

# **University of Rochester**

**Reports on Federal Awards in  
Accordance with Uniform Guidance  
For the Year Ended June 30, 2016  
EIN: 16-0743209**

# University of Rochester

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June 30, 2016 and 2015

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## Report of Independent Auditors

To the Board of Trustees  
University of Rochester

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the University of Rochester and its related entities (the "University"), which comprise the consolidated balance sheets as of June 30, 2016 and 2015, and the related consolidated statement of activities, and cash flows for the years then ended, and the related notes to the financial statements.

#### ***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the 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 the consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 our 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, we consider 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 of Rochester and its related entities as of June 30, 2016 and 2015, and its changes in net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Other Information*

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 for the year ended June 30, 2016 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) 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 expenditures of federal awards is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2016 on our consideration of the University of Rochester's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters for the year ended June 30, 2016. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University of Rochester's internal control over financial reporting and compliance.

*PricewaterhouseCoopers LLP*  
Rochester, New York  
October 20, 2016

**UNIVERSITY OF ROCHESTER**  
**AND RELATED ENTITIES**  
**Consolidated Balance Sheet**  
**As of June 30**  
(dollars in thousands)

<b>Assets</b>	<b>2016</b>	<b>2015</b>
	<b>2016</b>	<b>2015</b>
Cash and cash equivalents	\$ 277,221	\$ 450,595
Short-term investments	426,593	317,703
Accounts receivable, net	380,951	311,114
Inventories, prepaid expenses, and deferred charges	71,453	71,200
Contributions receivable, net	88,526	100,827
Notes receivable, net	49,482	49,994
Other assets	40,438	25,317
Investments held for long-term purposes	2,308,446	2,445,777
Property, plant and equipment, net	1,991,438	1,899,849
Interest in net assets of foundations	16,473	17,567
Investments in perpetual trusts held by others	52,306	56,233
Total assets	\$ 5,703,327	\$ 5,746,176
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 458,988	\$ 425,413
Advanced receipt of sponsored research revenues	9,100	12,390
Deferred revenue	78,894	62,323
Third-party settlements payable, net	154,221	138,116
Accrued pension, post-retirement, and post-employment	572,294	445,645
Long-term debt	1,203,573	1,216,632
Asset retirement obligation	29,442	27,680
Refundable U.S. Government grants for student loans	16,459	16,321
Total liabilities	2,522,971	2,344,520
Net Assets:		
Unrestricted	2,072,141	2,191,594
Temporarily restricted	586,163	705,512
Permanently restricted	522,052	504,550
Total net assets	3,180,356	3,401,656
Total liabilities and net assets	\$ 5,703,327	\$ 5,746,176

See accompanying notes to consolidated financial statements.

**UNIVERSITY OF ROCHESTER  
AND RELATED ENTITIES  
Consolidated Statement of Activities  
Year Ended June 30, 2016  
(dollars in thousands)**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating revenues:				
Tuition and fees	\$ 458,446	\$ -	\$ -	\$ 458,446
Less: scholarships and fellowships	(189,123)	-	-	(189,123)
Net tuition and fees	269,323	-	-	269,323
Grants and contracts	369,954	-	-	369,954
Gifts and pledges	25,433	38,135	15,408	78,976
Hospital and faculty practice patient care activities	2,638,925	-	-	2,638,925
Auxiliary enterprises	117,439	-	-	117,439
Interest income and appreciation of operating investments	(3,223)	-	-	(3,223)
Educational activities	14,486	-	-	14,486
Royalty income	23,113	-	-	23,113
Other sources	64,169	-	-	64,169
Long-term investment income and gains allocated to operations	93,576	-	-	93,576
Net assets released from restriction	98,429	(99,802)	1,373	-
Total operating revenues	<u>3,711,624</u>	<u>(61,667)</u>	<u>16,781</u>	<u>3,666,738</u>
Operating expenses:				
Salaries and wages	1,750,538	-	-	1,750,538
Fringe benefits	532,365	-	-	532,365
Total compensation	2,282,903	-	-	2,282,903
Supplies	562,358	-	-	562,358
Business and professional	235,287	-	-	235,287
Utilities	55,171	-	-	55,171
Maintenance and facilities costs	128,095	-	-	128,095
Depreciation	206,974	-	-	206,974
Interest	45,072	-	-	45,072
Other	134,818	-	-	134,818
Total operating expenses	<u>3,650,678</u>	<u>-</u>	<u>-</u>	<u>3,650,678</u>
Change in net assets from operating activities	<u>60,946</u>	<u>(61,667)</u>	<u>16,781</u>	<u>16,060</u>
Non-operating activities:				
Long-term investment activities:				
Investment income (loss)	11,624	3,829	(93)	15,360
Net depreciation	(41,867)	(57,317)	(1,585)	(100,769)
Total long-term investment activities	(30,243)	(53,488)	(1,678)	(85,409)
Long-term investment income and gains allocated for operations	(93,576)	-	-	(93,576)
Loss on extinguishment of debt	(559)	-	-	(559)
Other changes, net	(84,453)	1,539	(80)	(82,994)
Change in valuation of annuities	-	(6,508)	181	(6,327)
Change in net assets from non-operating activities	<u>(208,831)</u>	<u>(58,457)</u>	<u>(1,577)</u>	<u>(268,865)</u>
Change in net assets before cumulative effect of acquisition	(147,885)	(120,124)	15,204	(252,805)
Cumulative effect of acquisition	28,432	775	2,298	31,505
Change in net assets	(119,453)	(119,349)	17,502	(221,300)
Beginning net assets	2,191,594	705,512	504,550	3,401,656
Ending net assets	<u>\$ 2,072,141</u>	<u>\$ 586,163</u>	<u>\$ 522,052</u>	<u>\$ 3,180,356</u>

See accompanying notes to consolidated financial statements.

**UNIVERSITY OF ROCHESTER  
AND RELATED ENTITIES**  
**Consolidated Statement of Activities**  
**Year Ended June 30, 2015**  
(dollars in thousands)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating revenues:				
Tuition and fees	\$ 437,659	\$ -	\$ -	\$ 437,659
Less: scholarships and fellowships	(177,804)	-	-	(177,804)
Net tuition and fees	259,855	-	-	259,855
Grants and contracts	342,867	-	-	342,867
Gifts and pledges	34,638	30,579	35,986	101,203
Hospital and faculty practice patient care activities	2,419,776	-	-	2,419,776
Auxiliary enterprises	118,667	-	-	118,667
Interest income and appreciation of operating investments	5,326	-	-	5,326
Educational activities	15,602	-	-	15,602
Royalty income	23,634	-	-	23,634
Other sources	40,203	-	-	40,203
Long-term investment income and gains allocated to operations	87,946	-	-	87,946
Net assets released from restriction	57,553	(61,654)	4,101	-
Total operating revenues	<u>3,406,067</u>	<u>(31,075)</u>	<u>40,087</u>	<u>3,415,079</u>
Operating expenses:				
Salaries and wages	1,631,055	-	-	1,631,055
Fringe benefits	483,241	-	-	483,241
Total compensation	2,114,296	-	-	2,114,296
Supplies	504,287	-	-	504,287
Business and professional	202,783	-	-	202,783
Utilities	57,036	-	-	57,036
Maintenance and facilities costs	125,626	-	-	125,626
Depreciation	196,698	-	-	196,698
Interest	35,041	-	-	35,041
Other	92,995	-	-	92,995
Total operating expenses	<u>3,328,762</u>	<u>-</u>	<u>-</u>	<u>3,328,762</u>
Change in net assets from operating activities	<u>77,305</u>	<u>(31,075)</u>	<u>40,087</u>	<u>86,317</u>
Non-operating activities:				
Long-term investment activities:				
Investment income	10,496	3,212	(1,200)	12,508
Net appreciation	43,714	31,024	2,141	76,879
Total long-term investment activities	54,210	34,236	941	89,387
Long-term investment income and gains allocated for operations	(87,946)	-	-	(87,946)
Loss on extinguishment of debt	(10,880)	-	-	(10,880)
Other changes, net	(29,753)	(609)	(325)	(30,687)
Change in valuation of annuities	-	(571)	57	(514)
Change in net assets from non-operating activities	<u>(74,369)</u>	<u>33,056</u>	<u>673</u>	<u>(40,640)</u>
Change in net assets	2,936	1,981	40,760	45,677
Beginning net assets	2,188,658	703,531	463,790	3,355,979
Ending net assets	<u>\$ 2,191,594</u>	<u>\$ 705,512</u>	<u>\$ 504,550</u>	<u>\$ 3,401,656</u>

See accompanying notes to consolidated financial statements.

**UNIVERSITY OF ROCHESTER  
AND RELATED ENTITIES**  
**Consolidated Statement of Cash Flows**  
**Years Ended June 30**  
(dollars in thousands)

<b>Cash flows from operating activities:</b>	<u><b>2016</b></u>	<u><b>2015</b></u>
Change in net assets after cumulative effect of acquisition	\$ (221,300)	\$ 45,677
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	206,974	196,698
Net depreciation / (appreciation) on long-term investment activities	100,769	(76,879)
Gifts of property, plant, equipment and other	(1,306)	(2,372)
Bond discount amortization	(2,297)	(1,423)
Loss on the extinguishment of debt	559	10,880
Provision for bad debts	36,654	41,497
Loss on disposals of property, plant, and equipment	3,169	1,702
Cumulative effect of acquisition	(31,505)	-
Contributions for long-term investments	(66,169)	(58,236)
(Increases) / decreases in:		
Accounts receivable, net	(92,172)	(19,575)
Inventories, prepaid expenses, and deferred charges	1,545	(16,147)
Contributions receivable, net	17,331	(3,436)
Other assets	(9,951)	(16,736)
Increases / (decreases) in:		
Accounts payable and accrued expenses	27,827	26,358
Advanced receipt of sponsored research revenues	(3,290)	(12,537)
Deferred revenues	11,194	187
Third-party settlements payable, net	14,915	15,493
Accrued pension, post-retirement, and post-employment	112,012	43,479
Net cash provided by operating activities	<u>104,959</u>	<u>174,630</u>
<b>Cash flows from investing activities:</b>		
Purchases of property, plant, and equipment	(273,538)	(279,099)
Purchases of investments	(1,463,883)	(1,036,838)
Proceeds from the sale of investments	1,413,025	971,517
Increase in investments in perpetual trusts held by others	(58)	(110)
(Increase) / decrease in notes receivable, net	512	(1,264)
Cash received in acquisition	3,908	-
Net cash used in investing activities	<u>(320,034)</u>	<u>(345,794)</u>
<b>Cash flows from financing activities:</b>		
Net borrowings / (repayments) on lines-of-credit	-	(660)
Principal repayments of long-term debt	(65,279)	(69,818)
Proceeds from issuance of long-term debt	41,034	168,319
Deferred financing costs	(361)	(2,071)
Increase in refundable U.S. Government grants for student loans	138	134
Contributions for long-term investments	66,169	58,236
Net cash provided by financing activities	<u>41,701</u>	<u>154,140</u>
<b>Net decrease in cash and cash equivalents</b>	<u>(173,374)</u>	<u>(17,024)</u>
<b>Cash and cash equivalents, beginning of year</b>	<u>450,595</u>	<u>467,619</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 277,221</u>	<u>\$ 450,595</u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid during the year for interest on long-term debt	<u>\$ 43,294</u>	<u>\$ 42,436</u>
<b>Non-cash investing and financing activities:</b>		
(Decrease) / increase in construction related payables	\$ (11,013)	\$ 868
Assets acquired under capital leases	\$ 274	\$ -

See accompanying notes to consolidated financial statements.



# UNIVERSITY OF ROCHESTER AND RELATED ENTITIES

## Notes to Consolidated Financial Statements

June 30, 2016 and 2015  
(dollars in thousands)

### **(1) Summary of Significant Accounting Policies**

#### **(a) General**

The University of Rochester (the University) is a private nonprofit institution of higher education based in Rochester, New York. The University provides education and training services, primarily for students at the undergraduate, graduate, and postdoctoral levels. It also performs research, training, and other services under grants, contracts, and similar agreements with sponsoring organizations, primarily departments and agencies of the United States Government; and provides health care services through Strong Memorial Hospital, Strong Home Care Group, the various entities included in Strong Partners Health System, Inc. (SPHS), F.F. Thompson Health System, Inc., Livingston Health Care System, Inc. and The Memorial Hospital of William F. and Gertrude F. Jones, Inc.

