$46.3 million and \$45.3 million at June 30, 2014 and 2013, respectively, are ultimately refundable to the government and are classified as liabilities in the consolidated statements of financial position. Outstanding loans cancelled under the program result in a reduction of the funds available to loan and a decrease in the liability to the federal government.

At June 30, 2014 and 2013, loans to students consisted of the following:

<i>(in thousands of dollars)</i>	<u>2014</u>	<u>2013</u>
Loans to students:		
Federal government loan programs:		
Perkins loan program	\$ 44,337	\$ 42,789
Health Professions Student Loans and Loans for Disadvantaged Students	<u>117</u>	<u>197</u>
Federal government loan programs	44,454	42,986
Institutional loan programs	<u>19,066</u>	<u>18,939</u>
	63,520	61,925
Less allowance for doubtful accounts:		
Balance, beginning of year	(3,081)	(2,733)
Provision for doubtful accounts	<u>378</u>	<u>(348)</u>
Balance, end of year	<u>(2,703)</u>	<u>(3,081)</u>
Loans to students, net	<u>\$ 60,817</u>	<u>\$ 58,844</u>

Allowances for doubtful accounts are established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts according to the terms of the loan. Further, the University does not evaluate credit quality of student loans receivable after the initial approval of the loan. Loans to students are considered past due when payment is not received by the due date, and interest continues to accrue until the loan is paid in full or written off. When loans to students are deemed uncollectible, an allowance for doubtful accounts is established.

The University considers the age of the amounts outstanding in determining the collectability of loans to students. The aging of the loans to students based on days delinquent and the related allowance for doubtful accounts at June 30, 2014 and 2013 are as follows:

	<i>(in thousands of dollars)</i>				
<u>2014</u>	<u>30 days or less</u>	<u>31-60 days</u>	<u>61-90 days</u>	<u>Over 91 days</u>	<u>Total</u>
Loans to students:					
Federal government loan programs	\$ 42,955	\$ 705	\$ 64	\$ 730	\$ 44,454
Institutional loan programs	<u>18,271</u>	<u>239</u>	<u>34</u>	<u>522</u>	<u>19,066</u>
Total loans to students	<u>61,226</u>	<u>944</u>	<u>98</u>	<u>1,252</u>	<u>63,520</u>
Allowance for doubtful accounts:					
Federal government loan programs					(1,297)
Institutional loan programs					<u>(1,406)</u>
Total allowance for doubtful accounts					<u>(2,703)</u>
Total loans to students, net					<u>\$ 60,817</u>

	<i>(in thousands of dollars)</i>				
2013	<u>30 days or less</u>	<u>31-60 days</u>	<u>61-90 days</u>	<u>Over 91 days</u>	<u>Total</u>
Loans to students:					
Federal government loan programs	\$ 41,367	\$ 656	\$ 86	\$ 877	\$ 42,986
Institutional loan programs	<u>18,310</u>	<u>280</u>	<u>23</u>	<u>326</u>	<u>18,939</u>
Total loans to students	<u>59,677</u>	<u>936</u>	<u>109</u>	<u>1,203</u>	<u>61,925</u>
Allowance for doubtful accounts:					
Federal government loan programs					(1,432)
Institutional loan programs					<u>(1,649)</u>
Total allowance for doubtful accounts					<u>(3,081)</u>
Total loans to students, net					<u>\$ 58,844</u>

Inventories

Inventories are stated at the lower of cost or market, generally on the first-in, first-out basis.

Investments

The University's noncurrent investments represent the University's endowment and other investments held for general operating purposes. The University's investments are reported at fair value in the accompanying financial statements. Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair values with gains and losses included in the consolidated statements of activities. In the management of investments, the University authorizes certain investment managers to purchase derivative securities to attain a desired market position; and the University may directly invest in derivative securities to attain a desired market position. The University does not trade or issue derivative financial instruments other than through the investment management practices noted above. The University records derivative securities at fair value with gains and losses reflected in the consolidated statements of activities.

The estimated fair value amounts for marketable debt, equity and fixed income securities held by the University have been reviewed by the University and determined using available market information as supplied by the various financial institutions that act as trustees or custodians for the University. For non-liquid holdings, generally limited partnership investments in private real estate, venture capital, private equity, natural resources, and private debt, estimated fair value is determined based upon financial information provided by the general partner. This financial information includes assumptions and methods that were reviewed by University management. The University believes that the estimated fair value is a reasonable estimate of market value as of June 30, 2014 and 2013. Because the limited partnerships are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market existed, and such differences could be material.

Income on operating investments and income used for the annual distribution under the annual spending policy for endowments are reported in operating revenues within the consolidated statement of activities.

Beneficial Interest in Perpetual Trusts

The University is the beneficiary of certain perpetual trusts held and administered by outside trustees. The fair value of these trust assets has been recorded as permanently restricted net assets and related beneficial interest in perpetual trusts in the consolidated financial statements.

Investment in Plant

Total investment in plant as of June 30 is comprised of the following:

<i>(in thousands of dollars)</i>	<u>2014</u>	<u>2013</u>
Land	\$ 123,532	\$ 116,050
Buildings	5,354,902	5,043,463
Improvements other than buildings	587,492	559,877
Equipment	<u>1,186,744</u>	<u>1,100,431</u>
Total plant	7,252,670	6,819,821
Less accumulated depreciation	<u>(3,308,418)</u>	<u>(3,089,057)</u>
Total investment in plant, net	<u>\$ 3,944,252</u>	<u>\$ 3,730,764</u>

The value of land, buildings, and equipment is recorded at cost or, if received as gifts, at fair value at date of gift. The University does not capitalize the cost of library books. Depreciation is computed over the estimated useful lives of the assets using the straight-line method. Useful lives range from 4 to 50 years for buildings, 10 to 20 years for improvements other than buildings, and 1 to 20 years for equipment. Depreciation expense was \$275.4 million and \$251.4 million for the fiscal years ended June 30, 2014 and 2013, respectively. The University has certain building and equipment lease agreements in effect which are considered capital leases that are included as long-term debt in the statements of financial position. These leases have been capitalized at the lower of fair market value or net present value of the minimum lease payments. Buildings and equipment held under capital leases are amortized on a straight-line basis over the shorter of the lease term or the estimated useful life of the asset. The capitalized cost and accumulated depreciation of the leases at June 30, 2014 and 2013 was \$127.9 million and \$42.5 million, and \$135.5 million and \$41.8 million, respectively.

Accounts Payable and Other Accrued Expenses

Accounts payable and other accrued expenses at June 30 consist of the following:

<i>(in thousands of dollars)</i>	<u>2014</u>	<u>2013</u>
Accounts payable (non-Medical Center)	\$ 231,910	\$ 366,637
Medical Center accounts payable and other accrued expenses	186,570	187,667
Accrued payroll and other related liabilities	89,851	87,300
Accrued bond interest	13,093	13,674
Student deposits	<u>5,391</u>	<u>4,818</u>
Total accounts payable and other accrued expenses	<u>\$ 526,815</u>	<u>\$ 660,096</u>

Impairment of Long-Lived Assets

Long-lived assets, which include investment in plant and definite-lived intangible assets, are assessed for impairment whenever events or changes in circumstances indicate the carrying amount of the asset may not be recoverable. An impairment loss is recognized in change in net assets in the period that the impairment occurs.

Asset Retirement Obligations

Under ASC 410-20, *Asset Retirement and Environmental Obligations – Asset Retirement Obligations*, organizations must accrue for costs related to legal obligations to perform certain activities in connection with retirement, disposal, or abandonment of assets. The obligation to perform the asset retirement activity is not conditional even though the timing or method may be conditional.

The University has identified asbestos abatement and the decommissioning of the Breazeale Nuclear Reactor as conditional asset retirement obligations. These obligations are reported as part of other noncurrent liabilities within the consolidated statement of financial position. The following table details the change in liabilities for the years ended June 30:

	<i>(in thousands of dollars)</i>
Balance as of June 30, 2012	\$ 61,934
Accretion expense	7,651
Liabilities settled	<u>(4,293)</u>
Balance as of June 30, 2013	65,292
Accretion expense	5,229
Liabilities settled	<u>(4,188)</u>
Balance as of June 30, 2014	<u>\$ 66,333</u>

Annuities Payable

Annuities payable consist of annuity payments currently due and the actuarial amount of annuities payable. The actuarial amount of annuities payable is the present value of the aggregate liability for annuity payments over the expected lives of the beneficiaries.

Income Taxes

The University files U.S. federal and state tax returns. The statute of limitations on the University's federal returns generally remains open for three years following the year they are filed. In accordance with ASC 740 Income Taxes Topic, the University continues to evaluate tax positions and has determined there is no material impact on the University financial statements.

Recent Accounting Pronouncements

In October 2012, the FASB issued ASU 2012-05, "*Statement of Cash Flows (Topic 230): Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows.*" This guidance provides clarification on how entities classify cash receipts arising from the sale of certain donated financial assets in the statement of cash flows. This guidance is effective for the University beginning July 1, 2013. The adoption of this guidance did not have a material impact on its consolidated statement of cash flows.

In January 2013, the FASB issued ASU 2013-01, "*Clarifying the Scope of Disclosures About Offsetting Assets and Liabilities.*" This guidance provides clarification on the scope of the offsetting disclosure requirements in ASU 2011-11. This guidance is effective for the University beginning July 1, 2013. The adoption of this guidance did not have a material impact on its consolidated financial statements.

In February 2013, the FASB issued ASU 2013-04, "*Obligations Resulting From Joint and Several Liability Arrangements for Which the Total Amount of the Obligation is Fixed at the Reporting Date.*" This guidance requires entities to measure obligations resulting from the joint and several liability arrangements for which the total amount of the obligation within the scope of this guidance is fixed at the reporting date. This guidance is effective for the University beginning July 1, 2014 with early adoption permitted. The University has not yet evaluated the impact this guidance may have on its consolidated financial statements.

In April 2013, the FASB issued ASU 2013-06, "*Services Received from Personnel of an Affiliate.*" This update specifies guidance for not-for-profit entities to apply in recognizing and measuring services received from personnel of an affiliate. This guidance is effective for the University beginning after June 15, 2014 with early adoption permitted. The University has not yet evaluated the impact this guidance may have on its consolidated financial statements.

3. INVESTMENTS

Investments by major category as of June 30 are summarized as follows:

<i>(in thousands of dollars)</i>	<u>2014</u>	<u>2013</u>
Money markets	\$ 213,878	\$ 371,987
Fixed income:		
U.S. government/agency	1,190,248	1,174,609
U.S. corporate	803,990	706,291
Foreign	408,364	372,515
Other	169,962	146,617
Equities	1,742,632	1,342,487
Private capital	<u>1,155,812</u>	<u>902,728</u>
Total	<u>\$ 5,684,886</u>	<u>\$ 5,017,234</u>

Other fixed income investments consist of collateralized mortgage obligations, mortgage-backed securities and asset-backed securities. Equity investments are comprised of domestic and foreign common stocks. Private capital consists primarily of interests in private real estate, venture capital, private equity, natural resources, private debt, commodities and hedge fund limited partnerships.

Futures contracts, which are fully cash collateralized, comprise the University's directly held derivative instruments at June 30, 2014 and 2013, respectively, are marked to market daily and are included in the fair value of the University's investments. The fair value of derivative instruments is included in the fair value of the University's investments within the money market category. Futures contracts have minimal credit risk because the counterparties are the exchanges themselves. Fully cash collateralized derivative securities comprised \$172.8 million, 3.0% of total investments, and \$270.5 million, 5.4% of total investments at June 30, 2014 and 2013, respectively. The University's derivatives consist of S&P 500 and Treasury futures and are employed as a low cost, passive investment vehicle with daily liquidity which allows the University to maintain desired market exposure in light of irregular cash flows.

The following schedules summarize the investment return and its classification in the consolidated statement of activities for the years ended June 30:

<i>(in thousands of dollars)</i>	<u>2014</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Dividends and interest	\$ 141,655	\$ 141,655	\$ 674	\$ 9,087	\$ 151,416
Net realized gains	45,538	45,538	28,535	-	74,073
Net unrealized gains	<u>233,679</u>	<u>233,679</u>	<u>165,280</u>	<u>-</u>	<u>398,959</u>
Total returns	<u>\$ 420,872</u>	<u>\$ 420,872</u>	<u>\$ 194,489</u>	<u>\$ 9,087</u>	<u>\$ 624,448</u>

<i>(in thousands of dollars)</i>	<u>2013</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Dividends and interest	\$ 136,373	\$ 136,373	\$ 592	\$ 8,103	\$ 145,068
Net realized gains	38,563	38,563	21,898	-	60,461
Net unrealized gains	<u>18,070</u>	<u>18,070</u>	<u>40,417</u>	<u>-</u>	<u>58,487</u>
Total returns	<u>\$ 193,006</u>	<u>\$ 193,006</u>	<u>\$ 62,907</u>	<u>\$ 8,103</u>	<u>\$ 264,016</u>

4. ENDOWMENT NET ASSETS

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

The ASC Not-for-Profit Entities Presentation of Financial Statements Subtopic (ASC Subtopic 958-205) provides guidance on the net asset classification of donor-restricted endowment funds for not-for-profit organizations subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") and improves disclosure about an organization's endowment funds regardless of whether the organization is subject to UPMIFA. The Commonwealth of Pennsylvania has not adopted UPMIFA but rather has enacted Pennsylvania Act 141 ("PA Act 141"). PA Act 141 permits an organization's trustees to define income as a stipulated percentage of endowment assets (between 2% and 7% of the fair value of the assets averaged over a period of at least three preceding years) without regard to actual interest, dividend, or realized and unrealized gains.

The University has interpreted PA Act 141 to permit the University to spend the earnings of its endowment based on a total return approach, without regard to the fair value of the original gift. As a result of this interpretation, the University classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment, and 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. Funds functioning as endowments are established at the direction of University management and are classified as unrestricted net assets due to the lack of external donor restrictions. Gains and losses attributable to permanent endowments are recorded as temporarily restricted net assets and gains and losses attributable to funds functioning as endowments are recorded as unrestricted net assets.

From time to time, due to unfavorable market fluctuations, the fair value of some assets associated with individual donor-restricted endowment funds may fall below the level that donors require to be retained as a perpetual fund, while other assets are unaffected to the same extent and maintain or exceed the level required. The aggregate amount of deficiencies at June 30, 2014 and 2013 was \$1.0 million and \$2.5 million, respectively, reported in unrestricted net assets on the consolidated statement of activities. Subsequent investment gains will be used to restore the balance up to the fair market value of the original gift. Subsequent gains above that amount will be recorded as temporarily restricted net assets.

Endowment net asset composition by type of fund as of June 30:

<i>(in thousands of dollars)</i>		<u>Temporarily</u>	<u>Permanently</u>	
<u>2014</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (959)	\$ 521,680	\$ 1,146,955	\$ 1,667,676
Funds functioning as endowments	<u>596,738</u>	<u>-</u>	<u>-</u>	<u>596,738</u>
Total net assets	<u>\$ 595,779</u>	<u>\$ 521,680</u>	<u>\$ 1,146,955</u>	<u>\$ 2,264,414</u>

<i>(in thousands of dollars)</i>		<u>Temporarily</u>	<u>Permanently</u>	
<u>2013</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (2,530)	\$ 338,970	\$ 1,067,081	\$ 1,403,521
Funds functioning as endowments	<u>520,622</u>	<u>-</u>	<u>-</u>	<u>520,622</u>
Total net assets	<u>\$ 518,092</u>	<u>\$ 338,970</u>	<u>\$ 1,067,081</u>	<u>\$ 1,924,143</u>

Changes in endowment net assets for the years ended June 30:

<i>(in thousands of dollars)</i>				
<u>2014</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of the year	\$ 518,092	\$ 338,970	\$ 1,067,081	\$ 1,924,143
Endowment return:				
Endowment earnings	28,306	20	3,054	31,380
Net realized gains	47,077	28,374	-	75,451
Net unrealized gains	63,399	155,123	-	218,522
Reclassification of funds with deficiencies	<u>1,571</u>	<u>(1,571)</u>	<u>-</u>	<u>-</u>
Total endowment return	<u>140,353</u>	<u>181,946</u>	<u>3,054</u>	<u>325,353</u>
Contributions	-	764	76,820	77,584
Endowment spending	(75,383)	-	-	(75,383)
Transfers to create funds functioning as endowments	<u>12,717</u>	<u>-</u>	<u>-</u>	<u>12,717</u>
Endowment net assets, end of the year	<u>\$ 595,779</u>	<u>\$ 521,680</u>	<u>\$ 1,146,955</u>	<u>\$ 2,264,414</u>
 <i>(in thousands of dollars)</i>				
<u>2013</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of the year	\$ 486,802	\$ 284,539	\$ 1,001,580	\$ 1,772,921
Endowment return:				
Endowment earnings	36,279	80	3,605	39,964
Net realized gains	35,180	21,351	-	56,531
Net unrealized losses	20,830	34,900	-	55,730
Reclassification of funds with deficiencies	<u>2,405</u>	<u>(2,405)</u>	<u>-</u>	<u>-</u>
Total endowment return	<u>94,694</u>	<u>53,926</u>	<u>3,605</u>	<u>152,225</u>
Contributions	-	505	61,896	62,401
Endowment spending	(71,459)	-	-	(71,459)
Transfers to create funds functioning as endowments	<u>8,055</u>	<u>-</u>	<u>-</u>	<u>8,055</u>
Endowment net assets, end of the year	<u>\$ 518,092</u>	<u>\$ 338,970</u>	<u>\$ 1,067,081</u>	<u>\$ 1,924,143</u>

The University has adopted investment and spending policies for endowment assets that attempt to provide a relatively predictable stream of funding to programs supported by its endowment while seeking to maintain, over time, the purchasing power of the endowment assets. The overall management objective for the University's pooled endowment funds is to preserve or grow the real (inflation-adjusted) purchasing power of the assets through a prudent long-term investment strategy. This objective would be achieved on a total return basis. Under these policies, as approved by the Board of Trustees and the Penn State Investment Council, the primary investment objective of the University's pooled endowment is to attain a real total return (net of investment management fees) that at least equals a total annual effective spending rate of 5.25% (program spending of 4.5% plus administrative costs of 0.75%) over the long term.

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 (realized and unrealized) and current yield (interest and dividends). The University targets diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints. The endowment assets of the University are invested in a broad range of equities and fixed income securities, thereby limiting the market risk exposure in any one institution or individual investment.

The University has a policy of appropriating for distribution each year a certain percentage (4.5% for 2014 and 2013) of its pooled endowment fund's average fair market value over the prior five years preceding the

fiscal year in which the distribution is planned. Accordingly, over the long term, the University expects the current spending policy to allow its endowment to provide generous current spending while preserving “intergenerational equity”. This is consistent with the University’s objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment returns.