#### **(b) Basis of Presentation**

The accompanying consolidated financial statements include all of the integrated divisions of the University – Arts, Sciences and Engineering (including the Hajim School of Engineering and Applied Sciences), Margaret Warner Graduate School of Education and Human Development, William E. Simon Graduate School of Business Administration, Eastman School of Music, Memorial Art Gallery, School of Medicine and Dentistry, Strong Memorial Hospital, School of Nursing, Eastman Institute for Oral Health, Health Sciences, University of Rochester Medical Faculty Group (URMFG), and UR Investment, LLC. Included also are Strong Partners Health System, Inc. (and its affiliates), Eastman Dental Center Foundation, Inc., Strong Home Care Group (and its subsidiaries), Crittenden Boulevard Housing Company, Inc., Excell Partners, Inc., Rochester BioVenture Center, Inc. (including its subsidiaries), High Tech Rochester, Inc., University of Rochester Real Estate Corporation, UR Equity Holdings, Inc., F.F. Thompson Health System, Inc. (including its subsidiaries), Accountable Health Partners, LLC.,

Livingston Health Care System, Inc. and The Memorial Hospital of William F. and Gertrude F. Jones, Inc. All significant interorganizational balances and transactions have been eliminated.

The University is the sole member of SPHS, which is the sole member of Highland Hospital of Rochester (including its subsidiaries The Highland Foundation, Inc., Highland Facilities Development Corp., and the Medical Administrative Associates, Inc.); The Highlands Living Center, Inc.; Highland Community Development Corporation; and The Meadows at Westfall, Inc. Highland Hospital and its subsidiaries have debt outstanding which has been included in the University's consolidated financial statements; however, under the terms of the affiliation agreement with SPHS, the University has no legal obligation for the debt of Highland Hospital and affiliates.

The Eastman Dental Center Foundation, Inc. was formed to hold and manage the investment assets of the former Eastman Dental Center, which was merged into the University during 1998. Income and assets of the Foundation are used to support oral health, education, and research projects at the University.

The University is the sole corporate member of Strong Home Care Group, which is the sole member of Visiting Nurse Service of Rochester and Monroe County, Inc. (VNS) and Community Care of Rochester. VNS is the sole corporate member of Finger Lakes Visiting Nurse Service, Inc. and Finger Lakes Home Care, Inc.

The University is the sole corporate member of Crittenden Boulevard Housing Company, Inc., which was formed to provide affordable housing facilities for graduate students and staff of the University.

The University is the sole corporate member of Excell Partners, Inc., which was formed to support early stage commercial development utilizing technologies created at the University of Rochester and other regional colleges and universities.

# UNIVERSITY OF ROCHESTER AND RELATED ENTITIES

## Notes to Consolidated Financial Statements

June 30, 2016 and 2015  
(dollars in thousands)

The University is the sole corporate member of Rochester BioVenture Center, Inc. (including its subsidiary Excell Technology Ventures, Inc.), which was formed to support the development of new businesses utilizing technologies created at the University and other regional colleges and universities, through the operation of incubator/research facilities in Monroe County, New York.

The University is the sole corporate member of High Tech Rochester, Inc., which is a not-for-profit economic development organization that promotes the creation and growth of technology companies through support services and incubation facilities and provides consulting services for manufacturers.

The University is the sole member of University of Rochester Investment, LLC, which was formed for the purpose of holding certain University investments.

In December 2009, the University entered into a financing arrangement for the renovation of the Eastman Theatre enhanced by qualified investors in the New Markets Tax Credit (NMTC) program of the United States Treasury. The use of NMTCs is a program of the Community Development Financial Institutions Fund, a bureau of the United States Treasury. This transaction required the formation of a wholly-owned special purpose corporation known as the University of Rochester Real Estate Corporation.

The University is the sole stockholder of UR Equity Holdings, Inc., a for-profit corporation that was formed for the purpose of holding the University's equity interests in startup companies.

The University is the sole corporate member of F.F. Thompson Health System, Inc. (THS) (including its subsidiaries The Frederick Ferris Thompson Hospital (FFT Hospital), M.M. Ewing Continuing Care Center (CCC), F.F.T. Senior Communities, Inc. (FFTSC), FFTH Properties and Services, Inc. (FFTH Properties), and The F.F. Thompson Foundation, Inc. (FFTF). THS remains the sole member of FFT

Hospital, CCC, FFTSC, and FFTF and the sole shareholder of FFTH Properties. The University, THS and THS's affiliates continue as separate and distinct corporations.

Accountable Health Partners, LLC (AHP), a New York State limited liability company, was formed in January 2013, partly in response to the Patient Protection and Affordable Care Act of 2010. Through AHP, the members hope to harness the collective expertise of physicians and hospitals to work with third party payers to provide quality comprehensive and cost-effective patient care to the Greater Rochester New York community. The University has a controlling financial interest through direct and indirect ownership of a majority voting interest in AHP.

On January 1, 2016, the University became the sole corporate member of Livingston Health Care System, Inc., including Noyes Memorial Hospital and subsidiaries (Noyes) and the Memorial Hospital of William F. and Gertrude F. Jones, Inc. (Jones). The alignment was accounted for as an acquisition under the Merger and Acquisition guidance for not-for-profit entities. In connection with the acquisition, the University recorded approximately \$31,505 in the cumulative effect of acquisition line in the consolidated statement of activities and statement of cash flows as of June 30, 2016. The book value of assets acquired, which approximate fair value, and liabilities assumed were \$84,097 and \$52,592, respectively.

### **(c) Basis of Accounting**

The consolidated financial statements of the University are prepared on the accrual basis of accounting and in conformity with generally accepted accounting principles in the United States of America.

**UNIVERSITY OF ROCHESTER  
AND RELATED ENTITIES**

Notes to Consolidated Financial Statements

June 30, 2016 and 2015  
(dollars in thousands)

Classification of Net Assets

The University reports its net assets and changes therein according to three classifications: permanently restricted, temporarily restricted, and unrestricted, based upon the existence or absence of donor-imposed restrictions.

Permanently restricted – Net assets subject to donor-imposed stipulations that they be maintained permanently by the University. In accordance with the guidance provided in the New York Prudent Management of Institutional Funds Act (NYPMIFA), the University’s Board of Trustees, with consideration of the actions, reports, information, advice and counsel provided by its duly constituted committees and appointed officers of the University, has instructed the University to adopt a methodology designed to avoid spending below the historical dollar value of donor-restricted (true) endowment funds, absent explicit donor direction to the contrary. As a result, the University classifies as permanently restricted net assets the original gift value of true endowments plus any subsequent gifts and accumulations made in accordance with the directions of the applicable gift instruments. The portion of true endowment funds that is not classified as permanently restricted net assets is classified as temporarily restricted net assets in accordance with accounting standards.

Temporarily restricted – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the University and/or the passage of time. Investment income and gains and losses on permanently restricted net assets are reported as temporarily restricted until appropriated for expenditure in accordance with donor-imposed stipulations. Under NYPMIFA, the appropriation and spending of such income is subject to a standard of prudence, as more fully discussed under the accounting policy note on investments, note 1(i). When a donor restriction expires, that is, when a stipulated time restriction ends or spending restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets

and reported in the consolidated statement of activities as net assets released from restriction.

Unrestricted – Net assets that are not subject to donor-imposed stipulations and that are generally available for support of the University’s activities with certain limitations, as follows:

- Uses of certain unrestricted net assets are committed through contractual agreements. Such amounts primarily consist of required trustee balances under long-term debt agreements and matching funds under student loan programs of the federal government. In addition, grants and contracts for the performances of certain services or functions are reported in the unrestricted net asset category.
- Many of the funds, which are unrestricted for accounting purposes, carry internal designations to specific divisions of the University, and therefore are not treated operationally as unrestricted funds.
- The Board of Trustees, through voluntary resolutions, has set aside portions of the University’s unrestricted net assets to function as endowment, for property, plant and equipment purposes, and for other specific operating purposes.

Revenues from sources other than contributions are generally reported as increases in unrestricted net assets. Contributions are reported as increases in the appropriate category of net assets, except those contributions whose imposed restrictions are met in the same fiscal year they are received, are included in unrestricted revenues.

Expenses are reported as decreases in unrestricted net assets. Expiration of temporary restrictions recognized on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as releases from temporarily restricted net assets to unrestricted net assets. Temporary restrictions on gifts to acquire

**UNIVERSITY OF ROCHESTER  
AND RELATED ENTITIES**

Notes to Consolidated Financial Statements

June 30, 2016 and 2015  
(dollars in thousands)

long-lived assets are considered met in the period in which the assets are placed in service.

**(d) Income Taxes**

The University and the majority of its affiliates are not-for-profit organizations as described in section 501(c)(3) of the Internal Revenue Code and are generally exempt from income taxes on related income pursuant to Section 501(a) of the Code.

**(e) Operations**

The statements of activities present the changes in net assets of the University from operating activities and from non-operating activities. Operating revenues and expenses relate primarily to educational and training programs, research activities and hospital and patient care activities provided by the University and its related entities.

Utilization of investment income and gains on long-term investments held for endowment and similar purposes under the University's total return spending policy, as discussed in note 1(i), is considered operating revenue.

Non-operating activities consist primarily of investment income and appreciation from long-term investments in excess of amounts utilized for operations. Other changes, net consists primarily of adjustments in pension, post-retirement, and post-employment obligations based on actuarially determined liabilities.

**(f) Cash and Cash Equivalents and Short-Term Investments**

Cash and cash equivalents include amounts on deposit with financial institutions; short-term investments with maturities of three months or less at the time of purchase and other highly liquid investments, primarily cash management funds, except that such instruments purchased with endowment and annuity and life income assets on deposit with trustees are classified as investments.

Short-term investments include all other current investments with original maturities greater than three months and are used to support operations. These current investments include obligations of the U.S. Treasury, U.S. Government and other government agencies, and corporate and foreign bonds. Included also are internal operating funds invested in the University's long-term investment pool however, they may be liquidated upon demand at any time.

**(g) Inventories**

Inventories, primarily medical supplies, are valued at the lower of cost, which is determined by the first-in, first-out method, or market.

**(h) Contributions**

Contributions, including unconditional promises, or pledges, are recognized as revenues in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift. Contributions to be received after one year are discounted, at a range of 2% to 5%, to their present value. Amortization of the discount is recorded as additional contribution revenue and used in accordance with donor-imposed restrictions, if any, on the contributions. Allowance is made for uncollectible contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience and other relevant factors.

**(i) Investments and Spending Policy**

The University's investments are comprised of the assets of the University's endowment and other investments held for general operating purposes. The University reports those investments at fair value as described further in note 12.

The Board of Trustees interprets NYPMIFA to allow for the spending of income and gains on investments of permanently restricted net assets in a manner that

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is prudent, considering such factors as the duration and preservation of the endowment fund, the purposes of the institution and the endowment fund, general economic conditions including the potential effect of inflation or deflation, the expected total return of the fund, other resources of the University, the needs of the University and the fund to make distributions and preserve capital, and the University's investment policy.

Investment of the University's net assets held for endowment and similar purposes is based upon a total return policy, and the utilization of its endowment resources for current operating and capital needs is related to this policy. Although NYPMIFA does not preclude the University from spending below the original gift value of permanently restricted funds, the University's policy is to spend no more than a stated percentage of fair value of its investment portfolio over time. Accordingly, during fiscal year 2016, the Board of Trustees authorized the use of total return (income and appreciation) from its endowment resources at an aggregate rate of 5.7% (5.8% during fiscal year 2015) of the average fair value of its consolidated investment portfolio for the most recent five years. To the extent that the total return requirement for the current year is not fulfilled by interest and dividends, the University utilizes the appreciation of its endowment net assets for operating purposes. To the extent that the total return requirement for the current year is exceeded by interest and dividends, the University reinvests the excess in its net assets held for endowment.

The University, in compliance with NYPMIFA, notified available donors who had established endowments prior to September 17, 2010, of the new law, and offered these donors the option of requiring the University to maintain historical dollar value for their endowment funds. A minority of donors requested this option; for those who did, the University has designed procedures to ensure that the University maintains historical dollar value.

Investment securities are exposed to various risks, such as interest rates, market, economic conditions,

world affairs, and credit risks. Due to the level of risk associated with certain investment securities, it is possible that changes in value could occur in the near term and such changes could materially affect the amounts reported in the investments and investment activity of the University.

**(j) Property, Plant, and Equipment**

Property, plant, and equipment are stated at cost or at estimated fair value if acquired by gift, less accumulated depreciation and amortization. Buildings used for research activities are componentized as site improvements, buildings, building services, and fixed equipment. Depreciation of research building components is recorded using the straight-line method over the useful lives of the components ranging from 4 to 50 years. Depreciation of non-research buildings, equipment and library books, and amortization of leasehold and land improvements are computed using the straight-line method over the estimated useful lives of the assets. Land and museum collections are not subject to depreciation. Estimated useful lives for non-research assets are as follows:

	<b>Years</b>
Building	40
Building and leasehold improvements	20
Land improvements	20
Equipment	4 to 15
Library books	10

The University reports gifts of property, plant, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as temporarily restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the University reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

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**(k) Museum Collections**

The University capitalizes museum collections. If purchased, collection items are capitalized at cost, and if donated, at their appraised or fair value on the accession date (the date on which the item is accepted by the Board of Trustees). There is no depreciation recorded on collection items.