5. FAIR VALUE MEASUREMENTS

The University utilizes the following fair value hierarchy, which prioritizes into three broad levels, the inputs to valuation techniques used to measure fair value:

Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets as of the measurement date. Such instruments valued at Level 1, primarily consist of securities that are directly held and actively traded in public markets.

Level 2 – Inputs other than unadjusted quoted prices that are observable for the asset or liability, directly or indirectly, including quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived from observable market data by correlation or other means. Level 2 measures include University interests in certain debt instruments and commingled investment funds which NAV is used as a practical expedient. These funds are redeemable at NAV as of the measurement date, generally within 90 days.

Level 3 – Unobservable inputs that cannot be corroborated by observable market data. Level 3 instruments primarily consist of investment funds for which NAV is used as a practical expedient. The University does not have the ability to redeem the funds at NAV as of the measurement date.

In instances in which the inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The University’s assessment of significance of a particular item to the fair value measurement in its entirety requires judgment, including consideration of inputs specific to the asset.

The following table presents information as of June 30, 2014 about the University's financial assets and liabilities that are measured at fair value on a recurring basis:

<i>(in thousands of dollars)</i>	Quoted Prices in Active Markets For Identical Assets <u>Level 1</u>	Significant Other Observable Inputs <u>Level 2</u>	Significant Unobservable Inputs <u>Level 3</u>	Total <u>Fair Value</u>
Assets:				
Long-term Investment Pool:				
Money markets	\$ 48,692	\$ 160,388	\$ -	\$ 209,080
Fixed income				
U.S. government/agency	85,285	24,447	-	109,732
U.S. corporate	-	96,171	-	96,171
Foreign	64,007	187,203	-	251,210
Other	-	9,679	-	9,679
Equities	906,248	588,246	121,186	1,615,680
Private capital	-	397,295	751,380	1,148,675
Total	<u>\$ 1,104,232</u>	<u>\$ 1,463,429</u>	<u>\$ 872,566</u>	<u>\$ 3,440,227</u>
Operating investments:				
Money markets	\$ 4,592	\$ 206	\$ -	\$ 4,798
Fixed income				
U.S. government/agency	646,086	434,286	144	1,080,516
U.S. corporate	44,646	663,173	-	707,819
Foreign	8,070	149,084	-	157,154
Other	10,627	146,451	3,205	160,283
Equities	124,989	-	1,963	126,952
Private capital	-	-	7,137	7,137
Total	<u>\$ 839,010</u>	<u>\$ 1,393,200</u>	<u>\$ 12,449</u>	<u>\$ 2,244,659</u>
Deposits held by bond trustees:				
Fixed income				
U.S. government/agency	\$ -	\$ 2,551	-	\$ 2,551
Total	<u>\$ -</u>	<u>\$ 2,551</u>	<u>\$ -</u>	<u>\$ 2,551</u>
Beneficial interest in perpetual trusts	\$ -	\$ -	\$ 15,498	\$ 15,498
Liabilities:				
Present value of annuities payable	\$ -	\$ -	\$ 51,151	\$ 51,151

The following table presents information as of June 30, 2013 about the University's financial assets and liabilities that are measured at fair value on a recurring basis:

<i>(in thousands of dollars)</i>	Quoted Prices in Active Markets For Identical Assets <u>Level 1</u>	Significant Other Observable Inputs <u>Level 2</u>	Significant Unobservable Inputs <u>Level 3</u>	Total <u>Fair Value</u>
Assets:				
Long-term Investment Pool:				
Money markets	\$ 86,754	\$ 261,667	\$ -	\$ 348,421
Fixed income				
U.S. government/agency	84,168	29,967	-	114,135
U.S. corporate	4,229	83,480	-	87,709
Foreign	60,260	174,985	-	235,245
Other	-	8,913	-	8,913
Equities	822,353	373,406	63,157	1,258,916
Private capital	-	307,741	588,922	896,663
Total	<u>\$ 1,057,764</u>	<u>\$ 1,240,159</u>	<u>\$ 652,079</u>	<u>\$ 2,950,002</u>
Operating investments:				
Money markets	\$ 23,360	\$ 206	\$ -	\$ 23,566
Fixed income				
U.S. government/agency	574,415	485,921	138	1,060,474
U.S. corporate	-	618,582	-	618,582
Foreign	-	137,270	-	137,270
Other	-	134,890	2,814	137,704
Equities	81,470	798	1,303	83,571
Private capital	-	-	6,065	6,065
Total	<u>\$ 679,245</u>	<u>\$ 1,377,667</u>	<u>\$ 10,320</u>	<u>\$ 2,067,232</u>
Deposits held by bond trustees:				
Fixed income				
U.S. government/agency	\$ -	\$ 2,551	-	\$ 2,551
Total	<u>\$ -</u>	<u>\$ 2,551</u>	<u>\$ -</u>	<u>\$ 2,551</u>
Beneficial interest in perpetual trusts	\$ -	\$ -	\$ 13,252	\$ 13,252
Liabilities:				
Present value of annuities payable	\$ -	\$ -	\$ 42,255	\$ 42,255

The Long-term Investment Pool (LTIP) is a mutual fund-like vehicle used for investing the University's endowment funds, funds functioning as endowments, and other operating funds that are expected to be held long-term. A share method of accounting for the LTIP is utilized by the University. Each participating fund enters into and withdraws from the LTIP based on monthly share values. At June 30, 2014 and 2013, fair value of endowment funds and funds functioning as endowments within the LTIP totaled \$2,294.6 million and \$1,941.1 million, respectively. At June 30, 2014 and 2013, fair value of operating funds included in the LTIP totaled \$1,145.6 million and \$1,008.9 million, respectively.

The following tables present information related to changes in Level 3 for each category of assets and liabilities for year ended June 30, 2014:

<i>(in thousands of dollars)</i>	<u>Long-term Investment Pool</u>	<u>Operating Investments</u>	<u>Beneficial Interest in Perpetual Trusts</u>
<u>Assets:</u>			
Beginning balance	\$ 652,079	\$ 10,320	\$ 13,252
Total realized and unrealized gains	175,790	1,454	2,035
Purchases	175,566	747	291
Sales	(130,869)	(72)	(80)
Transfers into (out of) Level 3	-	-	-
Ending balance	<u>\$ 872,566</u>	<u>\$ 12,449</u>	<u>\$ 15,498</u>
	<u>Present Value of Annuities Payable</u>		
<u>Liabilities:</u>			
Beginning balance	\$ 42,255		
Actuarial adjustment of liability	(633)		
Gifts	10,135		
Sales	(606)		
Withdrawal from program	-		
Ending balance	<u>\$ 51,151</u>		

The following tables present information related to changes in Level 3 for each category of assets and liabilities for year ended June 30, 2013:

<i>(in thousands of dollars)</i>	<u>Long-term Investment Pool</u>	<u>Operating Investments</u>	<u>Beneficial Interest in Perpetual Trusts</u>
<u>Assets:</u>			
Beginning balance	\$ 607,407	\$ 10,778	\$ 12,891
Total realized and unrealized Gains/(losses)	60,065	(388)	361
Purchases	165,678	75	-
Sales	(135,294)	(145)	-
Transfers into (out of) Level 3	(45,777)	-	-
Ending balance	<u>\$ 652,079</u>	<u>\$ 10,320</u>	<u>\$ 13,252</u>
	<u>Present Value of Annuities Payable</u>		
<u>Liabilities:</u>			
Beginning balance	\$ 43,167		
Actuarial adjustment of liability	4,679		
Gifts	642		
Sales	(6,233)		
Withdrawal from program	-		
Ending balance	<u>\$ 42,255</u>		

For the year ended June 30, 2014, there were no transfers of assets between Level 3 and Level 2. For the year ended June 30, 2013, \$45.8 million of Level 3 assets were transferred to Level 2 as a result of the expiration of lock-up periods for two marketable alternative funds; now these investments may be redeemed within 90 days of June 30.

There were no transfers of investments between Level 1 and Level 2 in 2014 and 2013.

The following table presents the fair value and redemption frequency for those investments whose fair value is not readily determinable and is estimated using the net asset value per share or its equivalent as of June 30, 2014:

<i>(in thousands of dollars)</i>	<u>Fair Value</u>	<u>Unfunded Commitment</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Commingled Funds:				
Non-U.S. Equity	\$ 617,223		Quarterly/ Daily/Monthly	5-90 days
Subtotal	<u>\$ 617,223</u>			
Marketable Investment Partnerships:				
Absolute Return	\$ 17,135		Quarterly	65 days
Distressed Debt	58,506		Quarterly/ Semi Annual	60-90 days
Commodities	106,388		Monthly	30-60 days
Opportunistic	171,103		Quarterly	30 days
Directional Long/Short	<u>62,818</u>		Monthly	30 days
Subtotal	<u>\$ 415,950</u>			
Non-Marketable Investment Partnerships:				
Private Real Estate	\$ 101,360	\$ 45,193		
Venture Capital	213,012	112,579		
Private Equity	248,263	211,614		
Natural Resources	131,240	77,675		
Private Debt	<u>45,987</u>	<u>51,040</u>		
Subtotal	<u>\$ 739,862</u>	<u>\$ 498,101</u>		
Total	<u>\$ 1,773,035</u>	<u>\$ 498,101</u>		

The following table presents the fair value and redemption frequency for those investments whose fair value is not readily determinable and is estimated using the net asset value per share or its equivalent as of June 30, 2013:

<i>(in thousands of dollars)</i>	<u>Fair Value</u>	<u>Unfunded Commitment</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Commingled Funds:				
Non-U.S. Equity	\$ 362,061		Quarterly/ Daily/Monthly	5-90 days
Subtotal	<u>\$ 362,061</u>			
Marketable Investment Partnerships:				
Absolute Return	\$ 20,173		Quarterly	65 days
Distressed Debt	52,152		Quarterly/ Semi Annual	60-90 days
Commodities	84,271		Monthly	30-60 days
Opportunistic	140,181		Quarterly	30 days
Directional Long/Short	<u>27,580</u>		Quarterly	30-90 days
Subtotal	<u>\$ 324,357</u>			
Non-Marketable Investment Partnerships:				
Private Real Estate	\$ 88,567	\$ 19,788		
Venture Capital	144,712	83,095		
Private Equity	234,203	141,606		
Natural Resources	91,306	69,809		
Private Debt	<u>19,583</u>	<u>20,031</u>		
Subtotal	<u>\$ 578,371</u>	<u>\$ 334,329</u>		
Total	<u>\$ 1,264,789</u>	<u>\$ 334,329</u>		

Commingled funds include investments that aggregate assets from multiple investors and are managed collectively following a prescribed strategy. Redemptions vary from daily to quarterly with required notification of 90 days or less. The non-U.S. equity strategy is invested in developed and developing countries outside of the United States, and spans the entire equity capitalization spectrum. These collective portfolios preclude the need to obtain securities registration in foreign countries. One commingled fund has 2 years remaining on a 3-year gate and a second is 50% redeemable in three years. The two make up approximately 12.9% and 6.8%, respectively of commingled portfolio.

Marketable Investment Funds include several hedge funds whose underlying positions are traded via public securities markets. Liquidity terms range from quarterly to annually with advance notification for redemption ranging from 30 to 90 days. The fair values of the investments for each fund in this category have been estimated using the net asset value of the Long Term Investment Pool's (LTIP) share holdings in the fund. Five major investment strategies are included within this category. Absolute Return refers to relative value strategies. Directional refers to equity long/short strategies in both U.S. and non-U.S. markets. Opportunistic refers to global multi-strategy. Distressed Debt refers to securities rated below investment grade, along with non-rated debt. Commodities refer to publicly traded commodity instruments primarily including futures and options.

Nonmarketable Investment Partnerships include limited partnership interests in a variety of illiquid investments. The fair values of the investments for each fund in this category have been estimated using the net asset value of the LTIP's ownership interest in partner's capital and cannot be redeemed. Realizations from each fund are received as the underlying investments are liquidated or distributed, typically within 10 years after initial commitment. Unfunded commitments represent remaining commitments of the LTIP's drawdown funds as of June 30, 2014 and 2013, respectively. Five major investment strategies are included within this category. Private Real Estate includes properties primarily located in the U.S. Venture Capital includes non-public startups and enterprises in early stages of growth located globally. Private Equity includes buyouts of previously public companies as well as enterprises that are planning to go public in the near future, including funds focusing on opportunities outside the U.S. Natural Resources largely include companies primarily involved in oil and natural gas in addition to a variety of other natural resources. Private Debt includes global private credit securities rated below investment grade as well as non-rated debt.

6. CONTRIBUTIONS RECEIVABLE

Contributions receivable are summarized as follows as of June 30:

<i>(in thousands of dollars)</i>	<u>2014</u>	<u>2013</u>
In one year or less	\$ 71,374	\$ 57,002
Between one year and five years	79,253	63,742
More than five years	<u>133,163</u>	<u>119,990</u>
	283,790	240,734
Less allowance	(6,911)	(5,704)
Less discount	<u>(62,415)</u>	<u>(56,893)</u>
Contributions receivable, net	<u>\$ 214,464</u>	<u>\$ 178,137</u>

Contributions receivable are discounted at rates ranging from 0.11% to 2.81% and 0.15% to 2.87% at June 30, 2014 and 2013, respectively. The discount rates for prior periods ranged from 0.15% to 6.28%.

At June 30, 2014 and 2013, the University has received bequest intentions and certain other conditional promises to give of \$98.2 million and \$85.8 million, respectively. These intentions and conditional promises to give are not included in the consolidated financial statements.

The following table summarizes the change in contributions receivable, net during the year ended June 30, 2014:

	<i>(in thousands of dollars)</i>
Balance beginning of year	\$ 178,137
New pledges	115,112
Collections on pledges	(72,056)
Increase in allowance	(1,207)
Increase in unamortized discounts	<u>(5,522)</u>
Balance at the end of year	<u>\$ 214,464</u>

7. LONG-TERM DEBT

The various bond issues and capital lease obligations that are included in long-term debt in the statements of financial position consist of the following at June 30:

<i>(in thousands of dollars)</i>	<u>2014</u>	<u>2013</u>
<u>The Pennsylvania State University Bonds</u>		
Series 2010	\$ 135,035	\$ 135,035
Series 2009A	107,840	114,075
Series 2009B	74,235	74,235
Series 2008A	77,670	77,670
Series 2008B	3,035	3,980
Series 2007A	87,595	88,125
Series 2007B	60,630	63,515
Series 2005	83,650	85,700
Series 2004A	51,475	52,835
Refunding Series 2002	25,960	41,655
<u>Pennsylvania Higher Educational Facilities Authority University Revenue Bonds (issued for The Pennsylvania State University)</u>		
Series 2006	3,335	3,545
Series 2004	3,655	3,905
Series 2002	3,650	4,020
<u>Lycoming County Authority College Revenue Bonds (issued for Penn College)</u>		
Series 2012	24,685	24,685
Series 2011	39,050	39,050
Series 2008	55,000	55,000
Series 2005	10,060	11,085
Series 1993	<u>3,500</u>	<u>5,250</u>
Total bonds payable	850,060	883,365
Unamortized bond premiums	35,273	38,008
<u>Note payable and capital leases</u>		
Note payable	10,000	-
Capital lease obligations	<u>86,155</u>	<u>84,035</u>
Total notes payable and capital leases	<u>96,155</u>	<u>84,035</u>
Total long-term debt	<u>\$ 981,488</u>	<u>\$ 1,005,408</u>

<u>Debt issuance</u>	<u>Interest rate mode</u>	<u>Interest rates</u>	<u>Payment ranges and maturity</u> <i>(in thousands of dollars)</i>
The Pennsylvania State University Bonds			
			\$3,655 to \$6,595 through March 2030 with \$21,805 and \$44,245 due March 2035 and 2040
Series 2010	Fixed	3.375% - 5.00%	
Series 2009A	Fixed	4.00% - 5.00%	\$5,540 to \$9,320 through March 2029
Series 2009B	Variable	0.15%	June 2031
Series 2008A	Fixed	5.00%	\$1,840 to \$7,695 through August 2029
Series 2008B	Fixed	3.50% - 3.75%	\$975 to \$1,050 through August 2016
			\$550 to \$700 through August 2022, with \$11,115 and \$70,905 due August 2028 and 2036
Series 2007A	Fixed	3.70% - 4.50%	
Series 2007B	Fixed	5.00% - 5.25%	\$3,030 to \$5,955 through August 2027
			\$2,150 to \$2,745 through September 2019 with \$15,990, \$20,550, and \$32,485 due September 2024, 2029, and 2035
Series 2005	Fixed	3.75% - 5.00%	
			\$1,425 to \$1,825 through September 2019, with \$10,625, \$13,635, and \$17,515 due September 2024, 2029, and 2034
Series 2004A	Fixed	4.50% - 5.00%	
Refunding Series 2002	Fixed	5.25%	\$4,585 to \$16,540 through August 2016
Pennsylvania Higher Education Facilities Authority ("PHEFA") University Revenue Bonds			
			\$220 to \$280 through 2020, with \$1,610 due September 2025
Series 2006	Fixed	4.10% - 5.125%*	
			\$260 to \$325 through 2019, with \$1,905 due September 2024
Series 2004	Fixed	4.30% - 5.00%*	
			\$385 to \$425 due through 2017, with \$2,435 due March 2022
Series 2002	Fixed	4.40% - 5.00%*	
* Annual interest costs to the University for interest rates greater than 3.00% are subsidized by PHEFA.			
Lycoming County Authority College Revenue Bonds			
Series 2012	Fixed	2.00% - 5.00%	\$410 to \$2,635 through May 2032
Series 2011	Fixed	3.00% - 5.50%	\$70 to \$5,230 through July 2030
Series 2008	Fixed	3.50% - 5.50%	\$1,455 to \$4,140 through October 2037
Series 2005	Fixed	5.00%	\$505 to \$1,855 through January 2025
Series 1993	Fixed	6.15%	\$450 to \$478 through November 2015

The Series 2009B Bonds are currently paying interest on a variable rate basis at a long term rate for the period June 1, 2014 through May 31, 2015. The University has the option to convert to another variable rate (daily, weekly, monthly or flexible) or to a fixed rate basis (such rates are generally determined on a market basis) at respective conversion dates. The bonds currently pay interest at 0.15% with adjustment on the respective date to the rate the remarketing agent believes will cause the bonds to have a market value equal to the principal. The 2009B bondholders have the right to tender bonds on the purchase dates while such bonds bear interest at the daily, weekly or monthly rate. The 2009B Bonds were issued subject to the self-liquidity program established by the University on the date of issuance pursuant to which the University will provide liquidity for the 2009B Bonds from its general funds in the event of insufficient remarketing proceeds.