**(l) Split Interest Agreements and Perpetual Trusts**

The University's split interest agreements with donors consist primarily of gift annuities, unitrusts, charitable remainder annuity trusts, and life income agreements. Assets held under these agreements are included in investments held for long-term purposes and investments in perpetual trusts held by others. For fiscal years 2016 and 2015, the fair values for split interest agreements assets are \$111,804 and \$95,266, respectively. Generally, contribution revenues are recognized at the dates the agreements are established and liabilities are recorded for the present value of the estimated future payments to be made to the beneficiaries. The liabilities are adjusted during the term of the trusts for changes in the value of the assets, accretion of the discount and other changes in the estimates of future benefits. The University is also the beneficiary of certain perpetual trusts held and administered by others. The present values of the estimated future cash receipts, which are measured by the fair value of the assets contributed to the trust, are recognized as assets and contribution revenues at the dates the trusts are established. The carrying value of the assets is adjusted for changes in the fair value of the trust assets for both split interest agreements and perpetual trusts.

**(m) Refundable U.S. Government Grants for Student Loans**

Funds provided by the United States Government under the Federal Perkins, Nursing and Health Professions Student Loan programs are loaned to qualified students and may be re-loaned after cash collections. These funds are ultimately refundable to

the government and are recognized as a liability in the accompanying consolidated balance sheet.

**(n) Grants and Contracts**

Revenue from grants and contracts, primarily for research and training programs, is generally recognized as earned, that is, as the related costs are incurred under the grant or contract agreements. Amounts received in advance are reported as advance receipt of sponsored research revenues.

Grants and contracts awarded to the University are subject to audit by the various sponsoring agencies. Indirect costs recovered on grants and contracts are recorded at rates established by the University with the federal government, or predetermined by the non-federal sponsor. Indirect cost rates for government grants and contracts are subject to audit, and subsequent final settlements are recorded as current period adjustments. Management believes the impact of any future settlements to be immaterial to the consolidated financial statements.

**(o) Benefit Plans**

The University provides certain health care and life insurance benefits to retired employees and spouses under a defined benefit plan. Benefits include basic medical and major medical coverage. Certain categories of retirees receive dental coverage and group life insurance. Such post-retirement benefits are accounted for as a form of deferred compensation over the estimated service lives of employees.

Post-employment benefits include benefits provided to former or inactive employees after employment but before retirement. For the University, such benefits include workers' compensation benefits, short-term disability benefits, and benefits provided under various other programs.

**(p) Hospital and Faculty Practice Patient Care Activities**

Strong Memorial Hospital, Highland Hospital, and FFT Hospital, Noyes Memorial Hospital and

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Memorial Hospital of William F. and Gertrude F. Jones, Inc. (collectively, the Hospitals) have agreements with third-party payors that provide for payments to the Hospitals at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

**Medicare**

Under the Medicare program, the Hospitals receive reimbursement under a prospective payment system (PPS) for inpatient services. Under the hospital inpatient PPS, fixed payment amounts per inpatient discharge are established based on the patient's assigned diagnosis related group (DRG). When the estimated cost of treatment for certain patients is higher than the average, providers typically will receive additional "outlier" payments. The Hospitals also receive reimbursement under a prospective payment system for certain medical outpatient services, based on service groups, called ambulatory payment classifications (APCs). Other outpatient services are based upon a fee schedule and/or actual costs. The Hospitals' Medicare cost reports are subject to audit by the fiscal intermediary. Such audits have been done through December 31, 2007 for Strong Memorial Hospital; December 31, 2008 for Highland Hospital; December 31, 2011 for FFT Hospital; December 31, 2015 for Memorial Hospital of William F. and Gertrude F. Jones, Inc. and December 31, 2013 for Noyes Memorial Hospital.

**Medicaid and Other Third-Party Payors**

The New York Health Care Reform Act of 1996 (HCRA), as amended, governs payments to hospitals in New York State (NYS).

Under HCRA, Medicaid, workers compensation, and no-fault payors payment rates are promulgated by the New York State Department of Health (DOH). Fixed payment amounts per inpatient discharge are established based on the patient's assigned case mix intensity similar to a Medicare DRG. All other third-party payors, principally Blue Cross, other private insurance companies, Health Maintenance Organizations (HMOs), Preferred Provider Organizations (PPOs) and other managed

care plans, negotiate payment rates directly with the hospitals. Such arrangements vary from DRG-based payment systems, to per diems, case rates and percentage of billed charges. If such rates are not negotiated, then the payors are billed at the Hospitals' established charges. Effective December 1, 2009, NYS implemented inpatient reimbursement reform. The reform updated the data utilized to calculate payment rates utilizing All Patient Refined DRGs (APR-DRGs). APR-DRGs used revised service intensity weights (SIWs) to adjust each APR-DRG for patient acuity. Similar type outpatient reforms were implemented effective December 1, 2008 by connecting outpatient payments to Ambulatory Payment Groups (APGs) which use outpatient SIWs based on types of service and resource consumption.

In addition, under HCRA, all non-Medicare payors are required to make surcharge payments for the subsidization of indigent care and other health care initiatives. The percentage amounts of the surcharge vary by payor and apply to a broader array of health care services. Also, certain payors are required to provide additional funds through surcharges on payments to hospitals for inpatient services or through voluntary election to pay a covered lives assessment directly to the DOH.

Revenue from Excellus Blue Cross and MVP accounted for approximately 30% and 5%, respectively, of the Hospitals' net patient service revenue for the year ended June 30, 2016, and 31% and 6%, respectively, for the year ended June 30, 2015.

Revenue from Medicare and Medicaid programs, including Medicare Advantage and Medicaid Managed Care plans, accounted for approximately 36% and 17%, respectively, of the Hospitals' net patient revenue for the fiscal year ended June 30, 2016, and 39% and 19%, respectively, for the year ended June 30, 2015. Laws and regulation governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by material amounts in the

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near term. The Hospitals believe that they are in compliance, in all material respects, with all applicable laws and regulations and are not aware of any pending or threatened investigations involving allegations of potential wrongdoing. Compliance with such laws and regulations can be subject to future government review and interpretation. Non-compliance with such laws and regulations could result in repayments of amounts improperly reimbursed, substantial monetary fines, civil and criminal penalties and exclusion from the Medicare and Medicaid programs.

Both federal and NYS regulations provide for certain adjustments to current and prior years' payment rates and indigent care pool distributions based on industry-wide and hospital-specific data. The Hospitals have established estimates based on information presently available of the amounts due to or from Medicare, Medicaid, workers' compensation, and no-fault payors and amounts due from the indigent care pool for such adjustments. Those adjustments, which can be reasonably estimated, have been provided for in the accompanying financial statements. The Hospitals have estimated the potential impact of such adjustments based on the most recent information available. However, those which are either (a) without current specific regulations to implement such adjustments, or (b) are dependent upon certain future events and cannot be reasonably estimated, have not been provided for in the accompanying financial statements. Management believes the amounts recorded in the accompanying financial statements will not be materially affected upon the implementation of such adjustments. During fiscal years 2016 and 2015, the Hospitals recognized approximately \$11,899 and \$11,033 of net patient service revenue as a result of changes in estimates related to third party settlements. In addition, the Hospitals recognized additional third party payables of approximately \$21,672 and \$11,761 related to fiscal years 2016 and 2015, respectively.

There are various other proposals at the federal and NYS levels relating to Medicare and Medicaid, that could, among other things, reduce reimbursement

rates, modify reimbursement methods or increase managed care penetration. The ultimate outcome of these proposals and other market changes cannot presently be determined.

The University of Rochester Medical Faculty Group (URMFG) is an operating division of the University. In the year ending June 30, 2016, over 1,319 full-time faculty in 18 clinical departments and two clinical centers participated in patient care at the University of Rochester Medical Center. These full-time faculty physicians handled 868,434 outpatient visits in their offices, mostly on University-owned or leased premises; and covered 32,480 hospital admissions, as well as participated in the coverage of the emergency department handling over 129,369 visits (includes 15,888 new ED visits at Strong West). Payments for these services are derived primarily from third-party insurers including Managed Care companies (14.82%), Medicare (19.81%), Blue Shield (25.93%), Medicaid (13.74%), commercial (11.80%), other (4.11%), and self-pay (9.79%).

In addition to providing clinical outpatient care, the faculty group's mission is met by providing education and teaching. The faculty supervise and instruct 435 University medical students and 813 residents and fellows.

### **(q) Charity Care and Provision for Bad Debts**

As further described in Note 17, the University provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the University does not pursue collection of amounts determined to qualify as charity care, these are not reported as revenue or patient accounts receivable.

The University grants credit without collateral to patients, most of whom are local residents and are insured under third-party arrangements. Additions to the allowance for uncollectible accounts are made by means of the provision for bad debts. Accounts written off as uncollectible are deducted from the allowance and subsequent recoveries are added. The amount of the provision for bad debts is based upon



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management's assessment of historical and expected net collections, business and economic conditions, trends in Federal and State governmental healthcare coverage and other collection indicators.

### **(r) Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses during the reporting period. Management's assumptions are primarily related to the appropriate discount rate for the purposes of fair value calculations, allowances for doubtful accounts, self-insured risks, and third-party payor contractual adjustments and allowances. Actual results may differ from those estimates.

### **(s) Investment in Net Assets of Foundations**

The University accounts for its interest in the net assets of the James P. Wilmot Foundation, Inc. and the Pluta Cancer Center Foundation, Inc. in accordance with not-for-profit guidance. The guidance establishes standards for transactions in which a donor transfers assets to a not-for-profit organization or charitable trust, which then agrees to transfer those assets, the return on investment of those assets, or both to a beneficiary specified by the donor. Under the accounting guidance, the University is required to recognize the net assets and its share of the change in the net assets of the Foundations. The Foundations support cancer research and various medical services provided to the community.

### **(t) Asset Retirement Obligations**

The University accounts for asset retirement obligations in accordance with asset retirement and environmental obligations guidance. This guidance primarily affects the way the University accounts for asbestos-related removal costs. The University accrues for asset retirement obligations in the period incurred if sufficient information is available to

reasonably estimate the fair value of the obligation. Over time, the liability is accreted to its settlement value. Upon settlement of the liability, the University will recognize a gain or loss for any difference between the settlement amount and liability recorded.

### **(u) Derivative Instruments and Hedging Activities**

Derivative instruments related to the University's long-term debt are included in accounts payable and accrued expenses or in accounts receivable, net on the consolidated balance sheet. The change in the fair value of the derivative instruments is included in the net depreciation/appreciation in the statements of activities. The University selected the combination of variable rate bond issues and interest rate swap agreements to obtain fixed rate financing at the lowest available cost at the time of the transactions. The University is exposed to credit loss in the event of nonperformance by the counterparty to its long-term rate swaps. The interest rate swaps do not qualify for cash flow hedge accounting.

### **(v) Reclassification**

Certain amounts in previously issued financial statements have been reclassified to conform to the current year presentation.

### **(w) New Authoritative Pronouncements**

For the fiscal year ended June 30, 2016, the University elected to "early adopt" the disclosure changes required by Accounting Standards Update (ASU) 2015-07 - Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent). Investments that are measured using net asset value will no longer be categorized in the fair-value hierarchy. The effects of adopting the ASU are reflected in Note 12 and the prior year disclosures have been adjusted to conform to this new presentation.

In May 2014, the FASB issued ASU 2014-09 - Revenue from Contracts with Customers (Topic

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606). This standard implements a single framework for recognition of all revenue earned from customers. This framework ensures that entities appropriately reflect the consideration to which they expect to be entitled in exchange for goods and services by allocating transaction price to identified performance obligations and recognizing revenue as performance obligations are satisfied. Qualitative and quantitative disclosures are required to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The standard is effective for fiscal years beginning after December 15, 2017. The University is evaluating the impact this will have on the consolidated financial statements beginning in Fiscal Year 2019.

In April 2015, the FASB issued ASU 2015-03 - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs. This standard requires all costs incurred to issue debt to be presented in the balance sheet as a direct deduction from the carrying value of the associated debt liability.

The standard is effective for fiscal years beginning after December 15, 2016. The University is evaluating the impact this will have on the consolidated financial statements beginning in Fiscal Year 2018.

In February 2016, the FASB issued ASU 2016-02 - Leases (Topic 842) to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The standard is effective for the fiscal

year ended June 30, 2021. The University is currently evaluating the impact its adoption will have on the consolidated financial statements.