Maturities and sinking fund requirements on bonds payable for each of the next five fiscal years and thereafter are summarized as follows:

<u>Year</u>	<u>Annual Installments</u> <i>(in thousands of dollars)</i>
2015	\$ 35,330
2016	24,320
2017	28,780
2018	24,455
2019	28,805
Thereafter	<u>708,370</u>
	<u>\$ 850,060</u>

The fair value of the University's bonds payable is estimated based on current rates offered for similar issues with similar security, terms and maturities using available market information as supplied by the various financial institutions who act as trustees or custodians for the University. At June 30, 2014, the carrying value and estimated fair value of the University's bonds payable, including issuance premiums, are \$885.3 million and \$917.8 million, respectively. At June 30, 2013, the carrying value and estimated fair value of the University's bonds payable, including issuance premiums, were \$921.4 million and \$939.4 million, respectively. Certain bond issues have associated issuance premiums, these issuance premiums total \$35.3 million and \$38.0 million at June 30, 2014 and 2013, respectively and are presented within the statement of financial position as long-term debt. These issuance premiums will be amortized over the term of the respective outstanding bonds.

Note payable and capital leases

A \$10 million note payable due annually through June 2024 is included within the consolidated statements of financial position at June 30, 2014. The note payable bears interest at 2.60%.

The University has certain building and equipment lease agreements in effect which are considered capital leases. Future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2014 are as follows:

<u>Year</u>	<i>(in thousands of dollars)</i>
2015	\$ 15,010
2016	13,895
2017	12,888
2018	10,253
2019	8,244
Thereafter	<u>132,232</u>
Total minimum lease payments	192,522
Less imputed interest	<u>(106,367)</u>
Capital lease obligation	86,155
Current portion	<u>9,265</u>
Long-term portion	<u>\$ 76,890</u>

8. OPERATING LEASES

The University has certain lease agreements in effect which are considered operating leases. During the year ended June 30, 2014, the University recorded expenses of \$21.0 million for leased equipment and \$24.7 million for leased building space. During the year ended June 30, 2013, the University recorded expenses of \$22.0 million for leased equipment and \$22.6 million for leased building space.

Future minimum lease payments under operating leases as of June 30, 2014 are as follows:

<u>Year</u>	<i>(in thousands of dollars)</i>
2015	\$ 22,532
2016	16,534
2017	13,149
2018	10,057
2019	8,587
Thereafter	<u>37,490</u>
Total minimum lease payments	<u>\$ 108,349</u>

9. RETIREMENT BENEFITS

The University provides retirement benefits for substantially all regular employees, primarily through either contributory defined benefit plans administered by the Commonwealth of Pennsylvania State Employees' Retirement System and The Public School Employees' Retirement System or defined contribution plans administered by the Teachers Insurance and Annuity Association – College Retirement Equity Fund and Fidelity Investments. The University is billed for its share of the estimated actuarial cost of the defined benefit plans (\$50.9 million and \$35.9 million for the years ended June 30, 2014 and 2013, respectively). The University's total cost for retirement benefits, included in expenses, is \$168.1 million and \$146.6 million for the years ended June 30, 2014 and 2013, respectively.

10. POSTRETIREMENT BENEFITS

The University sponsors a retiree medical plan covering eligible retirees and eligible dependents. This program includes a Preferred Provider Organization ("PPO") plan for retirees and their dependents who are not eligible for Medicare, a Medicare Advantage PPO plan and a Medicare Supplement plan. In addition, the University provides retiree life insurance benefits at no cost to the retiree.

Employees who were hired prior to January 1, 2010 are eligible for medical coverage and life insurance after they retire if either of the following requirements are satisfied:

- they are at least age 60 and have at least 15 years of regular full-time employment and participation in a University-sponsored medical plan immediately preceding the retirement date
- regardless of age, if they have at least 25 years of regular full-time service. The last 10 of those 25 years of University service must be continuous and they must participate in a University -sponsored medical plan during the last 10 years immediately preceding the retirement date.

The retiree PPO medical plan and the life insurance coverage are self-funded programs, and all medical claims, death benefits and other expenses are paid from the unrestricted net assets of the University. The Medicare Advantage PPO plan and the Medicare Supplement plan are fully insured. The retirees pay varying amounts for coverage under the medical plan.

For those employees who were hired after December 31, 2009, the University will contribute funds each month on their behalf to a retirement healthcare savings plan. This plan is designed to help pay for qualified medical and health-related expenses in retirement, including the purchase of a health insurance policy.

Retirees will be eligible to access their Penn State Retirement Savings Account when they are no longer actively employed at Penn State and have satisfied either of the following requirements:

- completed 25 years of continuous full-time service and are age 60 or older
- completed a minimum of 15 years of continuous full-time service and are age 65 or older.

Included in unrestricted net assets at June 30, 2014 and 2013 are the following amounts that have not yet been recognized in net periodic postretirement cost: unrecognized prior service cost (benefit) of (\$64.6) million and (\$86.3) million and unrecognized actuarial loss of \$652.9 million and \$547.6 million, respectively.

The following sets forth the plan's benefit obligation, plan assets and funded status reconciled with the amounts recognized in the University's consolidated statements of financial position at June 30:

Change in benefit obligation:

(in thousands of dollars)

	<u>2014</u>	<u>2013</u>
Benefit obligation at beginning of year	\$ 1,695,041	\$ 1,864,899
Service cost	44,844	56,194
Interest cost	78,696	77,943
Actuarial gain	(88,390)	(95,754)
Benefits paid	(47,661)	(43,840)
Plan assumptions	<u>217,876</u>	<u>(164,401)</u>
Benefit obligation at end of year	<u>\$ 1,900,406</u>	<u>\$ 1,695,041</u>

Change in plan assets:

(in thousands of dollars)

	<u>2014</u>	<u>2013</u>
Fair value of plan assets at beginning of year	\$ -	\$ -
Employer contributions	47,661	43,840
Benefits paid	<u>(47,661)</u>	<u>(43,840)</u>
Fair value of plan assets at end of year	<u>\$ -</u>	<u>\$ -</u>
Funded status	\$ (1,900,406)	\$ (1,695,041)
Unrecognized prior service cost (benefit)	-	-
Unrecognized net actuarial loss	-	-
Accrued postretirement benefit expense	<u>\$ (1,900,406)</u>	<u>\$ (1,695,041)</u>

Net periodic postretirement cost includes the following components for the years ended June 30:

(in thousands of dollars)

	<u>2014</u>	<u>2013</u>
Service cost	\$ 44,844	\$ 56,194
Interest cost	78,696	77,943
Amortization of prior service cost	(21,699)	(21,699)
Amortization of unrecognized net loss	<u>24,200</u>	<u>44,960</u>
Net periodic postretirement cost	<u>\$ 126,041</u>	<u>\$ 157,398</u>

The assumed healthcare cost trend rate used in measuring the accumulated postretirement benefit obligation was 7.50% and 8.00% for the years ended June 30, 2014 and 2013, respectively, reduced by 0.50% per year to a fixed level of 5.00%. The weighted average postretirement benefit obligation discount rate was 4.50% and 5.00% for the years ended June 30, 2014 and 2013, respectively.

If the healthcare cost trend rate assumptions were increased by 1% in each year, the accumulated postretirement benefit obligation would be increased by \$367.2 million and \$318.1 million as of June 30, 2014 and 2013, respectively. The effect of this change on the sum of the service cost and interest cost components of the net periodic postretirement benefit cost would be an increase of \$27.4 million and \$32.3 million as of June 30, 2014 and 2013, respectively. If the healthcare cost trend rate assumptions were decreased by 1% in

each year, the accumulated postretirement benefit obligation would be decreased by \$294.3 million and \$256.6 million as of June 30, 2014 and 2013, respectively. The effect of this change on the sum of the service cost and interest cost components of the net periodic postretirement benefit cost would be a decrease of \$21.0 million and \$24.5 million as of June 30, 2014 and 2013, respectively.

Gains and losses in excess of 10% of the accumulated postretirement benefit obligation are amortized over the average future service to assumed retirement of active participants.

Postretirement benefits expected to be paid for the years ended June 30 are as follows:

	<i>(in thousands of dollars)</i>
2015	\$ 53,350
2016	58,513
2017	63,596
2018	68,020
2019	72,598
2020-24	429,097

11. THE MILTON S. HERSHEY MEDICAL CENTER AND PENN STATE HERSHEY HEALTH SYSTEM

The University's wholly-owned subsidiary, TMSHMC, owns the assets of the clinical enterprise of the Hershey Medical Center complex. The University owns the Hershey Medical Center complex, including all buildings and land occupied by the Medical Center and operates the College of Medicine. The clinical facilities of the Hershey Medical Center complex are leased to TMSHMC. TMSHMC makes certain payments to support the College of Medicine.

The Health System is a corporate investor in healthcare joint ventures, which are supportive of the missions of the Medical Center. The Health System was organized in 1995 as a wholly-owned subsidiary of the Corporation for the purpose of organizing components of an integrated health care delivery system. The Health System recorded non-controlling interest related to the acquisition of additional ownership interest in a joint venture. This noncontrolling interest is recorded in the net assets within the consolidated statements of financial position with a value at June 30, 2014 and 2013 of \$961,000 and \$831,000, respectively.

On June 26, 2014, a letter of intent and term sheet ("agreement") was executed between the University, the Medical Center, the Health System and Pinnacle Health System. The purpose of the agreement was to set forth certain non-binding understandings and certain binding agreements between the parties. The intent is to form a new Health Enterprise in central Pennsylvania. This new collaborative innovative enterprise would bring together a high-performing university medical center and a community health system. It would provide increased access to a wider range of services and full spectrum of care to patients over a broad geographic base. Both systems will continue to operate independently and as normal until an integration is finalized and all necessary approvals are obtained.

12. CONTINGENCIES AND COMMITMENTS

Contractual Obligations

The University has contractual obligations for the construction of new buildings and for additions to existing buildings in the amount of \$814.6 million of which \$619.8 million has been paid or accrued as of June 30, 2014. The contract costs are being financed from available resources and from borrowings.

Letters of Credit

The University has available letters of credit in the amount of \$19.1 million and \$20.5 million as of June 30, 2014 and 2013, respectively. These letters of credit are used primarily to comply with minimum state and federal regulatory laws that govern various University activities. The fair value of these letters of credit approximates contract values based on the nature of the fee arrangements with the issuing banks.

Guarantees

The University has a contract with a third party whereby the third party acts as an agent of the University in connection with procurement of electricity. The University guarantees the payment of the obligations of the third party incurred on behalf of the University to counterparties. No liabilities related to guarantees have been recorded as of June 30, 2014.

Self-Insurance

The University has a coordinated program of commercial and self-insurance for medical malpractice claims at TMSHMC through the use of a qualified trust and a domestic captive insurance company in combination with a self-insured retention layer and is supplementing this program through participation in the Pennsylvania Medical Care Availability and Reduction of Error Fund ("Mcare Fund"), in accordance with Pennsylvania law. An estimate of the present value, discounted at 2% for the years ended June 30, 2014 and 2013, respectively, of the medical malpractice claims liability in the amount of \$96.4 million and \$96.7 million is recorded as of June 30, 2014 and 2013, respectively.

On July 1, 2003, TMSHMC became self-insured for all medical malpractice claims asserted on or after July 1, 2003, for all amounts that are below the coverage of the TMSHMC's excess insurance policies and not included in the insurance coverage of the Mcare Fund. Under the self-insurance program, TMSHMC is required to maintain a malpractice trust fund in an amount at least equal to the expected loss of known claims. The balance of this trust fund was \$19.7 million and \$20.7 million at June 30, 2014 and 2013, respectively. TMSHMC intends to fund any claims due during the next year from cash flows from operations.

With approval from the Pennsylvania Department of Labor and Industry ("PA-DLI"), the University elected to self-insure potential obligations applicable Pennsylvania workers' compensation. Certain claims under the program are contractually administered by a private agency. The University purchased insurance coverage for excess obligations over \$600,000 per incident. An estimate of the self-insured workers' compensation claims liability in the amount of \$10.1 million and \$10.9 million, discounted at 0.75%, is recorded as of June 30, 2014 and 2013, respectively. The University has established a trust fund, in the amount of \$12.8 million and \$12.7 million at June 30, 2014 and 2013, respectively, as required by PA-DLI, to provide for the payment of claims under this self-insurance program. TMSHMC is self-insured for workers' compensation claims and has purchased an excess policy through a commercial insurer which covers individual claims in excess of \$500,000 per incident for workers' compensation claims.

The University and TMSHMC are self-insured for certain health care benefits provided to employees. The University and TMSHMC have purchased excess policies which cover employee health benefit claims in excess of \$500,000 and \$350,000 per employee per year, respectively. The University and TMSHMC provide for reported claims and claims incurred but not reported.

Litigation and Contingencies

In November 2011, the University was made aware of certain allegations in a Commonwealth of Pennsylvania Grand Jury presentment. Various legal proceedings and investigations have arisen as a result of such allegations, including criminal proceedings against former officers and employees of the University. Certain claims and civil litigation have been filed against the University with anticipation that other complaints could be filed. The University accrued \$59.7 million for 26 of 32 known claims at June 30, 2013 with such claims subsequently paid during fiscal year 2014. These costs were included in institutional support within the consolidated statement of activities. Two of the claims were deemed to have no merit through the due diligence process. Subsequently, the University has been notified of five additional claims, bringing known claims to 37, two of which were made known to the University subsequent to June 30, 2014. Without having knowledge of the number and nature of unknown claims and in view of the inherent difficulty of predicting the outcome of our remaining eleven known claims, each with their own unique circumstances that give rise to their alleged claims, and given the various stages of the proceedings, we are unable to predict the outcome of these matters or the ultimate legal and financial liability, and at this time cannot reasonably estimate the possible loss or range of loss. Accordingly, no amounts have been accrued in the 2014 financial statements for these claims although a loss is reasonably possible in future periods which could have a material adverse effect on our current and future financial position, results of operations and cash flows.

For the years ended June 30, 2014 and 2013, the University has incurred costs, net of insurance reimbursements totaling \$15.6 million and \$17.3 million, respectively, for internal investigation, legal, communications and other related costs. These costs are included in institutional support within the consolidated statement of activities. Insurance reimbursements for the years ended June 30, 2014 and 2013 totaled \$64,000 and \$249,000, respectively. Amounts paid directly by insurance carriers for the years ended June 30, 2014 and 2013 totaled \$2,681,000 and \$2,994,000, respectively.

The University has submitted claims to insurance carriers at June 30, 2014 related to the claims settled and certain legal costs incurred to date. Amounts of future insurance reimbursement are unknown as of June 30, 2014 and as a result no insurance recovery accruals have been recorded in the 2014 financial statements.

Based on its operation of the Medical Center (see Note 11), the University, like the rest of the healthcare industry, is subject to numerous laws and regulations of federal, state and local governments. Compliance with these laws and regulations can be subject to government review and interpretation, as well as regulatory actions. Recently, government reviews of healthcare providers for compliance with regulations have increased. Although the University believes it has done its best to comply with these numerous regulations, such government reviews could result in significant repayments of previously billed and collected revenues from patient services.

On July 12, 2013, the University received a preliminary report from the U.S. Department of Education based on the program review of the University's compliance with the Clery Act, a federal law related to campus safety. The Department of Education will make a final program review determination after the process is complete. The outcome and financial impacts of the program review are unknown as of the date the consolidated financial statements were issued.

Various other legal proceedings have arisen in the normal course of conducting University business. The outcome of such litigation is not expected to have a material effect on the financial position of the University.

13. SUBSEQUENT EVENTS

The University has evaluated subsequent events through October 24, 2014, the date on which the consolidated financial statements were issued. It did not identify any subsequent events to be disclosed other than those below or previously noted.

THE PENNSYLVANIA STATE UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

<u>Program</u>	<u>CFDA No.</u>	<u>Subcontract Expenditures</u>	<u>Expenditures</u>
<u>Research and development programs -</u>			
Direct funding	Note 2	\$ 73,651,164	\$ 458,591,768
Direct funding - American Recovery and Reinvestment Act	Note 3	1,581,583	9,794,504
Pass-through funds - Commonwealth of Pennsylvania	Note 4	95,113	3,130,766
Pass-through funds - Commonwealth of Pennsylvania - American Recovery and Reinvestment Act	Note 5	0	167,480
Pass-through funds - Other Institutions	Note 6	1,387,963	58,867,103
Pass-through funds - Other Institutions - American Recovery and Reinvestment Act	Note 7	0	655,727
Total research and development programs		<u>76,715,823</u>	<u>531,207,348</u>
<u>Student financial assistance programs (Direct funding) -</u>			
Department of Education:			
Federal Supplemental Educational Opportunity Grant	84.007	0	5,261,085
Federal Work Study Program	84.033	0	5,795,398
Federal Perkins Loan Program - Note 14	84.038	0	44,335,623
Federal Pell Grant Program	84.063	0	81,666,914
Federal Direct Loan Program - Note 15	84.268	0	543,388,354
Federal Endowment - Note 16	84.116	0	6,000,000
Health Professions Student Loan Program - Note 14	93.342	0	117,495
Total student financial assistance programs		<u>0</u>	<u>686,564,869</u>
<u>Other programs -</u>			
Cooperative Extension Service	10.500	64,585	16,124,765
Conservation Research and Development - American Recovery and Reinvestment Act	81.086	0	1,286,407
Other Direct funding	Note 8	767,478	17,722,619
Other Direct funding - American Recovery and Reinvestment Act	Note 9	0	287,984
Other Pass-through funds - Commonwealth of Pennsylvania	Note 10	18,179,706	28,823,623
Other Pass-through funds - Commonwealth of Pennsylvania American Recovery and Reinvestment Act	Note 11	7,875	188,386
Other Pass-through funds - Other Institutions	Note 12	199,042	3,923,033
Other Pass-through funds - Other Institutions - American Recovery and Reinvestment Act	Note 13	0	(168)
Total other programs		<u>19,218,686</u>	<u>68,356,649</u>
Total Programs		<u>\$ 95,934,509</u>	<u>\$ 1,286,128,866</u>

See notes to schedule of expenditures of federal awards.

THE PENNSYLVANIA STATE UNIVERSITY

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014**

1. BASIS OF PRESENTATION AND ACCOUNTING:

The purpose of the Schedule of Expenditures of Federal Awards (the "Schedule") is to present a summary of the activities of The Pennsylvania State University (the "University") for the year ended June 30, 2014 which have been financed by the United States Government.

For purposes of the Schedule, Federal awards have been classified into two types:

- Direct Federal Awards
- Pass-through funds received from non-Federal organizations made under Federally sponsored programs conducted by these organizations.

Subcontract expenditures represent amounts paid to a third party for effort performed in support of the University's federal awards.

Because the Schedule presents only a selected portion of the activities of the University, it is not intended to and does not present the financial position, results of operations or cash flows of the University.

The Schedule is prepared on the accrual basis of accounting.

CFDA No.	Pass-Through Entity Identifying No.	Subcontract Expenditures	Expenditures
2. RESEARCH AND DEVELOPMENT -			
DIRECT FUNDING:			
<u>Agriculture:</u>			
Agricultural Marketing Service	10.RD	\$ 0	\$ 55,753
Agricultural Research Service	10.RD	4,998	1,032,504
Animal and Plant Health Inspection Service	10.RD	144,410	716,082
Cooperative State Research, Education and Extension Service	10.RD	10,717	10,489,911
Department of Agriculture	10.RD	10,459	224,946
Economic Research Service	10.RD	0	33,458
Foreign Agricultural Service	10.RD	0	156,547
Forest Service	10.RD	0	184,994
National Institute of Food and Agriculture	10.RD	2,229,931	10,452,471
Natural Resources Conservation Service	10.RD	191,363	266,058
The Office of the Chief Economist	10.RD	0	132,585
Total – Agriculture		2,591,878	23,745,309
<u>Commerce:</u>			
Department of Commerce	11.RD	0	3,129
Economic Development Administration	11.RD	531,582	756,765
National Institute of Standards and Technology	11.RD	139,593	896,351
National Oceanic and Atmospheric Administration	11.RD	238,832	1,535,901
Total – Commerce		910,007	3,192,146

	CFDA No.	Pass-Through Entity Identifying No.	Subcontract Expenditures	Expenditures
<u>Defense:</u>				
Defense Intelligence Agency	12.RD		0	356,136
Department of Air Force, Material Command	12.RD		2,452,864	5,584,685
Department of Army, Material Command	12.RD		4,988,129	11,544,326
Department of Army, Medical Command	12.RD		0	736,727
Department of Defense	12.RD		2,151,359	7,428,432
Department of Defense, Advanced Research Projects Agency	12.RD		5,286,482	13,087,861
Department of Defense, National Security Agency	12.RD		1,035,490	1,837,773
Department of Navy, Office of the Chief of Naval Research	12.RD		10,204,540	150,576,009
Marine Corps System Command	12.RD		0	87,292
Total – Defense			26,118,864	191,239,241
<u>Interior:</u>				
Bureau of Land Management	15.RD		0	22,648
Bureau of Reclamation	15.RD		0	78,743
Department of Interior	15.RD		0	95,143
Fish and Wildlife Service	15.RD		7,485	95,985
Geological Survey	15.RD		23,795	592,977
National Park Service	15.RD		0	396,250
Office of Surface Mining	15.RD		0	6,676
Total – Interior			31,280	1,288,422
<u>Justice:</u>				
National Institute of Justice	16.RD		104,069	1,037,636
Total – Justice			104,069	1,037,636
<u>State:</u>				
Bureau of Oceans and International Environmental General Department of State Assistance	19.RD		0	46,293
Department of State	19.RD		0	774,756
Total - State	19.RD		0	(16,275)
			0	804,774
<u>Transportation:</u>				
Department of Transportation	20.RD		517,434	4,342,415
Federal Aviation Administration	20.RD		163	483,967
Pipeline and Hazardous Materials Safety Administration	20.RD		1,447,179	2,164,663
Total - Transportation			1,964,776	6,991,045
<u>General Services Administration:</u>				
	39.RD		0	624,189
<u>National Aeronautics and Space Administration:</u>				
	43.RD		1,884,159	10,947,450
<u>National Endowment for the Humanities:</u>				
Institute of Museum and Library Services	45.RD		0	19,719
National Endowment for the Humanities	45.RD		0	139,613
Total - National Endowment for the Humanities			0	159,332
<u>National Science Foundation:</u>				
	47.RD		4,803,147	61,137,612
<u>Department of Veterans Affairs:</u>				
	64.RD		0	5,827
<u>Environmental Protection Agency:</u>				
Environmental Protection Agency	66.RD		0	163,229
Office of Chemical Safety and Pollution Prevention	66.RD		0	8,115
Office of Research and Development	66.RD		0	464,633
Office of Water	66.RD		38,640	517,128
Total – Environmental Protection Agency			38,640	1,153,105

	CFDA No.	Pass-Through Entity Identifying No.	Subcontract Expenditures	Expenditures
<u>Nuclear Regulatory Commission:</u>	77.RD		0	1,063,130
<u>Energy:</u>	81.RD		12,121,723	29,443,598
<u>Education:</u>				
Institute of Education Sciences	84.RD		670,096	2,940,434
Office of Elementary and Secondary Education	84.RD		0	361,599
Office of Innovation and Improvement	84.RD		53,747	95,220
Office of Postsecondary Education	84.RD		0	259,968
Rehabilitation Long-term Training Office of Special Education and Rehabilitative Services	84.RD		104,881	396,927
TRIO - Student Support Services	84.RD		0	482,127
Total – Education			828,724	4,536,275
<u>Health and Human Services:</u>				
Agency for Healthcare Research and Quality	93.RD		0	64,763
Centers for Disease Control and Prevention	93.RD		0	28,650
Food and Drug Administration	93.RD		27,500	129,176
Health Resources and Services Administration	93.RD		3,937	683,058
National Institutes of Health	93.RD		16,798,121	104,631,028
Total – Health and Human Services			16,829,558	105,536,675
<u>Agency for International Development</u>	98.RD		277,551	400,526
<u>Miscellaneous:</u>	99.RD		5,146,788	15,285,476
Total Research and Development - Direct Funding			\$ 73,651,164	\$ 458,591,768
3. RESEARCH AND DEVELOPMENT - DIRECT FUNDING - AMERICAN RECOVERY AND REINVESTMENT ACT:				
<u>Interior</u>				
National Institute of Standards and Technology	11.RD		\$ 0	23,015
Total - Interior			0	23,015
<u>National Science Foundation:</u>	47.RD		118	1,158,212
<u>Department of Energy:</u>	81.RD		1,581,465	8,606,942
<u>Health and Human Services</u>				
National Institutes of Health	93.RD		0	6,335
Total – Health and Human Services			0	6,335
Total Research and Development - Direct Funding - American Recovery and Reinvestment Act			\$ 1,581,583	\$ 9,794,504

	CFDA No.	Pass-Through Entity Identifying No.	Subcontract Expenditures	Expenditures
4. RESEARCH AND DEVELOPMENT - PASS-THROUGH FUNDS - COMMONWEALTH OF PENNSYLVANIA:				
<u>Agriculture:</u>				
Commonwealth of Pennsylvania	10.RD	ME 44112431	\$ 0	\$ 143,127
Commonwealth of Pennsylvania	10.RD	ME 44113148	0	18,674
Commonwealth of Pennsylvania	10.RD	ME 44123777	0	22,192
Commonwealth of Pennsylvania	10.RD	ME 44123778	0	12,380
Commonwealth of Pennsylvania	10.RD	ME 44123779	0	52,964
Commonwealth of Pennsylvania	10.RD	ME 44124007	0	33,536
Commonwealth of Pennsylvania	10.RD	ME 44134385	0	21,245
Commonwealth of Pennsylvania	10.RD	ME 44134387	0	19,524
Total – Agriculture			0	323,642
<u>Commerce:</u>				
Commonwealth of Pennsylvania	11.RD	4100059478	0	5,777
Commonwealth of Pennsylvania	11.RD	4100062287	0	58,055
Commonwealth of Pennsylvania	11.RD	C000051994	0	57,142
Total - Commerce			0	120,974
<u>Interior:</u>				
Commonwealth of Pennsylvania	15.RD	1434-03HQRU1548	0	236,962
Commonwealth of Pennsylvania	15.RD	4000018425	0	667
Commonwealth of Pennsylvania	15.RD	4100053520	0	25,473
Commonwealth of Pennsylvania	15.RD	4100061794	0	55,277
Commonwealth of Pennsylvania	15.RD	4100062173	0	63,483
Commonwealth of Pennsylvania	15.RD	4300379181	0	82,767
Total – Interior			0	464,629
<u>Justice:</u>				
Commonwealth of Pennsylvania	16.RD	21186	0	65,040
Commonwealth of Pennsylvania	16.RD	23153	0	78,655
Commonwealth of Pennsylvania	16.RD	23660	0	100,635
Commonwealth of Pennsylvania	16.RD	4300354357	0	43,851
Commonwealth of Pennsylvania	16.RD	4300358701	0	36,428
Commonwealth of Pennsylvania	16.RD	4300395380	0	64,374
Total – Justice			0	388,983
<u>Transportation:</u>				
Commonwealth of Pennsylvania	20.RD	4300374902	0	11,218
Commonwealth of Pennsylvania	20.RD	4300380866	0	266,838
Total – Transportation			0	278,056
<u>Environmental Protection:</u>				
Commonwealth of Pennsylvania	66.RD	4100062187	0	99,745
Commonwealth of Pennsylvania	66.RD	4300340652	0	30,062
Commonwealth of Pennsylvania	66.RD	4300341406	0	74,174
Commonwealth of Pennsylvania	66.RD	4300346522	0	(20,609)
Commonwealth of Pennsylvania	66.RD	4300387797	0	95,322
Commonwealth of Pennsylvania	66.RD	4300397020	0	32,920
Commonwealth of Pennsylvania	66.RD	4300397792	0	45,718
Total - Environmental Protection			0	357,332
<u>Energy:</u>				
Commonwealth of Pennsylvania	81.RD	4300355393	0	23,160
Total – Transportation			0	23,160

	CFDA No.	Pass-Through Entity Identifying No.	Subcontract Expenditures	Expenditures
<u>Education:</u>				
Commonwealth of Pennsylvania	84.RD	062-130042	0	23,999
Commonwealth of Pennsylvania	84.RD	062-140042	0	415,371
Commonwealth of Pennsylvania	84.RD	071-800015	68,024	223,683
Total – Education			<u>68,024</u>	<u>663,053</u>
<u>Health and Human Services:</u>				
Commonwealth of Pennsylvania	93.RD	4100060656	0	247,911
Commonwealth of Pennsylvania	93.RD	4300373328	27,089	263,026
Total - Health and Human Services			<u>27,089</u>	<u>510,937</u>
Total Research and Development Pass-Through Funds Commonwealth of Pennsylvania			\$ 95,113	\$ 3,130,766

**5. RESEARCH AND DEVELOPMENT - PASS-
THROUGH FUNDS - COMMONWEALTH OF
PENNSYLVANIA - AMERICAN RECOVERY
AND REINVESTMENT ACT:**

<u>Commerce:</u>				
Commonwealth of Pennsylvania	11.RD	C000051994	\$ 0	\$ 68,458
Total - Commerce			<u>0</u>	<u>68,458</u>
<u>Justice:</u>				
Commonwealth of Pennsylvania	16.RD	23909	0	99,022
Total - Justice			<u>0</u>	<u>99,022</u>
Total Research and Development - Pass- Through Funds - Commonwealth of Pennsylvania - American Recovery And Reinvestment Act			\$ 0	\$ 167,480

	CFDA No.	Pass-Through Entity Identifying No.	Subcontract Expenditures	Expenditures
6. RESEARCH AND DEVELOPMENT -				
PASS-THROUGH FUNDS - OTHER				
INSTITUTIONS:				
<u>Agriculture:</u>				
Actuated Medical Inc.	10.RD	2013-33610-20821	\$ 0	\$ 10,017
American Chestnut Foundation	10.RD	11-DG-11083150-007	0	57,732
Brigham Young University	10.RD	2011-67009-20366	0	36,623
Colorado State University	10.RD	2012-68001-09603	0	71,766
Cornell University	10.RD	2012-34383-19759	0	6,999
Cornell University	10.RD	2012-37620-19697	0	17,509
Cornell University	10.RD	----	0	3,967
Geisinger Clinic	10.RD	59-1950-9-963	0	89,186
Iowa State University	10.RD	2009-51300-05581	0	2,643
Kansas State University	10.RD	----	0	585,209
Michigan State University	10.RD	----	0	102,019
New York University	10.RD	2012-68006-30177	0	46,177
North Carolina State University	10.RD	2012-1785-01	0	11,859
Northern Arizona University	10.RD	MPC34KC-01	0	54,015
Purdue University	10.RD	2010-48869-20781	0	172,506
Purdue University	10.RD	2012-51181-19878	0	153,194
University of California	10.RD	2010-51181-21069	0	9,206
University of California	10.RD	2011-68004-30154	0	6,152
University of Connecticut	10.RD	2011-67005-20098	0	19,891
University of Georgia	10.RD	2009-85118-05718	0	37,769
University of Maine	10.RD	2011-34141-30731	0	6,531
University of Maine	10.RD	2012-34141-20183	0	18,108
University of Maryland	10.RD	2011-67007-20017	0	63,564
University of Minnesota	10.RD	2009-41520-05369	0	47,999
University of Minnesota	10.RD	2011-67003-30343	48,086	192,368
University of Minnesota	10.RD	2013-41520-21529	0	86,290
University of New Hampshire	10.RD	LNE 13-323	0	3,404
University of Vermont	10.RD	2009-38640-19631	0	70,965
University of Vermont	10.RD	2009-47001-05350	0	31,157
University of Vermont	10.RD	2010-38640-20820	15,076	23,680
University of Vermont	10.RD	2011-38640-30418	0	46,071
University of Vermont	10.RD	2011-47001-30421	12,012	20,206
University of Vermont	10.RD	2011-67023-30106	0	39,286
University of Vermont	10.RD	2012-38640-19543	0	62,511
University of Vermont	10.RD	2012-47001-19544	0	37,556
University of Vermont	10.RD	2013-38640-20895	0	101,888
University of Wisconsin	10.RD	2012-68002-20525	0	45,565
Virginia Polytechnic Institute	10.RD	2010-51181-21599	0	10,227
Washington State University	10.RD	2011-68005-30416	0	162,536
West Virginia University	10.RD	2010-CR-11062759-030	0	57,089
Xerces	10.RD	69-3A75-12-253	0	7,821
Total – Agriculture			75,174	2,629,261
<u>Commerce:</u>				
Delaware Valley Industry Research Center	11.RD	707NANB10H173	0	102,150
Delaware Valley Industry Research Center	11.RD	----	0	(2,391)
Ducks Unlimited	11.RD	----	0	16,373
Earth Resources Tech, Inc.	11.RD	----	0	44,509
Global Science and Technology Inc.	11.RD	----	0	29,633
Industrial Economics Inc.	11.RD	----	0	(2,963)
Ohio State University	11.RD	----	0	3,116
SCI Application International	11.RD	2009 1054922-000	0	2,894
TDI Brooks International Inc.	11.RD	----	0	13,955
University of Guam	11.RD	NA12NOS4820071	0	41,454
University of Illinois	11.RD	NA11OAR4170052	0	12,194
University of Illinois	11.RD	NA12NOS4290059	0	12,928

	CFDA No.	Pass-Through Entity Identifying No.	Subcontract Expenditures	Expenditures
University of Illinois	11.RD	----	0	38,403
University of Louisville	11.RD	70NANB13H192	0	36,956
University of Maryland	11.RD	NA10OAR4170072	0	276
University of Maryland	11.RD	NA11NES4400009	0	36,549
University of Michigan	11.RD	NA12OAR4320071	0	7,636
University of Nebraska	11.RD	NA10OAR4310111	0	92,134
University of Pennsylvania	11.RD	NA11OAR4310101	0	110,094
Total – Commerce			0	595,900
<u>Defense:</u>				
Academy of Applied Science	12.RD	W911NF-10-2-0076	0	14,815
Accipiter Systems Inc.	12.RD	SBIR N091-034-2B	0	3,702
Adaptive Methods Inc.	12.RD	N00024-10-C-5229	0	50,040
Advanced Cooling Technologies	12.RD	FA9300-13-M-1007	0	25,000
Advanced Cooling Technologies	12.RD	N68335-13-C-0119	0	32,529
Advanced Technology International	12.RD	N00014-11-D-0504	0	743,116
Advanced Technology International	12.RD	----	1,277	309,853
Aerospace Testing Alliance	12.RD	----	0	89,176
Antenna Research Associates Inc.	12.RD	DTRA01-03-D-0014/0039	0	50,244
Antenna Research Associates Inc.	12.RD	HDTRA1-13-C-0095	69,062	313,906
Applied Communication Sciences	12.RD	DO-A7	0	108,089
Applied Physical Sciences	12.RD	N00014-12-C-0403	0	24,702
Applied Physical Sciences	12.RD	N66001-13-C-4006	0	3,739
Area-1 Inc.	12.RD	N00014-10-C-0407	0	(7,955)
Aspen Consulting Group, Inc.	12.RD	W15P7T-09-D-P-014	0	(2,155)
Battelle Pacific NW National Laboratory	12.RD	DE-AC07-05ID14517	0	250,242
BBN Technologies Corporation	12.RD	W911NF-09-2-0053	708,564	1,581,938
Bluefin Robotics	12.RD	N66001-11-C-4115	0	7,206
Booz-Allen & Hamilton Inc.	12.RD	W15P7T-06-D-E401 DO-16	0	127,509
Brimrose Technology Corp.	12.RD	HQ0147-14-C-7904	0	4,304
Busek Co., Inc.	12.RD	W31P4Q-10-C-0254	0	267
Carnegie Institute	12.RD	W31P4Q-13-1-0005	0	172,924
Carnegie Mellon University	12.RD	N66001-13-2-4040	0	132,862
Carnegie Mellon University	12.RD	----	0	40,802
CFD Research Corporation	12.RD	W81XWH-14-C-0003	0	3,327
CFD Research Corporation	12.RD	W81XWH-14-C-0045	0	31,939
Charles River Analytics, Inc.	12.RD	N00014-12-D-0583	0	48,175
Charles River Analytics, Inc.	12.RD	W31P4Q-09-C-0469	0	90,240
Columbia University	12.RD	HDTRA-11-0027	0	75,789
Combustion Propulsion & Ballistics	12.RD	FA9300-13-M-1008	0	28,409
Cortana	12.RD	N000421-09-C-0028	0	211,403
Cortana	12.RD	N68335-11-C-0019	0	9
Curtis Wright Electro Mechanical Co.	12.RD	N00024-09-C-2104	0	69,284
Curtis Wright Electro Mechanical Co.	12.RD	N00104-09-G-A756	0	63,954
DE Technologies, Inc.	12.RD	FA8651-11-C-0132	0	9,488
DE Technologies, Inc.	12.RD	W911NF-13-C-0046	0	873
Delaware State University	12.RD	----	0	123,496
DSCI Company	12.RD	W15P7T-09-D-P012	0	2,581
Duke University	12.RD	FA8650-09-C-2944	0	24,245
Duke University	12.RD	HR0011-10-1-0059	0	65,703
ERC, Inc.	12.RD	----	0	7
Gannett Fleming Inc.	12.RD	----	0	49,671
Gear Research Institute	12.RD	N68335-12-C-0248	0	7,458
Gear Research Institute	12.RD	W911W6-09-D-0014	0	60,677
Gear Research Institute	12.RD	W911W6-11-C-0053	0	46,640
General Dynamics/Electric Boat	12.RD	B11-2011076G005	0	195,803
General Dynamics/Electric Boat	12.RD	N00024-03-C-2101	0	708,742
General Dynamics/Electric Boat	12.RD	N00024-10-C-2118	0	451,060
General Dynamics/Electric Boat	12.RD	N00024-13-C-2128	0	2,036
General Dynamics/Electric Boat	12.RD	N61331-11-C-0017	0	76,930