In August 2016, the FASB issued ASU 2016-14 - Presentation of Financial Statements for Not-for-Profit Entities. Under the new guidance, the existing three-category classification of net assets will be collapsed into two categories: with donor restrictions and without donor restrictions. Endowments that have a current fair value that is less than the original gift amount (underwater) will be classified in net assets with donor restrictions and expanded disclosures will be required. Additional requirements include disclosure of board-designated net assets, expanded reporting to present expenses by function and natural classification and eliminating the disclosure of investment expenses that are netted against investment returns. The standard is effective for the fiscal year ended June 30, 2019. The University is currently evaluating the impact its adoption will have on the consolidated financial statements.

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**(2) Net Assets**

Unrestricted net assets consist of the following at June 30:

	<b>2016</b>	<b>2015</b>
Designated:		
University divisions	\$ 1,284,769	\$ 1,362,559
Highland Hospital and affiliates	20,106	46,743
Eastman Dental Center Foundation	29,493	29,454
Total designated	1,334,368	1,438,756
Net investment in property, plant, and equipment	758,423	655,576
Undesignated	(20,650)	97,262
Total unrestricted net assets	\$ 2,072,141	\$ 2,191,594

Temporarily restricted net assets consist of the following at June 30:

	<b>2016</b>	<b>2015</b>
Accumulated appreciation on permanently restricted net assets subject to board appropriation and/or purpose restrictions	\$ 469,391	\$ 534,420
Interest in net assets of foundations	16,473	17,567
Other gifts and income subject to:		
Purpose restrictions	3,074	50,775
Time restrictions:		
Contributions receivable	49,384	56,136
Split-interest agreements	47,841	46,614
Total temporarily restricted net assets	\$ 586,163	\$ 705,512

Permanently restricted net assets consist of the following at June 30:

	<b>2016</b>	<b>2015</b>
Perpetual endowment funds	\$ 425,386	\$ 405,992
Interests in perpetual trusts held by others	52,306	56,233
Split-interest agreements	1,400	2,647
Perpetual loan funds	3,818	3,633
Contributions receivable	39,142	36,045
Total permanently restricted net assets	\$ 522,052	\$ 504,550

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Endowment net assets consist of the following at June 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted funds:				
True endowments	\$ -	\$ 459,688	\$ 425,386	\$ 885,074
Term endowments	-	9,703	-	9,703
	-	469,391	425,386	894,777
Funds functioning as endowment (quasi)	964,017	-	-	964,017
Total endowment funds	<u>\$ 964,017</u>	<u>\$ 469,391</u>	<u>\$ 425,386</u>	<u>\$ 1,858,794</u>

Rollforward of endowment net assets from July 1, 2015 to June 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2015	\$ 1,040,729	\$ 534,420	\$ 405,992	\$ 1,981,141
Investment return:				
Investment income, net of fees	8,527	7,568	74	16,169
Net (depreciation) appreciation	(41,056)	(36,462)	(5,300)	(82,818)
Total investment return	(32,529)	(28,894)	(5,226)	(66,649)
New gifts and additions	8,333	1,259	22,845	32,437
Amounts appropriated for expenditure	(48,321)	(44,853)	-	(93,174)
Other changes and reclassifications	(4,195)	7,459	1,775	5,039
Endowment net assets, June 30, 2016	<u>\$ 964,017</u>	<u>\$ 469,391</u>	<u>\$ 425,386</u>	<u>\$ 1,858,794</u>

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Endowment net assets consist of the following at June 30, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted funds:				
True endowments	\$ -	\$ 532,696	\$ 405,992	\$ 938,688
Term endowments	-	1,724	-	1,724
	-	534,420	405,992	940,412
Funds functioning as endowment (quasi)	1,040,729	-	-	1,040,729
Total endowment funds	<u>\$ 1,040,729</u>	<u>\$ 534,420</u>	<u>\$ 405,992</u>	<u>\$ 1,981,141</u>

Rollforward of endowment net assets from July 1, 2014 to June 30, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2014	\$ 1,033,785	\$ 538,825	\$ 369,033	\$ 1,941,643
Investment return:				
Investment income, net of fees	8,019	7,031	44	15,094
Net appreciation	36,088	30,767	4,008	70,863
Total investment return	44,107	37,798	4,052	85,957
New gifts and additions	13,882	150	32,933	46,965
Amounts appropriated for expenditure	(46,515)	(40,938)	-	(87,453)
Other changes and reclassifications	(4,530)	(1,415)	(26)	(5,971)
Endowment net assets, June 30, 2015	<u>\$ 1,040,729</u>	<u>\$ 534,420</u>	<u>\$ 405,992</u>	<u>\$ 1,981,141</u>

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**(3) Accounts Receivable**

Accounts receivable at June 30 consist of the following:

	<b>2016</b>	<b>2015</b>
Patient care and related activities, net of allowances for doubtful accounts of \$26,410 and \$25,537	\$ 222,778	\$ 173,339
Federal, state and local governments, foundations and companies, net of allowances for doubtful accounts of \$1,046 and \$1,000	83,138	68,744
Student receivables, net of allowances for doubtful accounts of \$4,487 and \$4,196	4,211	8,503
Reinsurance recoveries and other	70,824	60,528
Total accounts receivable	\$ 380,951	\$ 311,114

**(4) Contributions**

Contributions receivable, net, are summarized as follows at June 30:

	<b>2016</b>	<b>2015</b>
Unconditional promises expected to be collected in:		
Less than one year	\$ 10,813	\$ 16,962
One year to five years	50,047	58,618
More than five years	68,760	65,886
Subtotal	129,620	141,466
Less unamortized discount and allowance for uncollectible amounts	(41,094)	(40,639)
Total contributions receivable, net	\$ 88,526	\$ 100,827

or general operating support of a particular department or division of the University.

The University expended \$38,693 and \$37,493 for University relations and development for the years ended June 30, 2016 and 2015, respectively.

At June 30, 2016, the University had also received \$236,648 in bequest intentions and certain other conditional promises to give. These intentions and conditional promises to give are not recognized as assets. If they are received, they generally will be restricted for specific purposes stipulated by the donor, primarily endowments for faculty support, scholarships

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**(5) Notes Receivable**

Notes receivable, net, are summarized as follows at June 30:

	2016		
	Gross Receivable	Allowance	Net Receivable
Federal student loans	\$ 18,137	\$ 904	\$ 17,233
Institutional student loans	4,373	606	3,767
Other note receivable	28,482	-	28,482
Total	<u>\$ 50,992</u>	<u>\$ 1,510</u>	<u>\$ 49,482</u>

	2015		
	Gross Receivable	Allowance	Net Receivable
Federal student loans	\$ 17,976	\$ 904	\$ 17,072
Institutional student loans	5,046	606	4,440
Other note receivable	28,482	-	28,482
Total	<u>\$ 51,504</u>	<u>\$ 1,510</u>	<u>\$ 49,994</u>

Student loan programs are funded by donor contributions, other institutional sources and governmental programs, primarily the Federal Perkins Loan Program. The amounts received from the federal government's portion of the Perkins program are ultimately refundable to the federal government and are reported as a liability on the University's consolidated balance sheet as refundable U.S. Government grants for student loans.

Credit worthiness is not a factor when granting a student a loan from institutional or federal resources; it is based on financial need. However, once the loan is in repayment status, the University monitors the aging of the student loans receivable.

Student loans are often subject to unique restrictions and conditions and, therefore, it is not practical to determine their fair values. The allowance is intended to provide for loans, both in repayment status and not yet in repayment status (borrowers are still in school or in the grace period following graduation), that may not be collected.

The other note receivable represents a \$28,482 note receivable of the University of Rochester Real Estate Corporation (wholly-owned by the University) for a loan to the Chase NMTC Eastman Theatre Investment Fund LLC (a non-consolidated entity), which matures in December 2049. The University receives interest only, at 1.0% during the first ninety months of the term. For the remainder of the term, the note shall bear interest at 1.7%, compounding annually, with a minimum of 1.0% principal payable annually, with all principal and any unpaid interest due on the maturity date. Refer to Note 8 (m) for further information.

**(6) Investments Held for Long-Term Purposes**

Investments were held for the following long-term purposes at June 30:

	2016	2015
Endowment and similar purposes	\$ 1,970,524	\$ 2,071,665
Property, plant and equipment purposes:		
Debt service reserve held by trustees under debt agreements	27,606	20,128
Bond proceeds not yet expended	135,687	190,567
Other	882	948
Total property, plant, and equipment purposes	164,175	211,643
Other purposes	173,747	162,469
Total investments held for long-term purposes	<u>\$ 2,308,446</u>	<u>\$ 2,445,777</u>

For investment purposes, substantially all investments held for endowment and similar purposes participate in one of several pools, each with its own investment policy and objectives. The investment pool assets are owned by the separate endowment and similar funds within each pool based on the percent ownership of each fund to the pool. Income, realized and unrealized gains and losses are distributed based on the percent ownership of the pooled assets measured at fair value.

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The University permits several of its investment managers to utilize forward contracts, currency options and futures with the specific authorization of the investment committee of the Board of Trustees. However, the University was not directly engaged in any of the above mentioned derivative transactions as of June 30, 2016 and 2015.

Management does not anticipate that losses, if any, resulting from its market or credit risks would materially affect the consolidated financial position of the University.

Investment fees were \$55,953 and \$66,309 for the years ended June 30, 2016 and 2015, respectively.

**(7) Property, Plant, and Equipment**

As of June 30, 2016 and 2015, the University's investment in property, plant, and equipment is as follows:

	<u>2016</u>	<u>2015</u>
Buildings and improvements	\$ 2,781,836	\$ 2,525,546
Land improvements	67,425	63,927
Completed projects under leasehold agreements	46,632	33,458
Equipment owned	1,253,345	1,131,865
Library books	188,513	180,323
Subtotal	<u>4,337,751</u>	<u>3,935,119</u>
Less accumulated depreciation	<u>2,526,241</u>	<u>2,303,421</u>
Subtotal	1,811,510	1,631,698
Land	12,745	11,655
Museum collections	35,994	34,981
Construction in progress	<u>131,189</u>	<u>221,515</u>
Total property, plant, and equipment, net	<u>\$ 1,991,438</u>	<u>\$ 1,899,849</u>



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**(8) Long-term Debt**

The following is a summary of the University's long-term indebtedness at June 30:

	<u>2016</u>	<u>2015</u>
Obligations under capital leases, 0.00% to 7.00%	3,448	4,557
Urban Development Corporation loan (a)	833	1,000
Notes payables - 2.48% to 5.45%	1,690	945
Mortgage payables - 2.98% to 5.04%	7,624	4,710
Bond payable - DASNY Series 1994B, 5.50% (b)	6,490	7,095
Bond payable - DASNY Series 2003, 3.97% (c)	77,330	85,180
Bond payable - OCIDA Series 2003, 3.05% (d)	9,800	10,200
Bond payable - COMIDA, 3.13% to 5.45% (net of unamortized premium of \$262 in 2015) (e)	-	20,702
Bond payable - LCIDA Series 2005, 5.00% to 6.00% (net of unamortized premium of \$244 in 2016) (f)	5,964	-
Bond payable - DASNY Series 2006, 3.92% (g)	71,295	86,540
Bond payable - DASNY Series 2007, 4.00% to 5.00% (net of unamortized discount of \$403 in 2016 and \$365 in 2015) (h)	73,098	74,646
Bond payable - LCIDA Series 2007, LIBOR + 110% (i)	2,755	-
Bond payable - DASNY Series 2009, 2.50% to 5.00% (net of unamortized premium of \$1,090 in 2016 and \$1,193 in 2015) (j)	81,234	83,231
Bond payable - DASNY Series 2010, 2.00% to 5.20% (net of unamortized discount of \$49 in 2016 and \$53 in 2015) (k)	9,496	9,872
Bond payable - OCLDC Series 2010, 4.64% (l)	26,970	27,695
Notes payable - Eastman Theatre Renovation, 0.74% to 2.73% (m)	38,300	38,300
Bond payable - MCIDC Series 2011, 2.00% to 5.00% (net of unamortized premium of \$10,866 in 2016 and \$11,514 in 2015) (n)	149,310	155,875
Notes payable - Manufacturers and Traders Trust Bank, 3.28% (o)	6,107	6,911
Bond payable - DASNY Series 2012, 3.00% (p)	13,565	13,950
Bond payable - MCIDC Series 2013, .05% to 5.31% (net of unamortized premium of \$4,529 in 2016 and \$4,740 in 2015) (q)	257,939	263,225
Bond payable - MCIDC Series 2015, 0.87% to 5.00% (net of unamortized premium of \$24,530 in 2016 and \$25,697 in 2015) (r)	319,976	321,998
Bond payable - MCIDC Series 2015, 3.00% to 4.125% (net of unamortized premium of \$1,704 in 2016) (s)	40,349	-
Total long-term debt	<u>1,203,573</u>	<u>1,216,632</u>

The following is a description of the University's long-term debt:

**(a) Urban Development Corporation Loan**

In March 1992, the New York State Urban Development Corporation (UDC) entered into an agreement with the

University to partially fund the construction of the University's Center for Optoelectronics and Imaging (COI) with a loan of \$5,000. The agreement requires the University to pay an amount equal to the debt service on the \$6,320 tax-exempt bond issued by which UDC financed the loan and the associated reserve funds and

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costs of issuance. The loan is collateralized by a mortgage on the property.