	CFDA No.	Pass-Through Entity Identifying No.	Subcontract Expenditures	Expenditures
General Dynamics/Electric Boat	12.RD	----	0	401,844
George Mason University	12.RD	----	0	156,888
Georgetown University	12.RD	----	0	105,316
H. C. Materials Corp.	12.RD	N00014-12-C-0368	0	47,821
Hadal, Inc.	12.RD	N00014-14-P-1128	0	3,417
Henry Jackson Foundation	12.RD	HU001-11-1-0004	0	22,055
Herman Advanced Engineering	12.RD	FA8650-09-D-2945	0	76,120
Herman Advanced Engineering	12.RD	N68335-10-C-0179	0	27,988
Herman Advanced Engineering	12.RD	N68335-10-C-0383	0	30,734
Honeywell International Inc.	12.RD	----	0	61,106
Huntington Ingalls	12.RD	----	0	32,182
Hydroid, Inc.	12.RD	N00174-07-D-0001/0031	0	11,650
Hydroid, Inc.	12.RD	N00174-07-D-0001/0035	0	33,299
Hydroid, Inc.	12.RD	N62306-08-D-9003	0	6,618
Image Acoustics, Inc.	12.RD	N00014-14-P-1127	0	1,668
Innovative Automation Tech LLC	12.RD	----	0	43,901
Innovative Science Solutions Inc.	12.RD	N00014-11-C-0468	0	141,507
Intelligent Automation, Inc.	12.RD	----	0	162,443
International Business Machines, Inc.	12.RD	----	0	365,738
ITT Industries	12.RD	N00173-09-C-2023	0	5
ITT Industries	12.RD	----	0	38,865
Johns Hopkins University	12.RD	HQ0147-12-D-0004	0	166
Johns Hopkins University	12.RD	N00024-03-D-6606	0	109,008
Johns Hopkins University	12.RD	N00024-13-D-6400	0	431,725
Johns Hopkins University	12.RD	W81XWH-09-2-0108	0	1,786
Johns Hopkins University	12.RD	W81XWH1020090	0	102,101
Johns Hopkins University	12.RD	W911NF-06-2-006	0	13,220
KCF Technologies	12.RD	----	0	13,614
Kennesaw State University	12.RD	W81XWH-11-2-0081	0	16,031
Kistler Instruments	12.RD	N00024-11-C-2103	0	3,548
KLS Engineering LLC	12.RD	----	0	9,526
Kyrya Technologies, Inc.	12.RD	DE-AR0000444	0	1,422
Lockheed Martin	12.RD	N00024-13-C-2128	0	7,370
Lockheed Martin	12.RD	----	0	1,200,774
Louisiana State University	12.RD	W81XWH-10-1-0671	0	4,131
Lynntech, Inc.	12.RD	----	0	20,345
M Cubed Technologies Inc.	12.RD	----	0	4,450
Manufacturing Laboratories Inc.	12.RD	D139C00071	0	87,395
Massachusetts Institute of Technology	12.RD	----	0	180,535
McGaw Technologies Incorporated	12.RD	FA9300-13-M-1003	0	5,498
		N00178-04-D-4078		
McKean Defense Group LLC	12.RD	DO-EHP6	0	39,981
Metron Inc.	12.RD	N00014-12-D-0586	0	4,527
Metron Inc.	12.RD	----	0	58,883
National Center for Defense	12.RD	FA8650-12-2-7230	50,151	175,564
National Center for Manufacturing Sciences	12.RD	----	0	109,090
Navmar Applied Science Corporation	12.RD	N68335-11-C-0038	0	5,557
New York University	12.RD	----	0	144,554
Nextgen Aeronautics Inc.	12.RD	W15P7T-06-D-E401 DO-16	0	47,808
Nextgen Aeronautics Inc.	12.RD	W15QKN-14-C-0002	0	24,921
Neya Systems LLC	12.RD	N00024-14-P-0041	0	18,321
North Carolina State University	12.RD	H94003-11-D-1104	0	94,613
Northern Illinois University	12.RD	W56HZV-09-C-0656	0	5,643
Northrop Grumman	12.RD	N00178-04-D-4091	0	50,290
Northrop Grumman	12.RD	----	0	(49)
Notre Dame University	12.RD	2013-MA-2383	0	846,358
Oasis Inc.	12.RD	N00014-13-P-1166	0	44,225
Oceanering International Inc.	12.RD	SNY088-001	0	53,295
Ohio State University	12.RD	FA9550-09-1-0602	0	154,886
Optipro Systems	12.RD	N68936-12-C-0018	0	8,106

	CFDA No.	Pass-Through Entity Identifying No.	Subcontract Expenditures	Expenditures
Optipro Systems	12.RD	N68936-12-C-0036	0	6,115
Polarix Corporation	12.RD	W31P4Q-14-C-0007	0	47,126
PPG Industries	12.RD	----	0	4,614
Princeton University	12.RD	N66001-11-1-4110	0	286,561
Princeton University	12.RD	W911NF-12-1-0461	0	160,271
Prometheus Innovations LLC	12.RD	N000024-12-C-4509	0	129,205
Proteus Technology	12.RD	N00014-12-C-0554	0	89,918
Pueblo Economic Development	12.RD	W911NF-11-2-0014	26,431	40,984
Purdue University	12.RD	N00014-12-1-0875	0	22,860
Purdue University	12.RD	N00014-12-1-0962	0	24,750
Raytheon	12.RD	W911NF-09-D-0006	0	103,033
Rice University	12.RD	FA9550-12-1-0035	0	194,345
Rice University	12.RD	W911NF-11-1-0632	0	520,324
Rolls Royce PLC	12.RD	N00014-09-D-0680	0	921,925
Rutgers University	12.RD	DTRF53-13-C-00060	0	1,342
Sabre Systems, Inc.	12.RD	N00178-05-D-4546 4Y02	0	64,895
SCI Applications International Corp.	12.RD	----	0	109,550
SCIAKY, Inc.	12.RD	FA8650-11-C5165	0	42,886
Science Research Laboratory	12.RD	N00014-13-P-1130	0	24,277
Science Research Laboratory	12.RD	W31P4Q-09-C-0291	0	60,007
SI2 Technologies Inc.	12.RD	W909MY-12-C-0033	0	4,558
Sikorsky Aircraft Co.	12.RD	W911W6-11-2-0008	0	79,794
		N00014-06-D-0045		
South Carolina Research Authority	12.RD	DO 0004	0	44,094
		N00014-06-D-0045		
South Carolina Research Authority	12.RD	DO 0013	0	141,915
Spectral Energies, LLC	12.RD	FA8650-11-C-2185	0	20,397
State University of New York	12.RD	W911NF-09-1-0392	0	380,613
Steel Founders Society of America	12.RD	W911NF-12-2-0033	0	71,223
Stevens Institute of Technology	12.RD	H98230-08-D-0171	0	124,000
Stimulus Engineering Services Inc.	12.RD	N00178-08-D-5603	0	14,042
Stratonics, Inc.	12.RD	N00014-12-C-0221	0	32,602
Structured Materials Industries	12.RD	----	0	1,320
Survive Engineering Company	12.RD	W91CRB-09-D-0027	0	50,400
Technical Data Analysis Inc.	12.RD	N68335-13-C-0124	0	104,809
Technion Israel Institute of Technology	12.RD	444/0483169	0	116,626
Technosoft Inc.	12.RD	N00014-13-P-1199	0	27,066
Temple University	12.RD	W911NF-10-2-0098	0	95,414
Tennessee State University	12.RD	W911NF-121005	0	42,864
Texas A&M University	12.RD	FA9550-12-1-0090	0	59,981
Texas Biochemicals Inc.	12.RD	N68936-12-C-0100	0	(904)
Toyon Research Corp.	12.RD	FA8650-12-C-1469	0	135,982
Twinleaf LLC	12.RD	----	0	18,574
UES Inc.	12.RD	FA8650-10-D-5226 DO 0001	0	169,243
UES Inc.	12.RD	FA8650-10-D-5226 DO-0004	0	57,986
UES Inc.	12.RD	FA8650-14-C-5193	0	28,339
UES Inc.	12.RD	W911QX-13-C-0088	0	40,873
Ultramet	12.RD	FA9300-12-C2003	0	42,435
United Technologies Research Center	12.RD	N00014-12-C-0434	0	33,842
University of California Davis	12.RD	FA9550-11-1-0246	0	(245)
University of California Los Angeles	12.RD	N660011-11-1-4197	0	25,536
University of Colorado	12.RD	W31P4Q-13-1-0015	0	74,824
University of Connecticut	12.RD	N00014-10-1-0944	0	106,391
University of Connecticut	12.RD	N00014-12-1-0088	0	13,055
University of Dayton Research Institute	12.RD	FA8650-10-C-2934	0	159,981
University of Dayton Research Institute	12.RD	FA8650-11-D-5401/0008	0	67,028
University of Illinois	12.RD	FA9550-11-1-0129	0	113,327
University of Illinois	12.RD	----	0	60,763
University of Maryland	12.RD	FA95501310126	0	69,451
University of Maryland	12.RD	W911NF1120086	0	19,177

	CFDA No.	Pass-Through Entity Identifying No.	Subcontract Expenditures	Expenditures
University of Michigan	12.RD	FA9550-09-1-0695	0	90,278
University of Michigan	12.RD	N65540-10-C-0003	0	224,001
University of Minnesota	12.RD	2013-MA-2381	0	223,638
University of Minnesota	12.RD	FA9550-10-1-0563	0	299,352
University of Minnesota	12.RD	N00014-12-1-1030	0	17,178
University of Mississippi	12.RD	HDTRA1-14-C-0130	0	6,434
University of Mississippi	12.RD	W9113M-06-C-0029	0	167,862
University of North Carolina	12.RD	W911NF-13-1-0332	0	4,655
University of Tennessee	12.RD	W911W6-12-2-0003	0	51,928
University of Texas	12.RD	W81XWH-11-2-0222	0	28,780
University of Utah	12.RD	FA9550-08-1-0400	0	10,612
University of Utah	12.RD	W911NF-12-2-0023	0	65,117
University of Utah	12.RD	----	0	79,594
University of Washington	12.RD	HDTRA1-10-1-0075	0	5,549
Vertical Lift Consortium/Rotorcraft	12.RD	W911W6-06-2-0002	0	18,312
Vertical Lift Consortium/Rotorcraft	12.RD	W911W6-12-2-0003	0	115,763
W. R. Systems Ltd.	12.RD	N65236-10-D-2839	0	692,625
Wagner Associates	12.RD	N00014-10-C-0525	0	29,789
Wagner Associates	12.RD	N00024-11-C-4188	0	57,740
Wagner Associates	12.RD	N00024-13-P-4010	0	24,107
Wyle Laboratories	12.RD	HC1047-05-D-4005	0	(7)
Total – Defense			855,485	20,110,848
<u>Interior:</u>				
California University of Pennsylvania	15.RD	08GQGR0154	0	4,000
Florida Fish & Wildlife Conservation	15.RD	----	0	7,513
University of Minnesota	15.RD	30181AG095	0	6,590
Total - Interior			0	18,103
<u>Justice:</u>				
H.F. Lenz Company	16.RD	J-FBI-12-137	0	4,066
Northeastern University	16.RD	2011-WG-BX-0021	0	36,706
RTI International	16.RD	2011-RY-BX-0003	0	132,539
RTI International	16.RD	2012-RX-CX-0047	0	95,442
Total - Justice			0	268,753
<u>Transportation:</u>				
Applied Pavement Technology	20.RD	DTFH61-10-D-00025	0	1,743
Cornell University	20.RD	DTOS59-07-G-00052	0	174,621
George Mason University	20.RD	----	0	9,526
Howard University	20.RD	----	0	22,468
lengineering Corp.	20.RD	----	0	7,589
Kittelson & Associates	20.RD	----	0	1,161
National Academy of Sciences	20.RD	DTFH61-06-H-00009	0	456,593
Norfolk Southern	20.RD	----	0	93,025
San Jose State University	20.RD	DTRT12-G-UTC21	36,111	209,647
SES Group & Associates	20.RD	DTFH61-08-D-00001	0	117,420
Techknowsserv Corporation	20.RD	DTRT5714C10018	0	16,328
University of Illinois	20.RD	FR-RRD-0033-11-01-00	0	1,275
University of Massachusetts	20.RD	RITARS-12-H-UML	0	33,306
Vanasse Hangen Brustlin Inc.	20.RD	DTFH61-10-D-00022	0	7,984
Vanasse Hangen Brustlin Inc.	20.RD	DTFH61-13-D-00001	0	16,420
Washington Department of Transportation	20.RD	GCA6865	0	49,508
Total - Transportation			36,111	1,218,614
<u>National Aeronautics and Space Admin.:</u>				
Carnegie Mellon University	43.RD	SES-0949710	0	6,891
Consortium for Ocean Leadership	43.RD	----	0	66,235
Cornell University	43.RD	0335765	0	58,212
Duke University	43.RD	EF-0905606	0	15,500

	CFDA No.	Pass-Through Entity Identifying No.	Subcontract Expenditures	Expenditures
Howard University	43.RD	NNX10AQ11A	0	40,913
North Carolina State University	43.RD	1139792	0	1,019
North Carolina State University	43.RD	----	0	576,430
Ohio State University	43.RD	----	0	5,462
Smithsonian Astrophysical Observatory	43.RD	NAS8-03060	0	201,460
Smithsonian Astrophysical Observatory	43.RD	NNX13AD46G	0	106,227
Southwest Research Institute	43.RD	NNX13AF26G	0	40,311
University of Florida	43.RD	NNX09AB35G	0	21,739
University of Florida	43.RD	NNX09AM41G	0	9,385
University of Georgia	43.RD	NNX13AF42G	0	5,995
University of Maryland	43.RD	NCC 3989	0	(542)
University of Montana	43.RD	NNX11A047G	0	93,543
University of Southern California	43.RD	OCE-0939564	0	30,557
University of Texas	43.RD	NNX09AV10G	0	50,513
University of Texas at Arlington	43.RD	NNX11AC03G	0	46,062
University of Wisconsin	43.RD	NNA13AA93A	0	48,283
University of Wisconsin	43.RD	NNX10AP10G	0	60,916
Villanova University	43.RD	NNX13AF32G	0	97,240
Virginia Institute of Marine Sciences	43.RD	NNX11AD47G	0	41,657
Virginia Polytechnic Institute	43.RD	IOS-0965353	0	18,297
Yale University	43.RD	NNX12AC01G	0	9,600
Total - National Aeronautics and Space Admin.			0	1,651,905
<u>National Endowment for the Humanities:</u>				
Mid-Atlantic Arts Foundation	45.RD	----	0	3,430
Total - National Endowment for the Humanities			0	3,430
<u>National Science Foundation:</u>				
Association of Institutional Research	47.RD	----	0	(136)
Astronomical Society of the Pacific	47.RD	DRL-1217441	0	63,222
Battelle Pacific NW National Laboratory	47.RD	NNH13CH25C	0	24,660
Brimrose Technology Corp.	47.RD	NNX12CB08C	0	165,074
Brown University	47.RD	----	0	105,709
Busek Co., Inc.	47.RD	NNX11CA37C	0	27,513
Busek Co., Inc.	47.RD	11X12CB03C	0	187,574
California Institute of Technology	47.RD	68D-1094584	0	148,953
California Institute of Technology	47.RD	CHE-0802907	0	6,421
California Institute of Technology	47.RD	NAS7-03001	0	85,077
California Institute of Technology	47.RD	----	0	73,265
Carleton College	47.RD	DUE-1125331	0	131,337
Civilian Research & Development Foundation	47.RD	----	0	11,672
Cleveland State University	47.RD	DUE-0919487	0	(1,140)
Columbia University	47.RD	OCE-1202632	0	127,747
Columbia University	47.RD	SES-0951516	0	5,662
Columbia University	47.RD	SWRC-340039-55900	0	37,467
Consortium for Ocean Leadership	47.RD	CA OCE-0652315	0	27,697
Consortium for Ocean Leadership	47.RD	----	0	22,423
Cornell University	47.RD	0335765	0	1,151,270
EC Powers	47.RD	IIP-1315651	0	50,000
Florida State University	47.RD	----	0	42,029
Harvard University	47.RD	----	0	14,362
Iowa State University	47.RD	----	0	77,608
Jet Propulsion Lab	47.RD	----	0	27,637
Lignolink Inc.	47.RD	IIP-1353109	0	1,870
Lignolink Inc.	47.RD	----	0	4,306
Morgan State University	47.RD	----	0	56,065
Nascent Devices	47.RD	IIP-1346363	0	29,248
National Space Biomed Research	47.RD	----	0	92,263
New England Aquarium Corporation	47.RD	----	0	46,220
New York University	47.RD	----	0	47,053

	CFDA No.	Pass-Through Entity Identifying No.	Subcontract Expenditures	Expenditures
Nittany System Research	47.RD	IIP-1214331	0	3
Northwest Vista College	47.RD	11-692	0	7,245
Oregon State University	47.RD	OISE-0968391	0	772
Oregon State University	47.RD	----	0	17,680
Partnership One	47.RD	IIP-1314675	0	25,135
Polyk Technologies LLC	47.RD	IIP-1246360	0	18,831
Portland State University	47.RD	ARC-1219468	0	19,742
Pratt & Whitney Aircraft	47.RD	NNC10A12B	0	172,616
Rand Corporation	47.RD	1049208	0	52,715
Semiconductor Research Corp.	47.RD	NSF CCF-0903432	0	29,914
Smithsonian Astrophysical Observatory	47.RD	NAS8-03060	0	862,275
Smithsonian Astrophysical Observatory	47.RD	----	0	3,597
Southwest Research Institute	47.RD	NNX12AE21G	0	42,765
Space Telescope SCI Institute	47.RD	NAS5-26555	0	508,836
Space Telescope SCI Institute	47.RD	----	0	22,268
Stark State College of Technology	47.RD	DUE-0802536	0	19,028
Texas A&M University	47.RD	DMR-0844082	0	105,899
Texas A&M University	47.RD	DUE-0942715	0	2,035
Trinity University	47.RD	CBET-1160217	0	31,633
University of Arkansas	47.RD	AGS-1439964	0	74,585
University of California	47.RD	CHE-0802913	0	174,655
University of California Berkley	47.RD	DRL-0822119	0	18,370
University of Cincinnati	47.RD	SES-1226958	0	(318)
University of Colorado	47.RD	AGS1135446	0	118,785
University of Connecticut	47.RD	CMMI-1131587	0	1,077
University of Illinois	47.RD	EAR-1331906	0	17,693
University of Illinois	47.RD	NNX10AL94G	0	7,053
University of Kansas	47.RD	ANT0424589	0	330,448
University of Maryland	47.RD	ESI-0426253	0	149,046
University of Maryland	47.RD	IOS1025837	0	301,687
University of Maryland	47.RD	MCB-1244303	0	4,945
University of Michigan	47.RD	EFRI-0937323	0	217,681
University of Michigan	47.RD	SES-1059758	0	68,727
University of Missouri	47.RD	IOS-1114484	0	33,165
University of Nebraska	47.RD	AGS-1103316	0	27,629
University of New Hampshire	47.RD	EAR-1331841	0	35,048
University of Oklahoma	47.RD	AGS-1143948	0	8,542
University of Oregon	47.RD	BCS-0940744	0	97,394
University of Pittsburgh	47.RD	EEC-1242075	0	12,841
University of Southern California	47.RD	ICER-1343800	0	3,314
University of Southern California	47.RD	OCE-0939564	0	19,011
University of Texas at Austin	47.RD	BCS-0964596	0	18,601
University of Texas at Austin	47.RD	OCE-1135427	0	107,923
University of Virginia	47.RD	DEB-1237733	0	37,679
University of Washington	47.RD	NNA08CN87A	26,499	106,684
University of Wisconsin	47.RD	ANT-0937462	0	52,075
University of Wisconsin	47.RD	DMR-1234096	0	4,847
Utah State University	47.RD	DUE-1122654	0	7,523
Valador Inc.	47.RD	----	0	68,431
Virginia Polytechnic Institute	47.RD	IOS-0965352	0	27,094
Virginia Polytechnic Institute	47.RD	IOS-1238057	0	307,768
Washington University in St. Louis	47.RD	MCB-1331194	0	10,041
Total - National Science Foundation			26,499	7,303,161
Environmental Protection Agency:				
Battelle Pacific NW National Laboratory	66.RD	DE-AC07-05ID14517	176,537	517,484
Erie-Western PA Port Authority	66.RD	----	0	14,331
Louisiana State University	66.RD	----	0	6,178
Mactec Inc.	66.RD	----	0	16,515
National Fish and Wildlife Foundation	66.RD	FR.2413	0	198,060

	CFDA No.	Pass-Through Entity Identifying No.	Subcontract Expenditures	Expenditures
National Institute of Building Sciences	66.RD	VA 101CFM-P-0129	0	27,346
Tectra Tech EM Inc.	66.RD	----	0	303
University of California	66.RD	83543201	0	37,622
University of California	66.RD	----	0	2,143
University of Illinois	66.RD	EPA-R5-GL2012-1	0	19,999
University of Minnesota	66.RD	GL-00E00813	0	38,256
University of Minnesota	66.RD	----	0	19,454
University of North Carolina	66.RD	83521901	0	75,925
University of Wisconsin	66.RD	GL-00E01138-01	0	3,303
Total - Environmental Protection Agency			176,537	976,919
<u>Nuclear Regulatory Commission:</u>				
Numark Associates, Inc.	77.RD	NRC-HQ-12-C-42-0107	0	50,957
Total - Nuclear Regulatory Commission			0	50,957
<u>Energy:</u>				
Air Products & Chemical	81.RD	DE-FE0012065	0	42,298
Air Products & Chemical	81.RD	----	0	90,540
Altex Technologies	81.RD	DE-FE0010427	0	3,255
Argonne National Laboratory	81.RD	DE-AC02-06C11357	0	48,987
Argonne National Laboratory	81.RD	----	0	109,892
Bandgap Engineering Inc.	81.RD	DE-EE0005323	0	117,343
Battelle Memorial Institute	81.RD	----	0	21,235
Battelle Pacific NW National Lab	81.RD	4000092324	0	7,274
Battelle Pacific NW National Lab	81.RD	6400012296	0	107,467
Battelle Pacific NW National Lab	81.RD	DE-AC05-00OR22725	0	11,665
Battelle Pacific NW National Lab	81.RD	DE-AC05-76RL01830	0	229,544
Battelle Pacific NW National Lab	81.RD	DE-AC07-05ID14517	29,000	396,682
Battelle Pacific NW National Lab	81.RD	----	0	391,149
Bechtel Bettis, Inc.	81.RD	DE-NR0000031	0	62,167
Bechtel Bettis, Inc.	81.RD	----	0	43,473
Berkley Lawrence Laboratory	81.RD	DE-AC02-05CH11231	0	226,885
Berkley Lawrence Laboratory	81.RD	----	0	46,994
Brimrose Technology Corporation	81.RD	DE-SC0009453	0	24,640
California Institute of Technology	81.RD	DE-SC0004949	0	43,509
Cardinal Engineering LLC	81.RD	2012-112-03	0	12,811
Cardinal Engineering LLC	81.RD	----	0	4,687
CFD Research Corporation	81.RD	----	0	174,472
Compact Contractors of America	81.RD	----	0	10,995
Delaware Valley Industrial Research Center	81.RD	DE-EE006027	0	82,969
Drexel University	81.RD	----	0	60,336
DRS Research	81.RD	DE-SC0010184	0	56,832
EC Power	81.RD	----	0	20,226
Ford Motor Company	81.RD	DE-EE0005764	0	21,716
General Motors Corporation	81.RD	DE-EE0000470	0	168,026
Harvard University	81.RD	DE-AR0000326	0	180,300
Hewlett Packard Company	81.RD	----	0	265,436
Houston Advanced Research Center	81.RD	DE-AC26-07NT42677	0	79,839
Illuminex	81.RD	DE-FG02-07ER86313	0	(50,000)
Knolls Atomic Power Laboratory	81.RD	DE-NR0000031	0	131,925
Livermore Lawrence National Laboratory	81.RD	DE-AC52-07NA27344	0	32,647
Livermore Lawrence National Laboratory	81.RD	----	0	8,047
Los Alamos National Lab	81.RD	DE-AC52-06NA25396	0	79,098
Louisiana State University	81.RD	DE-SC0001058	0	71,911
Massachusetts Institute of Technology	81.RD	----	0	27,349
Mikros Systems Corp.	81.RD	DE-SC0010175	0	28,909
National Renewable Energy Lab	81.RD	DE-AC36-08GO28308	0	36,149
Nokomois Inc.	81.RD	DE-SC0004701	0	(363)
North Carolina State University	81.RD	----	0	54,394
Oak Ridge National Lab	81.RD	DE-AC05-000R22725	0	30,875

	CFDA No.	Pass-Through Entity Identifying No.	Subcontract Expenditures	Expenditures
Oak Ridge National Lab	81.RD	----	0	56,722
Ocean Renewable Power Company	81.RD	DE-EE0003647	0	678
Pneumaticoat Technologies LLC	81.RD	DE-SC0010239	0	29,540
Pratt & Whitney Aircraft	81.RD	DE-AR0000290	0	323,440
Pratt & Whitney Aircraft	81.RD	DE-FE0009448 GO64743	0	7,277
Princeton University	81.RD	DE-SC0006838	0	210,479
Purdue University	81.RD	DE-NE0000696	0	19,818
Research Partnership to Secure Energy	81.RD	DE-AC26-07NT42677	0	250,282
RTI International	81.RD	DE-FE0007707	0	185,232
Rutgers University	81.RD	DE-SC0001780	0	1,243
Sandia National Labs	81.RD	DE-AC04-94AL85000	0	62,431
Sandia National Labs	81.RD	----	0	200,261
South Dakota State University	81.RD	DE-FC36-05GO85041	15,779	20,742
Stanford University	81.RD	DE-SC0005171	74,377	382,244
Third Wave Systems	81.RD	DE-EE0005762	0	96,285
UES Inc.	81.RD	DE-SC0004356	0	99,640
UES Inc.	81.RD	DE-SC0011335	0	13,734
United Technologies Research	81.RD	DE-AR0000308	0	126,279
Universal Corporation for Atmospheric Research	81.RD	DE-EE0006016	0	97,817
University of California Los Angeles	81.RD	DE-SC0006698	0	101,442
University of Delaware	81.RD	DE-SC0007092	0	59,448
University of Illinois	81.RD	DE-SC0010778	0	58,738
University of Michigan	81.RD	DE-NE0000639	0	10,980
University of Oklahoma	81.RD	DE-SC0008811	0	1,457
University of Tennessee	81.RD	DE-AC07-05ID14517	0	249,423
University of Tennessee	81.RD	----	0	31,623
University of Texas at Austin	81.RD	DE-FE0005540	0	43,282
University of Utah	81.RD	DE-SC0004769	0	15,454
		4000.2.651.232.		
URS Corporation	81.RD	001.111.000.007	0	1,303
		4000.4.600.220.		
URS Corporation	81.RD	001.503.000.005	0	14,339
URS Corporation	81.RD	DE-FE0004000	0	(14,467)
URS Corporation	81.RD	RES1000026	0	352,838
URS Corporation	81.RD	----	0	1,691,124
Volvo Powertrain North America	81.RD	DE-EE0004232	7,660	166,381
Washington University	81.RD	DE-SC0006870	0	144,014
Total - Energy			<u>126,816</u>	<u>8,726,108</u>
<u>Education:</u>				
Duke University	84.RD	H133E080011	18,115	160,688
Florida State University	84.RD	----	0	141,195
Mercyhurst College	84.RD	4100058697	0	30,319
Project Grad USA	84.RD	----	0	49,802
University of Connecticut	84.RD	R305A090608	0	114,338
University of Illinois	84.RD	----	0	158,290
University of Virginia	84.RD	----	0	97,902
Virginia Commonwealth University	84.RD	R305A110079	0	251,810
Total - Education			<u>18,115</u>	<u>1,004,344</u>
<u>Health and Human Services:</u>				
Actuated Medical Inc.	93.RD	2R44AG037214-03	0	67,178
Actuated Medical Inc.	93.RD	2R44AI08335-02A1	0	56,394
Actuated Medical Inc.	93.RD	2R44CA139774-02A1	0	66,049
AFASCI, Inc.	93.RD	2R42HL084990-02A1	0	85,441
Albert Einstein College of Medicine	93.RD	1R01-NS082432-01	0	51,332
Albert Einstein College of Medicine	93.RD	3R01ES010563	0	1,517
Albert Einstein College of Medicine	93.RD	5P01-AG003949-27	0	13,696
Albert Einstein College of Medicine	93.RD	P01AG003949	0	43,804
American College of Radiology	93.RD	5 U01 CA080098	0	9,337

	CFDA No.	Pass-Through Entity Identifying No.	Subcontract Expenditures	Expenditures
American Institute for Research	93.RD	5R01DA030452-03	0	11,911
American Thrombosis & Hemostasis Network	93.RD	5U01DD000761-02	0	336
American Thrombosis & Hemostasis Network	93.RD	5U01DD000761-03	0	1,898
Arizona State University	93.RD	1R01GM080586-01A2	0	(376)
Arizona State University	93.RD	1R01GM092946	0	107,626
Arizona State University	93.RD	RO1HD061376-01A2	0	10,685
Bassett Mary Imogene Hospital	93.RD	5U54OH007542-12	0	88
Bassett Mary Imogene Hospital	93.RD	5U54OH007542-13	0	248,380
Bassett Mary Imogene Hospital	93.RD	NIH	0	(1,233)
Bassett Mary Imogene Hospital	93.RD	----	0	19,208
Baycrest	93.RD	5R01MH085772	0	15,384
Baylor College of Medicine	93.RD	5 R01 AR44474-17	0	9,257
		HHSP23320100022W/		
Boston College	93.RD	HHSP2333700	0	11,715
Brigham & Women's Hospital	93.RD	1R34A1091439-01	0	(791)
Brigham & Women's Hospital	93.RD	5 R01 ES017017-04	0	384
Brown University	93.RD	5 R01 ES020871-02	0	111,620
Child Care Consultants Inc.	93.RD	----	0	55,400
Children's Hospital of Boston	93.RD	1R21TW009612-01A1	0	44,119
Children's Hospital of Boston	93.RD	1R56AI084011-01	0	6,252
Children's Hospital of Boston	93.RD	1R21TW009612-01A1	0	12,752
Children's Hospital of Chicago	93.RD	R01HD060997	0	3,181
Children's Hospital of Philadelphia	93.RD	5U27DD00862	0	27,203
Children's Hospital of Philadelphia	93.RD	U10 CA98543-08	0	105,655
Cincinnati Children's Hospital Medical Center	93.RD	1R01HD069431-01A1	0	2,390
Cincinnati Children's Hospital Medical Center	93.RD	5R01AI08816-04	0	26,282
Cincinnati Children's Hospital Medical Center	93.RD	R01HD069431	0	47,781
Cleveland Clinic	93.RD	1R01CA169117-01A1	0	231,627
Cleveland Clinic	93.RD	R01 CA169117-02	0	13,907
Clinical & Translational Science Institute	93.RD	UL1TR000127	0	35,664
Clinical & Translational Science Institute	93.RD	----	0	127,546
Colorado State University	93.RD	9R01HL092791	0	(124)
Columbia University	93.RD	5 R01 NS067443-04	0	20,460
Columbia University	93.RD	5R01N5067443	0	5,236
Columbia University	93.RD	5R01N5067443-03	0	22,886
Columbia University	93.RD	R21AL107G31	0	6,836
Columbia University	93.RD	----	0	45,697
Cornell University	93.RD	1R01AL092571-02	0	90,607
Cornell University	93.RD	R01AI092571	0	106,069
Cureveda LLC	93.RD	1R43DK098984-01	0	45,873
Dartmouth College	93.RD	1R01AG035028	0	150,184
Dartmouth College	93.RD	5R01HD049762-06	0	23,251
Duke University	93.RD	5 U01 HL087229-03	0	184
Duke University	93.RD	HHSN-275201000003I	0	17,021
Duke University	93.RD	HHSO100201300009C	0	5,355
Eastern Tennessee State University	93.RD	5R01CA134891-04	0	100,378
Eastern Tennessee State University	93.RD	5R01CA134891-05	0	139,202
Emmes Corporation	93.RD	1U01NS026835-01A1	0	115
Emory University	93.RD	----	0	9,730
Essential Institute of Rural Health	93.RD	U01HG006389	0	158,537
Florida International University	93.RD	7R01MH083682-02	0	31,313
Fox Chase Cancer Center	93.RD	1 U19 AI083008-04	0	468,707
Frontier Science & Technology Research Foundation	93.RD	----	0	80,000
Geisinger Clinic	93.RD	3U01HG006382	0	38,114
Geisinger Clinic	93.RD	CD-1304-6987	0	12,808
Geisinger Clinic	93.RD	----	0	22,743
George Mason University	93.RD	5R01AG034682-02	0	3,936
George Washington University	93.RD	5R01DK090264-02	0	113,911
George Washington University	93.RD	R01CA169070	0	36,443
Georgetown University	93.RD	1 RO1 AA018863-03	0	33,362

	CFDA No.	Pass-Through Entity Identifying No.	Subcontract Expenditures	Expenditures
Georgetown University	93.RD	1R01DK088016-03	0	230,685
Georgetown University	93.RD	3U01AT003600-02S1	0	83,513
Georgia Health Science University	93.RD	3 U24 DK076169-04S2	0	22,919
Georgia Health Science University	93.RD	5 U01 AI083005-04	0	125,809
Georgia Health Science University	93.RD	5 U24 DK076169-07	0	39,744
Gladstone Institutes	93.RD	----	0	23,982
Hudson Alpha Institute for Biotech	93.RD	U54HG006998	0	170,172
Hudson Alpha Institute for Biotech	93.RD	----	0	52,870
Invo Tek, Inc.	93.RD	5R44HD059231-03	0	62,106
Iowa State University	93.RD	2R01DA013709-11	0	179,885
Iowa State University	93.RD	5R18DP002279-02	0	15,516
Iowa State University	93.RD	R01DA013709	0	14,266
John Wayne Cancer Institute	93.RD	P01 CA029605	0	1,973
Johns Hopkins University	93.RD	1U01NS062851-01A1	0	5,704
Johns Hopkins University	93.RD	3P01AG021190-05S1	0	(1,440)
Johns Hopkins University	93.RD	R01GM089853	0	1,725
Johns Hopkins University	93.RD	R34DA029237	0	30,157
Johns Hopkins University	93.RD	----	0	36,256
Lehigh University	93.RD	----	0	91,558
Lincoln University	93.RD	----	0	6,291
Lycoming Clinton Counties	93.RD	----	0	346
Marshfield Clinic Research Foundation	93.RD	5 U54 OH009568-05	0	17,706
Medical University of South Carolina	93.RD	7 R01 CA164335-02	0	25,307
Melanovus Oncology Inc.	93.RD	7R43CA165610-02	0	23,274
Michigan State University	93.RD	08 RHD066040A	0	62,990
Michigan State University	93.RD	R01MH092377-04	0	13,276
Minnetronix Inc.	93.RD	2 R44 HL108415-02	0	53,470
Minnetronix Inc.	93.RD	2R44HL108434-02	0	429,765
Minnetronix Inc.	93.RD	4 R44 HL106942-02	0	323,996
Mount Sinai Medical Center	93.RD	5 U01 HD044245-08	0	10,000
New York University	93.RD	1U54NS081765-01	0	8,825
New York University	93.RD	5 R01 EB000454-11	0	39,928
New York University	93.RD	5U19AI089676-03	0	11,171
New York University	93.RD	5U19AI089676-04	0	183,981
Northeastern University	93.RD	1R03CA171809-01	0	(85)
Northwest Institute of Research	93.RD	----	0	104,975
Northwestern University	93.RD	1R01DK097364-01	0	17,604
Northwestern University	93.RD	1R18HS022767-01	0	5,639
Northwestern University	93.RD	5R01CA154908-03	0	127,581
Northwestern University	93.RD	5R01CA154908-04	0	30,364
Northwestern University	93.RD	R01DK097364	0	65,422
Northwestern University	93.RD	R03CA171809	0	12,254
Ohio State University	93.RD	1P42ES016465-01A1	0	4,528
Ohio State University	93.RD	3P42ES016465-05S2	0	61,426
Ohio State University	93.RD	PES016465B	0	15,876
Ohio State University	93.RD	R18HS021456	0	122,449
Oregon Health Science University	93.RD	1R34HL115032-01A1	0	28,459
Oregon Social Learning Center	93.RD	5R01HD042608-08	0	465
PA Association of Commonwealth Health Centers	93.RD	----	0	62,602
Pacific Institute for Research and Evaluation	93.RD	R01AA017186	0	145,385
Princeton University	93.RD	2 R01 HD036916-11A1	0	(1)
Princeton University	93.RD	R01AG016790	0	82,381
Prognosys Biosciences Inc.	93.RD	1R43HG006223-01A1	0	37,428
Purdue University	93.RD	1R01GM095923-01	0	88,722
Radiation Monitoring Devices	93.RD	9R44RR031472-03	0	33,046
Rand Corporation	93.RD	R01DA032881	0	18,923
Rensselaer Polytechnic Institute	93.RD	1R01OH010165-01A1		3,626
Rhode Island Hospital	93.RD	1 R01 HL046005-21	0	35,031
Rhode Island Hospital	93.RD	1R01 HL110791-01A1	0	46,411
RTI International	93.RD	5R01DA025407-04	0	62,794
Rutgers University	93.RD	1 R01 A1091985-01A1	0	17,571