Pursuant to an agreement authorized by statute, the State of New York leases the COI from the University for the 30 year term of the loan, paying, as rent, an amount sufficient to cover the University's obligations to UDC. These rents have been assigned to UDC as further collateral for the loan. The University retains possession of the property under a sub-lease from the State at an annual rent equivalent to one-thirtieth of the sum of the loan principal and the cost of issuance of the UDC bonds.

#### **(b) Bonds Payable – DASNY Series 1994B**

Pursuant to an agreement with a University related entity (Highland Hospital and affiliates) and Dormitory Authority State of New York (DASNY), \$13,000 of Series 1994B Revenue Bonds were issued and sold by DASNY. The related entity is repaying the indebtedness at a fixed rate of 5.50%, maturing July 2023.

During fiscal year 2009, the Series 1994B bonds were remarketed and converted from a fixed interest rate to a variable interest rate determined by the bond agent. The terms related to principal repayment did not change.

The bond issue is collateralized by an interest in certain buildings and equipment and an irrevocable direct pay letter of credit held by HSBC Bank for \$6,597 which expires July 2020.

#### **(c) Bonds Payable – DASNY Series 2003**

Pursuant to an agreement with the University and DASNY dated October 29, 2003, DASNY issued and sold \$164,425 of bonds known as the University of Rochester Revenue Bonds, Series 2003, consisting of \$32,550 Series 2003A bonds, \$49,650 Series 2003B bonds and \$82,225 Series 2003C bonds.

Series 2003A bonds were issued to finance (1) an expansion of the Laboratory for Laser Energetics building to accommodate the construction of a federally funded laser expansion; (2) renovation of space to house a functional MRI; (3) deferred maintenance remediation

in various buildings and (4) renovation and information technology upgrades in various faculty offices, laboratory space and student residential buildings. A portion of the proceeds from Series 2003A refinanced the remaining portion of the University of Rochester Revenue Bonds, Series 1987.

Series 2003B bonds were issued to finance (1) equipment acquisitions for the Hospital; (2) the expansion of an existing garage; and (3) laboratory relocations at the Hospital. Series 2003B bonds refinanced the University of Rochester Series 1993A bonds and a portion of the University of Rochester Series 1994 bonds.

Series 2003C bonds were issued to finance (1) construction of an Adult Intensive Care Unit; (2) renovations of the Cancer Center; and (3) deferred maintenance, renovations and improvements to faculty offices, laboratory and clinical spaces for various departments and areas within the Hospital and School of Medicine and Dentistry. Series 2003C refinanced a portion of the University of Rochester Series 1994 bonds.

On July 31, 2003, the University executed interest rate swaps with third parties. The University entered into interest rate swap agreements to exchange variable rate debt for a fixed rate obligation without the exchange of the underlying principal amount. Generally under this agreement, the counterparty pays the University a variable interest rate equal to 61.50% of one-month LIBOR plus 56 basis points. The University will pay the counterparty a fixed interest rate of 3.97%. These rates are subject to change based upon certain conditions as stated in the swap agreement. The contractual relationship under this agreement will last until July 1, 2033.

During fiscal year 2009, the Series 2003A, B and C bonds were restructured and converted from an auction rate to a variable rate as determined by the remarketing agent. The terms related to principal repayment did not change. The bonds have a corresponding letter-of-credit available at varying financial institutions, individually in amounts totaling the outstanding debt service of each bond.

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The University has individual letters of credit in place for DASNY Series 2003A and 2003C that total \$61,196 with JP Morgan Chase Bank, N.A. which expire in March 2017. Of this total, no amounts were outstanding at June 30, 2016 and 2015.

The University has a letter of credit in place for DASNY Series 2003B in the amount of \$20,830 with HSBC Bank, N.A. which expires in September 2018. Of this total, no amounts were outstanding at June 30, 2016 and 2015.

**(d) Bonds Payable – OCIDA Series 2003**

Pursuant to an agreement with a University related entity (F. F. Thompson Health Systems, Inc. and affiliates) and Ontario County Industrial Development Agency (OCIDA), OCIDA issued and sold \$4,000 of Series 2003A Variable Rate Civic Facility Revenue Refunding Bonds and \$12,800 of Series 2003B Variable Rate Refunding Bonds.

Series 2003A bonds were used to retire outstanding debt that F. F. Thompson Health System, Inc. and affiliates owed to the Dormitory Authority of the State of New York (DASNY). These bonds matured July 2013.

Series 2003B bonds were used to construct an addition to and renovate portions of the F. F. Thompson Hospital for the new emergency department and expanded diagnostic imaging, surgery, registration and lobby space.

In October 2008, the related entity executed interest rate swaps with third parties. The related entity entered into interest rate swap agreements to exchange variable rate debt for a fixed rate obligation without the exchange of the underlying principal amount. Under the agreement, the counterparty pays the related entity a variable interest rate equal to 67.00% of the one-month LIBOR. The related entity will pay the counterparty a fixed interest rate of 3.05%. These rates are subject to change

based upon certain conditions as stated in the swap agreement. The contractual relationship under this agreement will last until July 2018.

The bonds are secured by a direct pay letter of credit for \$9,898 with Key Bank, N. A. which expires in July 2018. The related entity entered into a lease agreement with OCIDA, which also acts as collateral for payment of the bonds. Additional collateral is provided by a guaranty agreement under which the related entity is jointly and severally responsible for payment of the bonds.

**(e) Bonds Payable – COMIDA**

Pursuant to an agreement with a University related entity (Highland Hospital and affiliates) and the County of Monroe Industrial Agency (COMIDA) dated June 23, 2005, COMIDA issued and sold \$20,000 of fixed rate Civic Facility Revenue Refunding Bonds and \$14,920 of fixed rate Civic Facility Revenue Project Bonds. The COMIDA Refunding Bonds were issued at a premium of \$912 and were used to refund a portion of Series 1997A debt. These Refunding Bonds are collateralized by amounts in a debt service reserve fund. The COMIDA Project Bonds were issued at a premium of \$362 and were issued to finance (1) the Park Ridge Oncology Project; (2) the Bariatric Surgery Project; (3) the Orthopedic Operating Room Project; and (4) various renovation projects throughout Highland Hospital. These bonds are collateralized by the construction projects noted above. In addition, Highland Hospital issued \$6,135 of direct taxable notes on June 23, 2005 to refund the remaining portion of Series 1997A and all of Series 1997B debt. These notes were issued at a discount of \$5 and are collateralized by amounts in a debt service reserve fund.

During fiscal year 2016, the COMIDA Series 2004 bonds were refinanced under Series 2015. A loss on extinguishment due to bond refinancing of \$471 was recognized.

**(f) Bonds Payable – LCIDA Series 2005**

Pursuant to an agreement with a University related

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entity (Livingston Health Care System, Inc.) and Livingston County Industrial Development Agency (LCIDA), LCIDA issued and sold \$9,050 of bonds known as Series 2005 Civic Facility Revenue Bonds. These bonds were issued at a premium of \$422, resulting in proceeds of \$9,472.

The bond issue is collateralized by substantially all assets and a guaranty agreement where the related entity is jointly and severally responsible for payment of the bonds.

#### **(g) Bonds Payable – DASNY Series 2006**

Pursuant to an agreement between the University and DASNY dated March 16, 2006, DASNY issued and sold \$111,180 of bonds known as the University of Rochester Revenue Bonds, Series 2006, consisting of \$94,130 Series 2006A-1 bonds and \$17,050 Series 2006B-1 bonds. The Series 2006A-1 bonds were issued to refinance the University of Rochester Series 1999A bonds and portions of the University of Rochester Series 1997A bonds, the University of Rochester Series 1998A bonds and the University of Rochester Series 2000A bonds. The Series 2006B-1 bonds were issued to refinance portions of the University of Rochester Series 1999B bonds.

On March 16, 2006, the University executed interest rate swaps with a third party. The University entered into an interest rate swap agreement to exchange variable rate debt for the fixed rate obligation without the exchange of the underlying principal amount. Generally under this agreement, the counterparty will pay the University a variable interest rate based on the Bond Market Association (BMA) Municipal Swap Index. The University will pay the counterparty a fixed interest rate of 3.92%. These rates are subject to change based upon certain conditions as stated in the swap agreement. The contractual relationship under this agreement will last until July 1, 2027.

During fiscal year 2009, the Series 2006A-1 and B-1 bonds were restructured and converted from an auction rate to a variable rate as determined by the remarketing agent. The terms related to principal repayment did not change. The bonds have a corresponding letter-of-credit

available at varying financial institutions, individually in amounts totaling the outstanding debt service of each bond.

The University has individual letters of credit in place for DASNY Series 2006A-1 and 2006B-1 that total \$88,332 with Barclays Bank, PLC, which expires in August 2019. The letter of credit has a renewal option that can be exercised. Of this total, no amounts were outstanding as of June 30, 2016 and 2015.

The Loan Agreement and the obligation of the University to make payments under the Loan Agreement are general obligations of the University.

#### **(h) Bonds Payable – DASNY Series 2007**

Pursuant to an agreement between the University and DASNY dated February 21, 2007, DASNY issued and sold \$235,869 of bonds known as the University of Rochester Revenue Bonds, Series 2007, consisting of \$111,210 Series 2007A-1 bonds, \$20,534 Series 2007A-2 bonds, \$40,290 Series 2007B bonds and \$63,835 Series 2007C bonds. The Series 2007 bonds were issued at a net premium of \$8,207 resulting in proceeds of \$244,076.

Series 2007A-1 bonds were issued to finance (1) the construction of the University's portion of the James P. Wilmot Cancer Center; (2) the acquisition and renovation of a new University Data Center; (3) an upgrade to the central utilities chilled water capacity and expansion; (4) the construction of a new animal facility and the renovation of existing laboratory space at the Aab Cardiovascular Research Institute; (5) the construction of the University Health Service building; and (6) various deferred maintenance projects and renovations of laboratories, office space and student residential buildings. The Series 2007A-1 bonds were refinanced under Series 2015A during fiscal year 2015.

Series 2007A-2 bonds were issued to finance (1) the renovation of the University Advancement and Alumni Center; and (2) the construction of the Robert B. Goergen Hall for Biomedical Engineering and Optics. A portion of the Series 2007A-2 bonds were refinanced under Series 2015A during fiscal year 2015.

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Series 2007B bonds were issued to finance (1) the construction of Hospital's portion of the James P. Wilmot Cancer Center; (2) the renovation of the Hospital's surgical adult intensive care and intermediate care units; (3) the renovation of the Hospital's medical behavioral inpatient unit; and (4) the purchase of equipment for the Hospital. A portion of the Series 2007B bonds were refinanced under Series 2015A during fiscal year 2015.

Series 2007C bonds were issued to refinance (1) a portion of the University of Rochester Series 1998A bonds; and (2) a portion of the University of Rochester Series 2004A bonds. A portion of the Series 2007C bonds were refinanced under Series 2013C during fiscal year 2014.

The Loan Agreement and the obligation of the University to make payments under the Loan Agreement are general obligations of the University.

#### **(i) Bonds Payable – LCIDA Series 2007**

Pursuant to an agreement with a University related entity (Livingston Health Care System, Inc.) and LCIDA, LCIDA issued and sold \$5,025 of bonds known as Series 2007A Industrial Development Tax Exempt Revenue Bonds and \$2,385 of bonds known as Series 2007B Industrial Development Taxable Revenue Bonds.

In December 2007, the related entity executed interest rate swaps with third parties. The related entity entered into interest rate swap agreements to exchange variable rate debt for a fixed rate obligation without the exchange of the underlying principal amount. Under the agreement, the counterparty pays the related entity a variable interest rate equal to 110.00% of the one-month LIBOR. The related entity will pay the counterparty a fixed interest rate of 3.05%. These rates are subject to change based upon certain conditions as stated in the swap agreement. The contractual relationship under this agreement will last until July 2019.

The bonds are secured by a direct pay letter of credit for \$2,834 with HSBC Bank, N.A. which expires in July 2018. The bond issue is collateralized by substantially all assets and revenues and a guaranty agreement where

the related entity is jointly and severally responsible for payment of the bonds.