	CFDA No.	Pass-Through Entity Identifying No.	Subcontract Expenditures	Expenditures
Sanford Health	93.RD	7U01HD045935-08	0	(126)
Space Telescope SCI Institute	93.RD	NAS5-26555	0	8,481
State University of New York	93.RD	1 R01 HD073352-01A1	0	70,531
Syracuse University	93.RD	1R01MH101536-01	0	24,005
Translational Genomics Research	93.RD	R01DK091601	46,386	205,984
University of Arkansas Medical Science	93.RD	3 R01 GM089001-0251	0	(381)
University of California	93.RD	5 U01 GM094588	0	35,256
University of California	93.RD	R01-AL12575	0	112,720
University of California Davis	93.RD	2P01ES01126911	0	35,388
University of California Davis	93.RD	3R01DA17902-0951	0	92,444
University of California Davis	93.RD	5U54GM069338-10	0	32,032
University of California Davis	93.RD	HHSN261201100038C	0	14,719
University of California Davis	93.RD	----	0	6,314
University of California Irvine	93.RD	1R01AG042431-01A1	0	28,486
University of California Los Angeles	93.RD	5R01HD062547-02	0	7,458
University of California San Francisco	93.RD	R01HL114484	0	834
University of Delaware	93.RD	7 R01 AR050052-06	0	18,765
University of Florida	93.RD	1 U01 HL119178-01	0	33,849
University of Florida	93.RD	IOS-0923975	0	49,037
University of Florida	93.RD	ORIR130004-01-01	0	56,915
University of Florida	93.RD	R01 GM059969	0	186,834
University of Illinois	93.RD	1R01CA172726-01A1	0	14,486
University of Iowa	93.RD	R01HL083475	0	42,534
University of Kansas	93.RD	5 R01 FD003538-03	0	4,480
University of Kentucky	93.RD	1 U54CA153604-02	0	(6,259)
University of Kentucky	93.RD	5 U54 CA153604-04	13,042	90,255
University of Kentucky	93.RD	U54 CA153604-02	2,884	29,461
University of Maryland	93.RD	5R01DA025407-04	0	17,109
University of Maryland	93.RD	5U54AI057168-10	0	195,309
University of Maryland	93.RD	R01ES019168	0	38,978
University of Maryland	93.RD	----	0	(2,318)
University of Medicine & Dentistry NJ	93.RD	1 R15 DK090593-01A1	0	17,559
University of Miami	93.RD	1R01GM105004-01	0	32,279
University of Michigan	93.RD	1 R21 CA168479	0	9,374
University of Michigan	93.RD	1PS0GM103297	0	44,614
University of Michigan	93.RD	1R21AA021426	0	7,340
University of Michigan	93.RD	2R01CA129102-04	0	20,014
University of Michigan	93.RD	5-P50 GM103297-02	0	170,304
University of Michigan	93.RD	5R21 CA168479-02	0	42,716
University of Michigan	93.RD	HD039386	0	1,701
University of Michigan	93.RD	HHSF223201310144C	0	26,000
University of Michigan	93.RD	R01DA001411	0	44,213
University of Michigan	93.RD	R01-DA-035183	0	25,510
University of Michigan	93.RD	R01EY023725	0	15,461
University of Michigan	93.RD	R01GM107652	0	80,296
University of Michigan	93.RD	R21AA21426	0	37,643
University of Michigan	93.RD	U01 HL094345	0	33,421
University of North Carolina	93.RD	1R01HD080256-01	0	107,113
University of North Carolina	93.RD	5 R01 ES0177094-02	0	13,657
University of North Carolina	93.RD	5 R01 ES020836-02	0	63,062
University of North Carolina	93.RD	5 R01 HD067721-02	0	(140)
University of North Carolina	93.RD	5 R01 HD067721-03	0	10,851
University of North Carolina	93.RD	5P01HD039667-09	0	(1,515)
University of North Carolina	93.RD	5R01AIO89819-04	0	117,720
University of North Carolina	93.RD	5U01 DK092239	0	6,817
University of Oregon	93.RD	1R01DAD035052-01A1	0	21,683
University of Pennsylvania	93.RD	1R01CA154728-01A1	0	21,639
University of Pennsylvania	93.RD	5 R01 HD069321-02	0	495
University of Pennsylvania	93.RD	5 R01 HD069321-03	0	67,022
University of Pittsburgh	93.RD	1 RC1 HL102429-01	0	1,100
University of Pittsburgh	93.RD	5 U01 CA099168-11	0	35,835

	CFDA No.	Pass-Through Entity Identifying No.	Subcontract Expenditures	Expenditures
University of Pittsburgh	93.RD	5P50GM076659-05	0	22,102
University of Pittsburgh	93.RD	5R01AG026010-05	0	37,989
University of Pittsburgh	93.RD	5R01DK083961-04	0	8,840
University of Pittsburgh	93.RD	5UB4HP19199-04	0	124,040
University of Pittsburgh	93.RD	HHSN276201100003C	0	15,000
University of Pittsburgh Medical Center	93.RD	1U01NS081041-01A1	0	2,814
University of Rochester	93.RD	5 U01 NS061799-02	0	297
University of Rochester	93.RD	R01MH097293	0	3,307
University of Southern California	93.RD	5P41EB002182-15A1	0	6,889
University of Southern California	93.RD	5P41EB002182-16	0	150,219
University of Southern California	93.RD	5R01AG037985-04	0	33,479
University of Texas	93.RD	5R01DA026868-04	0	12,826
University of Texas	93.RD	5R01DA026868-05	0	3,285
University of Texas	93.RD	5R01DA033997-02	0	12,852
University of Texas	93.RD	R01AG027769	0	332,948
University of Texas	93.RD	R01HL109340	0	78,285
University of Texas	93.RD	----	0	54,880
University of Texas Arlington	93.RD	R01HL118498	0	26,757
University of Virginia	93.RD	5 U01 NS069498-02	0	9,861
University of Virginia	93.RD	5U01NS069498-03	0	13,336
University of Virginia	93.RD	7R01CA170334-02	0	213,898
University of Washington	93.RD	1 R01 HD068395-01	0	2,379
University of Washington	93.RD	5P50CA143188-14	0	58,408
University of Wisconsin	93.RD	3P01AG020166-0851	0	32,712
University of Wisconsin	93.RD	5P01AG020166	0	137,927
University of Wisconsin	93.RD	5P01AG020166-08	888	1,308
University of Wisconsin	93.RD	5P50CA143188-15	0	109,696
Vanderbilt University	93.RD	1R21AR063486-01A1	0	79,380
Vanderbilt University	93.RD	3U01HG004798-04S2	0	14,118
Vanderbilt University	93.RD	5R18HSO20415-03	0	10,587
Vanderbilt University	93.RD	5R01AI077505-04	0	60,004
Vanderbilt University	93.RD	5U01HG006385-02	0	6,925
Vanderbilt University	93.RD	5U01HG006385-03	0	187,383
Vanderbilt University	93.RD	5U19HL065962 - 13	0	317,346
Vanderbilt University	93.RD	P41 GM103991	0	47,051
Vanderbilt University	93.RD	P41 GM103991	0	48,862
Vanderbilt University	93.RD	R01MH095621	0	29,533
Vanderbilt University	93.RD	U19HL065962	0	(1,725)
Virginia Commonwealth University	93.RD	1P50DA036105-01	0	211,211
Virginia Commonwealth University	93.RD	5 U54 HD03449	0	18,252
Virginia Commonwealth University	93.RD	5R01HD73555-02	0	76,587
Virginia Polytechnic Institute	93.RD	1U600H009761-01	0	15,377
Visionary Pharmaceuticals	93.RD	1 R43 DK098896-01	0	54,884
Wake Forest University	93.RD	5R01AI083253-03	0	28,198
Washington University	93.RD	7R01CA164366	0	39,204
Westat Inc.	93.RD	200-2004-07072	0	64,029
Yale University	93.RD	2 U01-NS044876-06	0	1,605
Yale University	93.RD	5 R01 MH091453-04	0	19,250
Yale University	93.RD	5U10HD05592505	0	(1,331)
Total - Health and Human Services			63,200	12,448,463
<u>Homeland Security:</u>				
Purdue University	97.RD	2009-DN-077-ARI036-04	0	(1,318)
Purdue University	97.RD	2009-ST-061-CI0001	0	201,243
Purdue University	97.RD	DHS-12-DN-077-001-NC5	0	105,965
University of California	97.RD	2008-ST-061-BS0002	0	23,507
University of Southern California	97.RD	NF13004	0	100,573
Total - Homeland Security			0	429,970

	CFDA No.	Pass-Through Entity Identifying No.	Subcontract Expenditures	Expenditures
<u>Agency for International Development:</u>				
International Crops Resistant Semi-Arid	98.RD	----	0	1,938
Tuskegee University	98.RD	09-0029-45-57	10,026	26,730
Virginia Polytechnic Institute	98.RD	AID-OAA-L-12-00002	0	174,119
Virginia Polytechnic Institute	98.RD	EPP-A-00-04-00013-00	0	91,564
Virginia Polytechnic Institute	98.RD	EPP-A-00-04-00016-00	0	120,773
Total - Agency for International Development			10,026	415,124
<u>Miscellaneous:</u>				
Concurrent Technology Corp	99.RD	14-C-0144	0	74,383
General Lasertronic Corp	99.RD	----	0	18,854
ITT Corp.	99.RD	----	0	495,783
Johns Hopkins University	99.RD	11-G-2402	0	15,430
Michigan State University	99.RD	EDH-A-00-07-00005	0	59,218
Michigan State University	99.RD	----	0	(248)
Signature Science LLC	99.RD	HHM402-10-D-0010 DO 0023	0	351,823
Total - Miscellaneous			0	1,015,243
Total Research and Development - Pass-Through Funds - Other Institutions			\$ 1,387,963	\$ 58,867,103
7. RESEARCH AND DEVELOPMENT - PASS-THROUGH FUNDS - OTHER INSTITUTIONS - AMERICAN RECOVERY AND REINVESTMENT ACT:				
<u>National Science Foundation:</u>				
Lehigh University	47.RD	DMR-0844014	0	68,177
University of Pennsylvania	47.RD	EAR-0722476	0	37,955
Total - National Science Foundation			0	106,132
<u>Energy:</u>				
ADI-Analytics, LLC	81.RD	DE-EE0002739	0	18,598
Green Mountain Power	81.RD	DE-OE0000315	0	79,740
Northwestern University	81.RD	DE-SC0000989	0	179,810
Proton Energy Systems	81.RD	DE-AR0000121	0	2,413
University of Massachusetts	81.RD	DE-SC 0001087	0	59,062
University of Minnesota	81.RD	DE-OE0000427	0	(367)
URS Corporation	81.RD	RES1000026	0	123,652
Total - Energy			0	462,908
<u>Health and Human Services:</u>				
Cincinnati Children's Hospital	93.RD	RC1HL100474	0	455
Duke Clinical Research Institute	93.RD	R01HL098237	0	2,573
University of California	93.RD	HHSN2612000622009C	0	49,326
University of Pennsylvania	93.RD	1RC4MH092722-01	0	34,333
Total - Health and Human Services			0	86,687
Total Research and Development - Pass-Through Funds - Other Institutions American Recovery and Reinvestment Act			\$ 0	\$ 655,727
Total Research and Development			\$ 76,715,823	\$ 531,207,348

	CFDA No.	Pass-Through Entity Identifying No.	Subcontract Expenditures	Expenditures
8. OTHER DIRECT FUNDING:				
<u>Agriculture:</u>				
Higher Education Challenge Grants	10.217		0	38,998
Higher Education - Multicultural Scholars Grants	10.220		0	24,946
Integrated Programs	10.303		0	12,123
Agriculture and Food Research Initiative	10.310		47,003	948,879
Risk Management Agency	10.460		0	32,006
Urban and Community Forestry Program	10.675		0	370,485
Forest Stewardship Program	10.678		0	99,934
Agriculture Forest Service	10.681		0	8,190
Rural Business Enterprise Grants	10.769		0	53,658
Rural Energy for America Program	10.868		0	24,221
Environmental Quality Incentives Program	10.912		82,501	435,561
Technical Agricultural Assistance	10.960		0	28,684
Cochran Fellowship Program-International Training-Foreign Participant	10.962		0	6,202
Non-Specified	10.xxx		0	116,287
Total - Agriculture			129,504	2,200,174
<u>Defense:</u>				
Centers for Academic Excellence	12.598		0	258,158
Language Grant Program	12.900		0	99,470
Non-Specified	12.xxx		0	1,819,834
Total - Defense			0	2,177,462
<u>Justice:</u>				
Non-Specified	16.xxx		0	20,050
Total - General Services Administration			0	20,050
<u>Labor:</u>				
Occupational Safety and Health Susan Harwood Training Grants	17.502		0	71,865
Non-Specified	17.xxx		7,110	50,583
Total - Labor			7,110	122,448
<u>Department of Transportation:</u>				
Airport Improvement Project	20.106		0	1,159,160
Total - Department of Transportation			0	1,159,160
<u>National Aeronautics and Space Administration:</u>				
National Aeronautics and Space Administration	43.000		0	8,045
National Aeronautics and Space Administration	43.001		0	90,877
National Aeronautics and Space Administration	43.008		25,003	48,014
Total - National Aeronautics and Space Admin.			25,003	146,936
<u>National Endowment for the Humanities:</u>				
Promotion of the Humanities - Division of Preservation and Access	45.149		0	191,545
Promotion of the Humanities - Office of Digital Humanities	45.169		0	1,843
Total - National Endowment for the Humanities			0	193,388
<u>National Science Foundation:</u>				
Engineering Grants	47.041		0	4,997
Mathematical and Physical Sciences	47.049		0	434,651
Geosciences	47.050		0	(7,258)
Biological Sciences	47.074		0	72,457
Social, Behavioral, and Economic Sciences	47.075		0	13,142
Education and Human Resources	47.076		0	630,479

	CFDA No.	Pass-Through Entity Identifying No.	Subcontract Expenditures	Expenditures
Non-Specified	47.xxx		0	31,528
Total - National Science Foundation			0	1,179,996
<u>VA Health Administration:</u>				
Non-Specified	64.xxx		0	4,376
Total - Department of Transportation			0	4,376
<u>Environmental Protection Agency:</u>				
Protection of Children from				
Environmental Health Risks	66.609		0	67,639
Source Reduction Assistance	66.717		0	44,684
Non-Specified	66.xxx		0	183
Total - Environmental Protection Agency			0	112,506
<u>Energy:</u>				
Renewable Energy Research and Development	81.087		0	90,790
Total - Energy			0	90,790
<u>Education:</u>				
Overseas Programs - Group Projects Abroad	84.021		0	4,218
TRIO - Student Support Services	84.042		0	303,551
TRIO - Talent Search	84.044		0	625,048
TRIO - Upward Bound	84.047		0	827,171
TRIO - Educational Opportunity Centers	84.066		0	257,759
Fund for the Improvement of Postsecondary				
Education	84.116		3,155	10,260
Rehabilitation Long-Term Training	84.129		0	15,170
Migrant Education-College Assistance				
Migrant Program	84.149		0	404,125
Office of Post Secondary Education - Javits Fellow	84.170		0	41,739
Bilingual Education - Professional Development	84.195		0	17,379
TRIO - McNair Post-Baccalaureate				
Achievement	84.217		0	288,445
Education Research, Development				
and Dissemination	84.305		0	983,527
Special Education-Personnel Preparation to				
Improve Services and Results for Children				
with Disabilities	84.325		0	1,079,627
Child Care Access Means Parents in School	84.335		0	222,781
English Language Acquisition State Grants	84.365		13,649	356,676
Non-Specified	84.xxx		0	207,107
Total - Education			16,804	5,644,583
<u>Health and Human Services:</u>				
Model State-Supported Area Health				
Education Centers	93.107		549,761	721,187
Environmental Health	93.113		0	30,784
Injury Prevention and Control Research				
and State and Community Based Programs	93.136		0	4,508
Research on Healthcare Costs	93.226		0	8,935
State Rural Hospital Flexibility Program	93.241		0	115,169
Advanced Nursing Education Grant	93.247		0	266,703
Drug Abuse and Addiction Research				
Programs	93.279		0	535,382
Mental Health National Research Service				
Awards for Research Training	93.282		0	59,417
Centers for Disease Control and Prevention				
Investigations and Technical Assistance	93.283		0	47,555
National Center for Advancing				
Translational Sciences	93.350		0	89,814

	CFDA No.	Pass-Through Entity Identifying No.	Subcontract Expenditures	Expenditures
Research Infrastructure Programs	93.351		7,410	137,268
Advanced Education Nursing Traineeships	93.358		0	377,452
Nurse Education, Practice and Retention Grants	93.359		0	266,666
Cancer Research Manpower	93.398		0	361,519
Advanced Nursing Education Expansion Initiative	93.513		0	356,224
Cardiovascular Diseases Research	93.837		0	154,255
Diabetes, Digestive and Kidney Diseases Extramural Research	93.847		0	203,969
Neurosciences and Neurological Disorders Extramural Research	93.853		0	16,388
Pharmacological Sciences	93.859		0	48,698
Child Health and Human Development Extramural Research	93.865		0	6,000
Aging Research	93.866		0	5,606
Rural Health Care Services Outreach Small Health Care Providers	93.912		0	339,892
Grants to States for Operation of Offices of Rural Health	93.913		0	145,216
International Research and Research Training	93.989		31,886	71,112
Non-Specified	93.xxx		0	193,850
Total - Health and Human Services			<u>589,057</u>	<u>4,563,569</u>
Homeland Security:				
Non-Specified	97.xxx		0	89,752
Total - Homeland Security			<u>0</u>	<u>89,752</u>
Miscellaneous:				
Non-Specified	99.xxx		0	17,429
Total - Miscellaneous			<u>0</u>	<u>17,429</u>
Total Other Direct Funding			<u>\$ 767,478</u>	<u>\$ 17,722,619</u>
9. OTHER DIRECT FUNDING - AMERICAN RECOVERY AND REINVESTMENT ACT:				
National Science Foundation:				
Trans-NSF Recovery Act Research Support	47.082		\$ 0	\$ 11,948
Total - National Science Foundation			<u>0</u>	<u>11,948</u>
Health and Human Services:				
Training in Primary Care Medicine and Dentistry	93.403		0	276,036
Total - Health and Human Services			<u>0</u>	<u>276,036</u>
Total Other Direct Funding - American Recovery and Reinvestment Act			<u>\$ 0</u>	<u>\$ 287,984</u>

	CFDA No.	Pass-Through Entity Identifying No.	Subcontract Expenditures	Expenditures
10. OTHER PASS-THROUGH FUNDS - COMMONWEALTH OF PENNSYLVANIA:				
<u>Department of Welfare:</u>				
Specialty Crop Block Grant - Farm Bill	10.170	ME 44123780	\$ 0	17,309
Specialty Crop Block Grant - Farm Bill	10.170	ME 44113149	0	4,071
Crop Insurance Education in Targeted States	10.458	ME 44123735	0	11,364
Child and Adult Care Food Program	10.558	----	0	74,739
Summer Food Service Program for Children	10.559	310-14-000-0	0	41,644
State Administrative Expense for Child Nutrition	10.560	4300370577	0	157,449
State Administrative Matching Grants for SNAP	10.561	4000015750	18,119,706	21,625,277
Team Nutrition Grants	10.574	4300396024	0	2,724
Team Nutrition Grants	10.574	4300396045	0	2,564
Non-Specified	10.xxx	4300315022	0	74,239
Non-Specified	10.xxx	4300315338	0	18,685
Non-Specified	10.xxx	4300324334	0	4,068
Non-Specified	10.xxx	4300332235	0	180,810
Total - Department of Welfare			18,119,706	22,214,943
<u>Commerce:</u>				
State Broadband Data and Development Grant	11.558	C000051994	0	124,262
Total - Labor			0	124,262
<u>Justice:</u>				
Bureau of Justice Assistance	16.812	4300345337	0	3,780
Total - Labor			0	3,780
<u>Labor:</u>				
Mine Health and Safety Grants	17.600	4300410625	0	68,225
Total - Labor			0	68,225
<u>Environmental Protection Agency</u>				
Pollution Prevention Grants	66.708	4100058771	0	5,604
Pollution Prevention Grants	66.708	4100066876	0	68,629
Regional Agricultural IPM Grants	66.714	ME 44134327	0	32,820
Total - Education			0	107,053
<u>Energy</u>				
State Energy Program	81.041	4300355393	0	38,325
State Energy Program Special Projects	81.119	4100058770	0	68,654
Total - Labor			0	106,979
<u>Education:</u>				
Adult Education - Basic Grants to States	84.002	041-130038	0	1,272
Adult Education - Basic Grants to States	84.002	041-130039	0	563
Adult Education - Basic Grants to States	84.002	041-14-0038	0	162,879
Adult Education - Basic Grants to States	84.002	041-14-0039	0	237,159
Adult Education - Basic Grants to States	84.002	099-130001	0	1,470
Adult Education - Basic Grants to States	84.002	099-130002	0	153
Adult Education - Basic Grants to States	84.002	099-130003	0	830
Adult Education - Basic Grants to States	84.002	099-130004	0	764
Adult Education - Basic Grants to States	84.002	099-140001	60,000	202,606
Adult Education - Basic Grants to States	84.002	099-14-0002	0	161,727
Adult Education - Basic Grants to States	84.002	099-140003	0	323,775
Adult Education - Basic Grants to States	84.002	099-140004	0	117,595

	CFDA No.	Pass-Through Entity Identifying No.	Subcontract Expenditures	Expenditures
Career and Technical Education -				0
Basic Grants to States	84.048	119-13-3004	0	(446)
Career and Technical Education -				
Basic Grants to States	84.048	119-14-0004	0	206,084
Improving Teach Quality State Grants	84.367	4100057635	0	173,882
Total - Education			60,000	1,590,313
<u>Health and Human Services:</u>				
Child Support Enforcement	93.563	4100049863	0	3,079,658
HIV Care Formula Grants	93.917	4300407203	0	28,108
HIV Prevention Activities	93.940	4300327779	0	128,247
Assistance Programs for Chronic Disease	93.945	4100065734	0	95,222
Maternal and Child Health Services Block Grant	93.994	4100050792	0	287,352
Non-Specified	93.xxx	4100051060	0	299
Non-Specified	93.xxx	4100062657	0	37,658
Non-Specified	93.xxx	----	0	905,727
Total - Health and Human Services			0	4,562,271
<u>Homeland Security:</u>				
Non-Specified	97.xxx	----	0	45,797
Total - Homeland Security			0	45,797
Total Other Pass-Through Funds - Commonwealth of Pennsylvania			\$ 18,179,706	\$ 28,823,623

**11. OTHER PASS-THROUGH FUNDS -
COMMONWEALTH OF PENNSYLVANIA -
AMERICAN RECOVERY AND
REINVESTMENT ACT:**

<u>Commerce:</u>				
State Broadband Data and Development Grant	11.558	C000051994	\$ 0	\$ 180,511
Total - Labor			0	180,511
<u>Health and Human Services:</u>				
State Primary Care Offices	93.414	4300249569	7,875	7,875
Total - Health and Human Services			7,875	7,875
Total Other Pass-Through Funds- Commonwealth of Pennsylvania American Recovery And Reinvestment Act			\$ 7,875	\$ 188,386

	CFDA No.	Pass-Through Entity Identifying No.	Subcontract Expenditures	Expenditures
12. OTHER PASS-THROUGH FUNDS - OTHER INSTITUTIONS:				
<u>Agriculture:</u>				
Cornell University-Grants for Agricultural Research, Special Program	10.200	2012-34383-19759	\$ 0	\$ 5,490
University of Vermont-Sustainable Agricultural Research and Education	10.215	2009-38640-19631	0	3,449
University of Vermont-Sustainable Agricultural Research and Education	10.215	2011-38640-30418	3,080	10,296
University of Vermont-Sustainable Agricultural Research and Education	10.215	2012-38640-19543	0	10,694
Cornell University-Integrated Programs	10.303	----	0	22,440
Cornell University-Integrated Programs	10.303	2012-51120-20287	0	13,649
University of Connecticut-Integrated Programs	10.303	2010-51110-21007	0	42,975
University of Maryland-Integrated Programs	10.303	2008-51130-19500	0	(3,282)
University of Vermont-Integrated Programs	10.303	2008-51110-04334	0	2,482
Rutgers University-Specialty Crop Research	10.309	2009-51181-06035	0	46,656
Virginia Polytechnic University-Specialty Crop Research	10.309	2010-51181-21140	0	146,448
University of Minnesota-Farm Business Management and Benchmarking	10.319	2010-38504-21819	0	(2,742)
Auburn University-Cooperative Extension Service	11.500	2012-48540-20325	0	11,461
Kansas State University-Cooperative Extension Service	10.500	2010-48696-21892	0	4,849
Kansas State University-Cooperative Extension Service	10.500	2010-48713-21882	0	11,000
Kansas State University-Cooperative Extension Service	10.500	2012-48749-20178	0	14,215
Kansas State University-Cooperative Extension Service	10.500	----	0	43,533
Rutgers State University of New Jersey- Cooperative Extension Service	10.500	2011-41530-30566	0	2,799
University of Delaware-Cooperative Extension Service	10.500	2010-49200-06201	0	(1,110)
University of Georgia-Cooperative Extension Service	10.500	2013-48761-21440	0	4,850
University of Nebraska-Cooperative Extension Service	10.500	2011-41595-30998	0	8,980
University of Nebraska-Cooperative Extension Service	10.500	2013-48712-21516	0	69,118
University of Nebraska-Cooperative Extension Service	10.500	----	0	92,412
University of Vermont-Cooperative Extension Service	10.500	2013-47001-20896	0	45,334
University of Vermont-Cooperative Extension Service	10.500	2012-47001-19544	11,238	77,225
University of Wisconsin-Soil and Water Conservation	10.902	68-3A75-11-268	0	75,873
University of Delaware-Environmental Quality Incentives Program	10.912	69-3A75-12-244	0	4,163
Iowa State University-Non-Specified	10.xxx	----	0	778
University of Maryland-Non-Specified	10.xxx	----	0	1,165
Total - Agriculture			14,318	765,200
<u>Defense:</u>				
University of Michigan-Non-Specified	12.xxx	N65540-10-C-0003	0	137,511
Total - Defense			0	137,511

	CFDA No.	Pass-Through Entity Identifying No.	Subcontract Expenditures	Expenditures
<u>Justice:</u>				
National 4-H-Juvenile Mentoring Program	16.726	----	0	4,080
Internal Police Education & Training-Non-Specified	16.xxx	----	0	(3,074)
Total - Interior			0	1,006
<u>Labor:</u>				
Lehigh Valley WIB-WIA Youth Activities	17.259	----	0	55,636
Total - Labor			0	55,636
<u>State:</u>				
Institute for International Education- Humphrey Fellowship Program	19.010	----	0	226,651
Total - State			0	226,651
<u>Transportation:</u>				
Cornell University-Biobased Transportation Research	20.761	DTOS59-07-G-00052	0	(4,182)
Total - Transportation			0	(4,182)
<u>National Aeronautics and Space Administration</u>				
Emergency Management Service-Non-Specified	43.xxx	NKX10AK74H	0	7,008
Space Telescope SCI Institute-Non-Specified	43.xxx	NAS5-26555	0	25,120
Will Technology Inc.-Non-Specified	43.xxx	----	0	26,157
Total National Endowment for the Arts			0	58,285
<u>National Endowment for the Arts</u>				
Mid-Atlantic Arts Foundation-Promotion of the Arts	45.025	----	0	9,500
Total-National Endowment for the Arts			0	9,500
<u>National Science Foundation:</u>				
University of Massachusetts-Education and Human Resources	47.076	HRD 9978878	0	59,737
University of Pittsburgh-Education and Human Resources	47.076	DRL-0732798	0	8,801
Shippensburg University-Non-Specified	47.xxx	----	0	19,501
Total National Science Foundation			0	88,039
<u>Small Business Administration:</u>				
University of Pennsylvania-Small Business Development Centers	59.037	SBAHQ-13-B-0036	0	72,158
Ben Franklin Technology Center-Non-Specified	59.xxx	SBAHQ-13-G-0002	0	31,132
Ben Franklin Technology Center-Non-Specified	59.xxx	----	0	45,532
Total - Small Business Administration			0	148,822
<u>Veterans Affairs</u>				
Boston College-Vocational and Educational Counseling for Service Members and Veterans	64.125	VA244-P-1554	0	14,956
Total - Veterans Affairs			0	14,956
<u>Environmental Protection Agency:</u>				
National Fish & Wildlife Foundation-Office of Water	66.466	----	184,724	429,306
University of Maryland-Office of Water	66.466	2011-0050-006	0	32,706
Delaware University-Non-Specified	66.xxx	4100062845	0	56,053
National Fish & Wildlife Foundation-Non-Specified	66.xxx	----	0	11,869
University of Pennsylvania-Non-Specified	66.xxx	96319401	0	33,319
Total - Environmental Protection Agency			184,724	563,253

	CFDA No.	Pass-Through Entity Identifying No.	Subcontract Expenditures	Expenditures
<u>Education:</u>				
University of Turabo Puerto Rico- Bilingual Education Training Grants	84.195	T195N070410	0	1
National Writing Project Corporation-Improving Teacher Quality State Grants	84.367	----	0	4,988
Total - Education			0	4,989
<u>Health and Human Services:</u>				
Boston College-Administration on Aging	93.048	90CP0143/02	0	(459)
Tufts University-Centers for Disease Control and Prevention	93.061	1R18DP002144	0	713
Milton S. Hershey Medical Center Cancer Treatment Research	93.395	----	0	7,503
Community Services for Children-Child Care and Development Block Grant	93.575	----	0	16,839
Northwest Institute of Research-Child Care and Development Block Grant	93.575	----	0	67,302
YWCA-Child Care and Development Block Grant	93.575	----	0	21,697
Child Care Consultants, Inc.-Non-Child Care and Development Block Grant	93.750	----	0	1,393
Iowa State University-Child Health and Development	93.865	----	0	(1)
Penn Mountains Health Alliance-Rural Health Care Alliance	93.912	R01RH26277	0	55,434
Child Care Consultants-Non-Specified	93.xxx	4100029170	0	760,839
Josalindia-Non-Specified	93.xxx	1CACMS331021-01-00	0	263,836
Kirksville College of Osteopathic Medicine- Non-Specified	93.xxx	R25AT003579	0	33,776
National Library of Medicine-Non-Specified	93.xxx	HHSN276201100003C	0	2,221
Temple University-Non-Specified	93.xxx	----	0	9,553
University of Pennsylvania-Non-Specified	93.xxx	HHSN-276-2011-00003-C	0	14,284
University of Pennsylvania-Non-Specified	93.xxx	----	0	590,634
Total - Health and Human Services			0	1,845,564
<u>Agency for International Development</u>				
Michigan State University-Non-Specified	98.xxx	----	0	7,803
Total - Agency for International Development			0	7,803
Total Other Pass-Through Funds - Other Institutions			\$ 199,042	\$ 3,923,033

**13. OTHER PASS-THROUGH FUNDS
OTHER INSTITUTIONS
AMERICAN RECOVERY AND
REINVESTMENT ACT:**

<u>Commerce:</u>				
University of New Hampshire - National Telecommunications and Information	11.558	----	\$ 0	\$ (168)
Total - Labor			0	(168)

**Total Other Pass-Through Funds
Other Institutions
American Recovery and
Reinvestment Act**

\$ 0 \$ (168)

14. FEDERAL LOAN PROGRAMS

The University administers the following Federal loan programs:

<u>Title</u>	<u>CFDA No.</u>	<u>Federal Capital Contribution for the Year Ended June 30, 2014</u>	<u>Loan Expenditures and Disburs.</u>	<u>Outstanding Balance at June 30, 2014</u>
Federal Perkins Loan Program	84.038	\$0	\$1,546,453	\$44,335,623
Health Professions Student Loan Program	93.342	0	0	117,495

The above expenditures for the loan programs include disbursements and expenditures such as loans to students and administrative expenditures. The schedule only includes administrative allowances charged to the loan program.

15. FEDERAL DIRECT LOAN PROGRAM

The University participates in the Federal Direct Student Loan Program (CFDA No. 84.268) including Federal Stafford Loans and Federal PLUS Loans. Loan disbursements under the program for the year ended June 30, 2014 totaled \$543,388,354.

16. FEDERAL ENDOWMENT:

In fiscal year 2002, the University received \$6,000,000 from the U.S. Department of Education to establish the William F. Goodling Institute for Research in Family Literacy (the "Institute") and to establish an endowment for the Institute under the Fund for Improvement of Postsecondary Education Program. The Institute will focus on developing a sound conceptual, interdisciplinary research base for guiding practice and policy in family literacy. Based on research findings, the Institute will also build the capacity of the field to provide high-quality, research-based instruction and program development in family literacy. Under the terms of the endowment agreement, annual income from the endowment's investments must be used to support the planned activities of the Institute. In addition, the endowment is restricted for this use until 2021.

The University administers the following federal endowment:

<u>Fund for the Improvement of Postsecondary Education</u>	<u>CFDA No.</u>	<u>Balance at July 1, 2013</u>	<u>Endowment Expenditures</u>	<u>Endowment Income</u>	<u>Balance at June 30, 2014</u>
	84.116	\$6,000,000	\$247,424	\$247,424	\$ 6,000,000

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Trustees of
The Pennsylvania State University
University Park, PA

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 *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of The Pennsylvania State University and subsidiaries (the "University"), which comprise the consolidated statements of financial position as of June 30, 2014 and 2013, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 24, 2014.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs, that we consider to be a significant deficiency as item 2014-1.

The University's Response to Findings

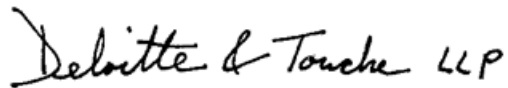
The University's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The University's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

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

October 24, 2014

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE, AND ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

To the Board of Trustees of
The Pennsylvania State University
University Park, PA

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

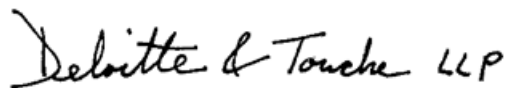
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

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

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

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the consolidated financial statements of the University as of and for the year ended June 30, 2014, and have issued our report thereon dated October 24, 2014, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



March 24, 2015

THE PENNSYLVANIA STATE UNIVERSITY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditors' report issued Unmodified

Internal control over financial reporting:

Material weakness identified?	_____ yes	_____ <u>X</u> no
Significant deficiencies identified?	_____ <u>X</u> yes	_____ none reported
Noncompliance material to financial statements noted?	_____ yes	_____ <u>X</u> no

Federal Awards

Internal control over major federal programs:

Material weakness identified?	_____ yes	_____ <u>X</u> no
Significant deficiencies identified?	_____ yes	_____ <u>X</u> none reported

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

Any audit findings disclosed that are required to be reported in accordance with

section 510(a) of OMB Circular A-133?	_____ yes	_____ <u>X</u> no
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Identification of major federal programs

CFDA Number	Name of Federal Program or Cluster
Cluster	Student Financial Aid Cluster
10.500	Cooperative Extension Service
81.086	Conservation Research and Development

Dollar threshold used to distinguish between Type A and Type B programs \$ 3,855,354

Auditee qualified as low-risk auditee?	_____ <u>X</u> yes	_____ no
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SECTION II - FINANCIAL STATEMENT FINDINGS

2014-1 **Criteria or specific requirement**

Kaspick & Company LLC is the service organization that handles the administration of planned giving assets for the University, including the administration of charitable remainder trusts. A majority of the charitable remainder trusts are administered and tracked by Kaspick & Company LLC. However, for charitable remainder trusts trustee outside of the University and not administered by Kaspick & Company, the University maintains a detailed schedule for tracking the trusts and performs a calculation to discount the trust to the present value.

Condition

Errors related to the following were identified: usage of incorrect pledge basis (gift amount vs. market value), incorrect discount rates, discounting based on the full amount of the pledge as opposed to the University's portion, and the overall completeness of the schedule.

Context

Due to multiple errors identified within the Non-Kaspick schedule as a result of our original testing, Deloitte requested that the client review the entire CY schedule and provide a revised CY schedule. As there were errors found in the original schedule, Deloitte increased the extent of testing per professional judgment.

Effect

These errors and omissions resulted in an increase in contributions receivable of approximately \$11.5 million which management recorded as of June 30, 2014.

Cause

The review control management performed related to this schedule to verify the accuracy and completeness did not operate effectively for the year ended June 30, 2014.

Recommendation

We recommend that management develop a more detailed review control for the schedule to verify the accuracy of all inputs and calculations. Management should consider involving the financial reporting department in the review of the schedule.

Views of responsible officials and planned corrective actions

Steps have already been taken to improve the Office of Gift Planning's tracking database to include more specific gift recording information and to more clearly identify Penn State's share of a gift. Additionally, a supplemental planned gift report that was previously discontinued, will be reinstated for use in populating the valuation and reporting database with newly-recorded trusts each year rather than relying solely on a manual selection. A better working relationship has been established between the Office of Gift Planning and the Financial Reporting Office to facilitate improved understanding of departmental and individual roles and to identify and stress the importance of critical financial data elements. The significant deficiency does not relate to a control over federal monies.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

The audit disclosed no findings or questioned costs required to be reported in this section