#### **(j) Bonds Payable – DASNY Series 2009**

Pursuant to an agreement between the University and DASNY dated July 22, 2009, DASNY issued and sold \$117,279 of bonds known as the University of Rochester Revenue Bonds, Series 2009, consisting of \$54,469 Series 2009A bonds, \$34,460 Series 2009B bonds, \$11,135 Series 2009C bonds, \$3,625 Series 2009D bonds and \$13,590 Series 2009E bonds. The Series 2009 bonds were issued at a net premium of \$3,463 resulting in proceeds of \$120,742.

Series 2009A bonds were issued to finance (1) fire alarm replacements, sprinkler installations, and renovations in undergraduate halls; (2) renovations to laboratories and offices throughout the River Campus and Medical Center; (3) renovation of Wilson Commons dining hall; (4) central utilities infrastructure improvements for the River Campus and Medical Center; (5) various deferred maintenance and renovation projects at the Eastman School of Music and Medical Center; and (6) a portion of the construction of the Saunders Research Building.

Series 2009B bonds were issued to refinance the remaining outstanding bonds for Series 1997A, Series 1998A, and Series 2000A. A portion of the Series 2009B bonds were refinanced under Series 2013C during fiscal year 2014.

Series 2009C bonds were issued to finance the relocation of certain electrical switchgear within the Medical Center.

Series 2009D bonds were issued to refinance the outstanding bonds for Series 1999B. The bondholders received final payment in July 2013.

Series 2009E bonds were issued to finance a portion of the construction of the Saunders Research Building. A portion of the Series 2009E bonds were refinanced under Series 2013C during fiscal year 2014.

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The Loan Agreement and the obligation of the University to make payments under the Loan Agreement are general obligations of the University.

#### **(k) Bonds Payable – DASNY Series 2010**

Pursuant to an agreement with a University related entity (Highland Hospital and affiliates) and DASNY dated June 25, 2010; DASNY issued and sold \$11,000 of bonds known as Highland Hospital Revenue Bonds, Series 2010. The Series 2010 bonds were issued at a net discount of \$68 resulting in proceeds of \$10,932.

Series 2010 bonds were issued to finance the following: (1) the creation of a twenty-two bed Neuromedicine Inpatient Unit; and (2) the enhancement and expansion of the space, equipment, and technology used for Perioperative Services.

#### **(l) Bonds Payable – OCLDC Series 2010**

Pursuant to an agreement with a University related entity (F. F. Thompson Health Systems, Inc. and Ontario County Local Development Corp. (OCLDC)), OCLDC issued and sold \$29,700 of bonds known as Series 2010 Revenue Bonds.

Series 2010 bonds were issued to finance the Frederick Ferris Thompson Hospital expansion and renovation project. Key Bank and First Niagara Bank have agreed to purchase \$19,700 and \$10,000 of the bonds, respectively.

The bond issue is collateralized by an interest in certain buildings and a guaranty agreement where the related entity is jointly and severally responsible for payment of the bonds.

#### **(m) Notes Payable – Eastman Theatre Renovation**

In December 2009, the University entered into a financing arrangement for the renovation of the Eastman Theatre enhanced by qualified investors in the New Markets Tax Credit (NMTC) program. This transaction resulted in \$53,782 in new external consolidated debt and \$28,482 in new external notes receivable to the University.

Several loans were created through the NMTC financing structure. The first is an ordinary bank loan from JPMorgan Chase for \$15,482 at a cost of LIBOR plus 2.5% for a seven-year term. After seven years, this loan is expected to be refinanced by tax-exempt bonds and amortized in equal payments over thirty years. The remaining loans are specialized NMTC notes payable totaling \$38,300 at a cost of 0.74% for forty years, maturing on December 18, 2049. The University is required to pay interest only on these promissory notes for the first seven years. The lenders of the notes payable are a group of Community Development Entities that will receive significant tax credits as a result of this loan.

The University loaned \$28,482 to an investment fund as a part of the setup of the community development entities. The external note receivable matures on December 18, 2049. Refer to Note 5 for further information on the external notes receivable.

During fiscal year 2015, the ordinary bank loan was paid in full from proceeds of Series 2015C.

#### **(n) Bonds Payable – MCIDC Series 2011**

Pursuant to an agreement between the University and Monroe County Industrial Development Corporation (MCIDC) dated September 1, 2011, MCIDC issued and sold \$161,660 of bonds known as the University of Rochester Tax-Exempt Revenue Bonds, Series 2011, consisting of \$122,340 Series 2011A bonds and \$39,320 Series 2011B bonds. The Series 2011 bonds were issued at a premium of \$14,088 resulting in proceeds of \$175,748.

Series 2011A bonds were issued to finance (1) the renovation of Danforth Dining Center; (2) the construction of the Ronald Rettner Hall for Media Arts and Innovation to house the University's digital media center and fabrication lab; (3) renovations to laboratories and offices throughout the River Campus and Medical Center campuses; (4) various renovations for Fauver Stadium; (5) various deferred maintenance and renovation projects at the Eastman School of Music and related residential halls; (6) the construction of O'Brien Hall to house undergraduate students; (7) the renovation

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of various undergraduate and graduate residential facilities; (8) construction of the Raymond F. LeChase Hall to house the University's Warner School of Education; (9) improvements and expansion of the central utilities plant; (10) renovation and modernization of the Medical Center storm sewer infrastructure; and (11) a portion of the James P. Wilmot Cancer Center Vertical Expansion improvements. A portion of Series 2011A was also used to refinance all of the outstanding bonds for Series 2001A. Additionally, a portion of the Series 2011A bonds was refinanced under Series 2013C during fiscal year 2014.

Series 2011B bonds were issued to finance (1) a portion of the James P. Wilmot Cancer Center Vertical Expansion improvements; (2) the relocation of the Bone Marrow Transplant Unit; (3) the replacement of the air handler equipment within Strong Memorial Hospital; and (4) replacement of certain existing angiographic equipment.

The loan agreement and the obligation of the University to make payments under the loan agreement are general obligations of the University.

#### **(o) Notes Payable – Manufacturers and Traders Trust Bank**

Pursuant to an agreement between the University and the Manufacturers and Traders (M & T) Bank dated June 5, 2012, M & T Bank issued \$9,000 of term notes. The note was issued to partially finance the purchase of the Lac de Ville facility. The University is repaying the indebtedness at a fixed rate of 3.28%, maturing April 2026.

The M & T Bank term notes are general, unsecured obligations of the University.

#### **(p) Bonds Payable – DASNY Series 2012**

Pursuant to a loan agreement between a University related entity (F. F. Thompson Health System, Inc. and affiliates) and DASNY dated September 12, 2012; DASNY issued and sold \$14,680 of bonds known as F.F.T. Senior Communities, Inc. Revenue Bonds, Series

2012. Series 2012 bonds were issued to refinance the remaining outstanding bonds for Series 2000B.

In November 2015, the related entity executed interest rate swaps with third parties. The related entity entered into interest rate swap agreements to exchange variable rate debt for a fixed rate obligation without the exchange of the underlying principal amount. Under the agreement, the counterparty pays the related entity a variable interest rate equal to 67.00% of the one-month LIBOR. The related entity will pay the counterparty a fixed interest rate of 1.62%. These rates are subject to change based upon certain conditions as stated in the swap agreement. The contractual relationship under this agreement will last until November 2025.

The related entity has a letter of credit in place in the amount of \$13,721 with HSBC Bank USA, which expires in September 2021, at which time the letter of credit is subject to annual renewal and approval.

The proceeds from the Series 2012 bonds and all funds and accounts established, including the mortgage, gross receipts security agreement and the assignment of rents and leases are pledged as security for the payment of the principal, sinking fund installments and interest on the bonds. The obligations of the related entity under the loan agreement are secured by a mortgage on the property and a security interest in the fixtures, furnishings and equipment of the related entity.

#### **(q) Bonds Payable – MCIDC Series 2013**

Pursuant to an agreement between the University and Monroe County Industrial Development Corporation (MCIDC) dated September 19, 2013, MCIDC issued and sold \$264,490 of bonds known as the University of Rochester Revenue Bonds, Series 2013, consisting of \$118,855 Series 2013A bonds, \$74,905 Series 2013B bonds, and \$70,730 Series 2013C bonds. The Series 2013 bonds were issued at a premium of \$5,125 resulting in proceeds of \$269,615.

Series 2013A bonds were issued to finance (1) renovations and waterproofing of Rush Rhees Library; (2) improvements to the Data Center B-Side electrical system; (3) renovations to laboratories and offices

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throughout the River Campus and Medical Center campuses; (4) various renovations for Fauver Stadium; (5) various deferred maintenance and renovation projects at the Eastman School of Music and related residential halls; (6) modernization of the Laboratory for Laser Energetics consisting of the acquisition of new chillers and necessary infrastructure upgrades; (7) the renovation of various undergraduate and graduate residential facilities; (8) construction of the College Town parking garage; (9) improvements to the central utilities plant and infrastructure; (10) renovation and modernization of the Hospital electrical transformers; (11) renovations to the Security Building; (12) renovations to the Middle Campus chiller plant and necessary infrastructure upgrades; (13) construction of the Southside parking lot; and (14) modernization of the Eastman Institute of Oral Health Prosthodontics Program. A portion of Series 2013A was used to refinance a portion of the outstanding bonds for Series 2004A.

Series 2013B bonds were issued to finance (1) construction of the Golisano Children's Hospital at Strong; (2) the relocation of the Hospital Pharmacy; and (3) the acquisition of the former Lakeside Health System (Strong West) campus.

Series 2013C bonds were issued to finance (1) the purchase of the Women's Health Center building; (2) renovations and expansion of the Second Data Center; (3) construction of the new Barnes & Noble bookstore located at College Town; (4) construction of office space located within College Town; (5) the replacement of the University's current financial records system; and (6) various deferred maintenance and renovation projects at the Eastman School of Music and related residential halls. A portion of Series 2013C was used to refinance (1) all of the outstanding 2003 Direct Note Obligation notes; (2) all of the outstanding 2004 COMIDA bonds; (3) a portion of the outstanding bonds for Series 2007C; (4) a portion of the outstanding bonds for Series 2009B; (5) a portion of the outstanding bonds for Series 2009E; and (6) a portion of the outstanding bonds for Series 2011A. A portion of Series 2013C was used to reimburse the University for all or a portion of the amounts paid to bondholders on July 1, 2013 for amounts owed under Series 2007C, 2009B, 2009A, and 2011A.

#### **(r) Bonds Payable – MCIDC Series 2015**

Pursuant to an agreement between the University and Monroe County Industrial Development Corporation (MCIDC) dated June 24, 2015, MCIDC issued and sold \$296,320 of bonds known as the University of Rochester Revenue Bonds, Series 2015, consisting of \$174,665 Series 2015A bonds, \$48,120 Series 2015B bonds, and \$73,535 Series 2015C bonds. The Series 2015 bonds were issued at a premium of \$25,773 resulting in proceeds of \$322,093.

Series 2015A bonds were issued to finance (1) renovation and modernization of the Engineering Quadrangle; (2) renovation and relocation of the engineering departments throughout the River Campus and the replacement of the Hopeman Engineering building emergency generator; (3) renovations to Frederick Douglass Dining and Student Center; (4) modernization of the Digital Humanities Center within Rush Rhees Library; (5) improvements to the central utilities plant and infrastructure; (6) renovation of various offices, classrooms, and laboratories throughout the River Campus, Memorial Art Gallery and the Eastman School of Music; (7) replacement of the University Public Safety dispatch system; (8) construction of research space for the Aab Cardiovascular Research Institute; and (9) modernization of the Eastman Dental Center and office space at the Eastman Institute for Oral Health. A portion of Series 2015A was used to refinance (1) all of the outstanding bonds for Series 2004A; (2) all of the outstanding bonds for Series 2007A-1; and (3) a portion of the outstanding bonds for Series 2007A-2.

Series 2015B bonds were issued to finance (1) construction of the Imaging Sciences Building on the South Campus; (2) renovation and modernization of the sterile processing department; and (3) construction for the neonatal intensive care unit within Strong Memorial Hospital. A portion of Series 2015B was used to refinance a portion of the outstanding bonds for Series 2007B.

Series 2015C bonds were issued to finance (1) the renovation and modernization of various off-site leasehold improvements; (2) construction of Wegmans



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Hall, which will house the Goergen Institute for Data Science; (3) renovation of the boat storage facility and student space facilities at Brooks Crossing; (4) installation and acquisition of telephones and security cameras within College Town; and (5) various unit renovation projects within Strong Memorial Hospital. A portion of Series 2015C was used to reimburse the University for amounts owed under the ordinary bank loan to JP Morgan Chase, which was a component of the New Market Tax Credit financing structure.

	<b>Principal portions of lease payments</b>	<b>Principal portions of debt</b>	<b>Total</b>
2017	1,360	84,877	86,237
2018	1,070	55,156	56,226
2019	767	56,804	57,571
2020	205	57,077	57,282
Thereafter	46	946,211	946,257
<b>Total</b>	<b>\$ 3,448</b>	<b>\$ 1,200,125</b>	<b>\$ 1,203,573</b>

**(s) Bonds Payable – MCIDC Series 2015**

Pursuant to an agreement with a University related entity (Highland Hospital and affiliates) and MCIDC dated September 1, 2016; MCIDC issued and sold \$38,645 of bonds known as Tax-Exempt Revenue Bonds, Series 2015. The Series 2015 bonds were issued at a net premium of \$1,825 resulting in proceeds of \$40,470.

Series 2015 bonds were issued to finance the following: (1) the construction and equipping of an approximately 38,500 square foot expansion of the hospital facility; (2) the construction of various areas in the operating and post-anesthesia care units; (3) construction of future space for a possible additional interventional radiology room and a platform for a possible replacement of the existing MRI machine within the hospital; and (4) acquisition of various equipment and fixtures for the hospital. A portion of Series 2015 refinanced the outstanding bonds for the Series 2004 COMIDA bonds.

**(t) Required Principal Payments**

Required composite principal payments for long-term debt, net of unamortized discount or premium, for each of the years in the five-year period ending June 30, 2021 and thereafter are as follows:

The University incurred \$45,072 and \$35,041 of interest expense for the years ended June 30, 2016 and 2015, respectively, net of interest capitalization of \$5,092 and \$7,656 for the years ended June 30, 2016 and 2015, respectively.

The University has letter of credit agreements with various financial institutions to purchase the University's variable rate demand bonds in the event they cannot be remarketed. In the event that the bonds covered by these agreements are not remarketable and the agreements are not otherwise renewed, the principal amounts (including variable rate demand bonds not subject to a liquidity facility) would be \$181,942, \$65,578, \$57,865, \$57,511, and \$840,677 for the five year period ending June 30, 2021 and thereafter.

**(u) Fair Value of Long-Term Debt**

The fair value of the University's long-term debt is estimated based upon the amount of future cash flows, discounted using the University's current borrowing rate for similar debt instruments of comparable maturities. The fair value of total long-term debt, excluding capital leases, was \$1,456,720 and \$1,268,397 at June 30, 2016 and 2015, respectively. The University's debt is classified as Level 2 in the fair-value hierarchy.

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**(9) Benefits Plans**

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**(a) Self-insurance Plans – University**

The University is self-insured for workers' compensation. Based on estimates provided by actuaries, liabilities for asserted and unasserted claims under the workers' compensation program at June 30, 2016 were discounted by 1.50% and amounted to \$54,718 (2.35% and \$49,133 in 2015). These liabilities are offset by receivables for the expected insurance direct payments against these claims of \$14,289 at June 30, 2016 (\$12,377 at June 30, 2015). The liabilities are included in accrued pension, post-retirement, and post-employment liabilities, and the receivables are included in other assets on the consolidated balance sheet. The University has a surety bond with Liberty Mutual Insurance Company to cover potential liabilities under the University's self-insured workers' compensation program.

The University is self-insured for health care benefits. Based on estimates provided by actuaries, the University's obligation for incurred but not reported claims was \$11,668 and \$11,837 as of June 30, 2016 and 2015, respectively. These amounts are included in accounts payable and accrued expenses on the consolidated balance sheet and have not been discounted.

**(b) Retirement Plan – University**

The University provides a defined contribution retirement plan to its employees. The University of Rochester's Retirement Program is administered and recordkept by TIAA-CREF. Under this plan, the University made contributions of \$89,401 and \$84,382 in 2016 and 2015, respectively, which were vested for the benefit of the participants.

**(c) Post-retirement Benefit Plan – University**

The University's post-retirement benefit plan includes basic medical, major medical, dental coverage, and life insurance. Benefit levels differ for current retirees, current employees eligible to retire, and current employees not eligible to retire.

The University incurred post-retirement plan expense of \$17,385 and \$10,760 for the years ended June 30, 2016 and 2015, respectively, which is recorded in fringe benefits expense on the consolidated statement of activities.

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Benefit expense for this plan for the years ended June 30, 2016 and 2015 includes the following components:

	<b>2016</b>	<b>2015</b>
<b>Change in benefit obligation:</b>		
Benefit obligation at beginning of year	\$ 159,213	\$ 153,478
Service cost	6,082	3,506
Interest cost	7,560	5,922
Plan participants' contributions	3,189	3,153
Amendments/curtailments/special termination	-	(995)
Actuarial (gain)/loss	48,917	6,122
Benefits paid	(11,962)	(12,566)
Medicare Part D prescription drug federal subsidy	596	593
Benefit obligation at end of year	\$ 213,595	\$ 159,213
<b>Change in plan assets:</b>		
Fair value of plan assets at beginning of year	\$ -	\$ -
Employer contributions	8,177	8,820
Plan participants' contributions	3,189	3,153
Medicare Part D prescription drug federal subsidy	596	593
Benefits paid	(11,962)	(12,566)
Fair value of plan assets at end of year	\$ -	\$ -
<b>Components of accrued benefit:</b>		
Funded status	\$ (213,595)	\$ (159,213)
Net actuarial loss	74,265	28,366
Prior service cost	2,208	2,932
Accrued benefits	\$ (137,122)	\$ (127,915)
<b>Amounts recognized in the consolidated balance sheets consist of:</b>		
Accrued post-retirement benefit cost	\$ (127,915)	\$ (125,975)
Net post-retirement benefit expense	(17,385)	(10,760)
Employer contributions	8,177	8,820
Accrued benefits	\$ (137,123)	\$ (127,915)
Amount recorded in unrestricted net assets	(76,472)	(31,298)
Net amount recognized in the consolidated balance sheet	\$ (213,595)	\$ (159,213)
<b>Components of net periodic benefit cost:</b>		
Service cost	\$ 6,082	\$ 3,506
Interest cost	7,560	5,922
Amortization of prior service cost	724	796
Amortization of net actuarial loss	3,019	536
Net periodic benefit cost	\$ 17,385	\$ 10,760
<b>Amounts recorded in unrestricted net assets:</b>		
Net (gain)/loss during period	\$ 48,917	\$ 6,122
Amortization recognition	(3,743)	(1,332)
Prior service cost/(credit)	-	(995)
Total amount recognized in other non-operating expense	\$ 45,174	\$ 3,795

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The estimated net actuarial loss and prior service cost for the defined benefit plan that will be amortized from unrestricted net assets into net periodic benefit (income)/cost in fiscal 2017 are \$3.0 and \$0.7 million, respectively.

Estimated future contributions, benefit payments, and prescription subsidy payments are as follows:

	<u>Estimated Contributions / Benefit Payments</u>	<u>Estimated Rx Subsidy Payments</u>
2017	\$ 10,964	\$ 736
2018	11,638	778
2019	11,989	820
2020	12,435	857
2021	12,815	892
2022 to 2026	67,667	4,858

Benefits are valued based upon the projected unit cost method. The weighted average assumptions used at the measurement date, July 1, are as follows:

	<u>2016</u>	<u>2015</u>
Discount rate for obligation	3.50%	4.00%
Expected return on plan assets	N/A	N/A
Rate of compensation increase	N/A	N/A
Health care cost trend rate -		
Initial pre age 65	7.50%	7.75%
Initial post age 65	6.00%	6.00%
Initial prescription drug	10.50%	8.50%
Health care cost trend rate -		
Final	3.89%	3.89%
Year final trend rate is reached	2075	2075

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

	<u>One Percentage Point Increase</u>	<u>One Percentage Point Decrease</u>
Effect on total of service and interest cost components	\$ 1,785	\$ (1,467)
Effect on post-retirement benefit obligation	\$ 19,924	\$ (16,604)

The Medicare Prescription Drug Improvement and Modernization Act of 2003 provides for a direct government subsidy for employers who continue to offer a retiree drug program that is deemed to be actuarially equivalent in the government plan. The University qualified for the Medicare Part D prescription drug federal subsidy.

Employers are required to recognize the over-funded or under-funded status of defined benefit pension and post-retirement plans as assets or liabilities in its consolidated balance sheet and to recognize changes in that funded status in the year in which the changes occur through changes in unrestricted net assets. In addition, employers are required to measure the funded status of the plan as of the consolidated balance sheet date.

**(d) Post-employment Benefits – University**

Accrued post-employment benefits of the University amounted to \$73,471 and \$66,104 at June 30, 2016 and 2015, respectively.

**(e) Self-insurance Plans – Highland Hospital and Affiliates**

Highland Hospital is self-insured for workers' compensation claim losses and expenses. A letter of credit in the amount of \$8,884 is maintained as security for workers compensation claims. Included in accrued pension, post-retirement, and post-employment at June 30, 2016 and 2015 are accruals of approximately \$10,854 and \$17,374, respectively, for specific incidents to the extent that they have been asserted or are probable of assertion and can be reasonably estimated. These liabilities are offset by a receivable for the expected insurance direct

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payments against these claims of \$3,055 and \$4,802 at June 30, 2016 and 2015, respectively. This liability has been discounted by 1.25% and 2.00% at June 30, 2016 and 2015, respectively.

**(f) Retirement Plan – Highland Hospital and Affiliates**

The retirement plan of Highland Hospital covers all employees who have completed two years of continuous employment. The benefits for this plan are based primarily on years of service and employees' pay near retirement. The funding policy is to contribute, annually, an amount consistent with the requirement of the Employee Retirement Income Security Act.

Retirement plan expense of \$10,807 was incurred for the fiscal year ended June 30, 2016 and is recorded in fringe benefits in the consolidated statements of activities. In addition, a pension related benefit (charges) other than net periodic pension cost of \$(39,107) for the fiscal year ended June 30, 2016 was recorded in other changes on the consolidated statement of activities.

The following tables present the changes in the Plan benefit obligation and the fair value of the Plan assets for the year ended June 30, 2016 and the funded status of the Plan at June 30, 2016.

**Change in benefit obligation:**

Benefit obligation at beginning of year	\$ 202,659
Service cost	5,249
Interest cost	8,747
Actuarial loss	8,049
Change due to discount rate	22,771
Benefits paid	<u>(6,118)</u>
Benefit obligation at end of year	<u>\$ 241,357</u>

**Change in plan assets:**

Fair value of plan assets at beginning of year	\$ 124,821
Actual return on plan assets	(5,096)
Employer contribution	9,221
Benefits and expenses paid	<u>(6,118)</u>
Fair value of plan assets at end of year	<u>\$ 122,828</u>

**Amounts recognized in the balance sheet consists of:**

Accrued benefit cost	\$ (10,060)
Amount recognized in unrestricted net assets (other non-operating expense)	<u>(108,470)</u>
Funded Status	<u>\$ (118,530)</u>

**Components of net periodic benefit cost:**

Service cost	\$ 5,249
Interest cost	8,747
Expected return on plan assets	(9,550)
Amortization of unrecognized loss	<u>6,360</u>
Net periodic benefit cost	<u>\$ 10,806</u>

**The assumptions used for the plan at the measurement date are as follows:**

Discount rate for obligation	3.61%
Discount rate for pension expense	4.38%
Future compensation increase rate	3.60%
Long-term rate of return on plan assets	7.50%

The pension plan funds are allocated to two money managers, each with a balanced portfolio. These money managers monitor financial market funds and adjust inconsistent strategy accordingly.

The weighted-average asset allocation for the pension plan as of June 30, 2016, by asset categories is as follows:

**Asset category:**

Equity securities	58%
Fixed income securities	20%
Cash and other investments	22%
Total	<u>100%</u>

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Estimated future benefit payments for the years ending June 30:

2017	\$	6,233
2018		7,024
2019		7,861
2020		8,697
2021		9,650
2022 to 2026		60,380
<b>Total estimated future payments</b>	<b>\$</b>	<b><u>99,845</u></b>

Highland Hospital expects to contribute \$10,675 to the plan in 2017.

The plan's asset allocation policy states the assets should be allocated as follows:

<b>Asset Category:</b>	
Equity securities	57%
Fixed income securities	38%
Cash and other investments	5%
Total	<u>100%</u>

In addition, the total equity commitment should not exceed 75% of assets. The asset allocation ranges established by this investment policy represent a long-term perspective, and as such, rapid unanticipated market shifts or changes in economic conditions may cause the asset mix to fall outside of the policy range. These divergences should be of a short-term nature.

Inflows and disbursements should be allocated such that the assets are rebalanced toward the target allocation. The plan assets are invested with an outside trustee for the sole benefit of the plan participants. Investments are managed to maximize total return while maintaining a prudent level of risk.

The following assets were recorded at fair value within the plan assets of Highland Hospital as of June 30, 2016 and 2015, respectively. Fair value for Level 1 is based upon quoted market prices. Level 2 may be based on quoted prices for similar assets and/or inputs other than quoted prices that are observable for the asset or liability.

In addition, Highland Hospital has a 403(b) plan and the cost was \$1,286 in 2016 and is recorded in benefits expense on the consolidated statement of operations and changes in net assets.

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The following assets were recorded at fair value within the plan assets of Highland Hospital as of June 30:

Description	Level 1	Level 2	Level 3	NAV	2016 Total Fair Value
Cash	\$ 3,338	\$ -	\$ -	\$ -	\$ 3,338
Mutual fund – Global Asset Allocation	58,865	-	-	-	58,865
Mutual fund – Multi Asset	-	-	-	60,625	60,625
Total	<u>\$ 62,203</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,625</u>	<u>\$ 122,828</u>

**(g) Retirement Plan – F.F. Thompson Health System, Inc.**

F.F. Thompson Health System, Inc. sponsors a noncontributory defined benefit pension plan, the Thompson Health Pension Plan (the Plan), covering all eligible employees. Benefits under the Plan are based on each participant’s years of service and compensation, as defined by the Plan document. The annual measurement date for the Plan is December 31. The funded status of this plan as of December 31, 2015 and 2014 was \$(16,504) and \$(17,387), respectively.

**(h) Retirement Plan – Visiting Nurse Service of Rochester and Monroe County, Inc.**

VNS has a noncontributory defined benefit cash balance pension plan covering many of its employees, past and present. This plan was frozen in December 2002. There will be no new participants and no new annual contributions for existing participants. Accounts for existing participants will continue to be credited annually for interest earned. VNS will have an ongoing requirement for funding of the plan.

The annual measurement date for the Plan is December 31. The funded status of this plan as of December 31, 2015 and 2014 was \$(3,818) and \$(3,130), respectively.

**(i) Retirement Plan – The Memorial Hospital of William F. and Gertrude F. Jones, Inc.**

The Hospital sponsors a noncontributory defined benefit pension plan (plan) covering all eligible employees. The plan was amended to state that Hospital employees hired after December 31, 2006 were no longer eligible to participate in the plan. Additionally, the plan was amended to freeze benefit accruals effective March 31, 2011 for all participants. The annual measurement date for the Plan is December 31. The funded status of this plan as of December 31, 2015 and 2014 was \$(11,029) and \$(11,538), respectively.

**(j) Retirement Plan – Livingston Health Care System, Inc. D/B/A Noyes Health**

The System has a noncontributory defined benefit pension plan that covers all eligible employees as of November 30, 2002. Effective November 2002, the Plan was amended to freeze participation and benefit accruals. The System’s policy is to contribute amounts sufficient to meet the minimum funding requirements set forth in the Employee Retirement Security Act of 1974. The annual measurement date for the Plan is December 31. The funded status of this plan as of December 31, 2015 and 2014 was \$(3,608) and \$(2,429), respectively.

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**(10) Investment in Captive Insurance Company**

The Hospital, together with other universities and teaching hospitals, has formed a captive insurance company (captive) to insure the professional liability risks of the shareholders. The Hospital's investment in the captive represents 20% of the voting rights; however, the dissolution provisions of the captive agreement indicate that the Hospital's financial participation (based on percentage of premiums paid) is approximately 7% of the financial results of the captive. Due to the Hospital's significant influence in the captive, the investment in the captive has been recorded under the equity method.

The Hospital's premiums are based on its professional liability experience and a shared risk factor with the other participants. Premiums are subject to retrospective adjustment based on, among other things, actual loss experience of the Hospital.

The most recent financial information for the captive for years ended December 31 is summarized below:

	<b>2015</b>	<b>2014</b>
	<b>Unaudited</b>	<b>Unaudited</b>
<b>Results of operations</b>		
Net earned premiums	\$ 230,160	\$ 218,548
Expenses	(303,913)	(265,892)
Investment income and realized gains on sales of marketable securities	112,008	69,125
Net income	38,255	21,781
Other comprehensive income / (loss)	(93,057)	560
Comprehensive income / (loss)	(54,802)	22,341
Net capital additions from shareholders	(21,965)	30,949
Change in shareholders' equity	\$ (76,767)	\$ 53,290
<b>Financial position</b>		
Total assets	\$ 1,652,310	\$ 1,878,793
Total liabilities	1,152,734	1,302,451
Shareholders' equity	\$ 499,576	\$ 576,342

**(11) Professional Liability Claims**

The University's coverage for professional liability insurance is provided under insurance policies obtained jointly with other universities and teaching hospitals. The primary layer of coverage, as well as the buffer and self-insured layers of excess insurance, were written by MCIC Vermont, Inc. (a Risk Retention Group) formed and directed by the participating insured institutions. Multiple layers of excess insurance were purchased from several different insurance companies. The maximum coverage for the Medical Center is \$271,000 per claim. The per claim coverage amount at each of the five participating institutions has been tailored to their own experience and exposures.

The insurance claims receivable, as calculated by the actuaries, was approximately \$39,678 and \$44,255 as of June 30, 2016 and 2015, respectively, and has been included in other accounts receivable as shown in note 3. A corresponding increase to the accrued professional liability cost has been included in accounts payable and accrued expenses.

Based on estimates provided by the actuaries retained by MCIC Vermont, Inc., the University's obligations for incurred but not reported claims were \$30,914 and \$29,657 as of June 30, 2016 and 2015, respectively. These amounts have not been discounted and are included in accounts payable and accrued expenses on the consolidated balance sheet.



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**(12) Fair Value of Financial Instruments**

The following tables present the fair value of the financial instruments recorded on the consolidated balance sheet as of June 30:

	Quoted Market Prices (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	NAV as Practical Expedient (NAV)	2016 Total Fair Value
<u>Assets</u>					
<b>Total Cash and cash equivalents</b>	\$ 123,124	\$ -	\$ -	\$ -	\$ 123,124
<b>Short and long-term investments:</b>					
Cash and cash equivalents	212,962	15,817	-	-	228,779
Debt securities					
Asset backed securities	-	24,408	-	-	24,408
Bank loans	-	19,964	-	-	19,964
Bond funds	76,901	10,147	-	-	87,048
Corporate bonds	-	128,725	-	-	128,725
Government bonds & securities	805	73,490	-	-	74,295
Mortgage backed bonds	-	-	-	-	-
Other	10,720	24,645	-	-	35,365
Common, mutual fund & preferred stock					
Common stock	284,950	-	-	200	285,150
Equity exchange traded funds	1,025	-	-	-	1,025
Mutual funds (domestic)	11,531	74,811	-	-	86,342
Mutual funds (international)	67,557	259,806	-	-	327,363
Real assets	-	-	-	239,236	239,236
Private equity	-	-	-	422,372	422,372
Hedge funds	-	70,445	-	621,750	692,195
Other	24,861	9,472	-	48,439	82,772
<b>Total short and long-term investments:</b>	<u>691,312</u>	<u>711,730</u>	<u>-</u>	<u>1,331,997</u>	<u>2,735,039</u>
Interest in net assets of foundations	-	-	16,473	-	16,473
Trusts held by others	-	-	52,306	-	52,306
<b>Total assets at fair value</b>	<u>\$ 814,436</u>	<u>\$ 711,730</u>	<u>\$ 68,779</u>	<u>\$ 1,331,997</u>	<u>\$ 2,926,942</u>
<u>Liabilities</u>					
Interest rate swap payable	\$ -	\$ 23,789	\$ -	\$ -	\$ 23,789
<b>Total liabilities at fair value</b>	<u>\$ -</u>	<u>\$ 23,789</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,789</u>

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	<b>Quoted Market Prices (Level 1)</b>	<b>Significant Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>	<b>NAV as Practical Expedient (NAV)</b>	<b>2015 Total Fair Value</b>
<u>Assets</u>					
<b>Total Cash and cash equivalents</b>	\$ 106,699	\$ -	\$ -	\$ -	\$ 106,699
<b>Short and long-term investments:</b>					
Cash and cash equivalents	279,469	87,379	-	-	366,848
Debt securities					
Asset backed securities	-	29,088	-	-	29,088
Bank loans	-	-	-	-	-
Bond funds	140,039	2,035	-	-	142,074
Corporate bonds	-	60,211	-	-	60,211
Government bonds & securities	804	32,908	-	-	33,712
Mortgage backed bonds	-	-	-	-	-
Other	6,607	6,274	-	-	12,881
Common, mutual fund & preferred stock					
Common stock	335,616	-	-	200	335,816
Equity exchange traded funds	2,473	-	-	-	2,473
Mutual funds (domestic)	13,031	60,418	-	-	73,449
Mutual funds (international)	88,556	342,252	-	-	430,808
Real assets	323	-	-	215,306	215,629
Private equity	-	-	-	408,749	408,749
Hedge funds	-	49,400	-	531,256	580,656
Other	22,624	6,484	-	41,978	71,086
<b>Total short and long-term investments:</b>	889,542	676,449	-	1,197,489	2,763,480
Interest in net assets of foundations	-	-	17,567	-	17,567
Trusts held by others	-	-	56,233	-	56,233
<b>Total assets at fair value</b>	\$ 996,241	\$ 676,449	\$ 73,800	\$ 1,197,489	\$ 2,943,979
<u>Liabilities</u>					
Interest rate swap payable	\$ -	\$ 22,154	\$ -	\$ -	\$ 22,154
<b>Total liabilities at fair value</b>	\$ -	\$ 22,154	\$ -	\$ -	\$ 22,154

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**(a) Fair Value Level 1**

Level 1 investments consist of cash and cash equivalents, equity, and fixed-income securities with observable market prices. Fair value for Level 1 is based upon quoted market prices in active markets.

**(b) Fair Value Level 2**

Investments that are classified as Level 2 include domestic and foreign equities, as well as fixed income securities that trade in markets that are not considered to be active. Fair value is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources including market participants, dealers, and brokers.

Interest rate swaps are valued using both observable and unobservable inputs, such as quotations received from the counterparty, dealers or brokers, whenever available and considered reliable. In instances where models are used, the value of the interest rate swap depends upon the contractual terms of, and specific risks inherent in, the instrument as well as the availability and reliability of observable inputs. Such inputs include market prices for reference securities, yield curves, credit curves, measures of volatility, prepayment rates, assumptions for nonperformance risk, and correlations of such inputs. The University's interest rate swap arrangements have inputs which can generally be corroborated by market data and are therefore classified within Level 2.

The fair value of interest rate swaps in the consolidated balance sheets:

	<u>Notional Amount</u>	<u>2016 Level 2 Fair Value</u>	<u>2015 Level 2 Fair Value</u>
Accounts payable	\$ 171,450	\$ 23,789	\$ 22,154

The effect of interest swaps on the consolidated statements of activities:

	<u>2016 Unrealized Gains/(Losses)</u>	<u>2015 Unrealized Gains/(Losses)</u>
Non-operating net appreciation / (depreciation)	\$ (1,682)	\$ 2,113

Activity related to interest rate swaps affect unrestricted net assets and, in the consolidated statement of cash flows, are included in changes in accounts payable and accrued expenses in the operating activities section.

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**(c) Fair Value Level 3**

Level 3 investments have significant unobservable inputs, as they trade infrequently or not at all. The inputs into the determination of fair value are based upon the best information in the circumstance and may require significant management judgment. Investments included in Level 3 consist primarily of the University's interest in net assets of foundations and trusts held by others as discussed in Note 1. Changes to the fair values using unobservable inputs as of June 30, 2016 and 2015 are included in the table below. All net realized and unrealized gains/(losses) are reflected in net appreciation/(depreciation) of long-term investment activities in the accompanying statement of activities.

	<b>Interest in net assets of foundations</b>	<b>Investments in perpetual trusts held by others</b>	<b>Total fair value</b>
Balance			
June 30, 2015	\$ 17,567	\$ 56,233	\$ 73,800
Realized			
Gains/(Losses)	365	33	398
Unrealized			
Gains/(Losses)	(1,330)	(4,018)	(5,348)
Purchases	5,054	640	5,694
Sales	(5,183)	(582)	(5,765)
Balance			
June 30, 2016	\$ <u>16,473</u>	\$ <u>52,306</u>	\$ <u>68,779</u>

	<b>Interest in net assets of foundations</b>	<b>Investments in perpetual trusts held by others</b>	<b>Total fair value</b>
Balance			
June 30, 2014	\$ 17,749	\$ 57,526	\$ 75,275
Realized			
Gains/(Losses)	(1)	12	11
Unrealized			
Gains/(Losses)	75	(1,415)	(1,340)
Purchases	11,367	497	11,864
Sales	(11,623)	(387)	(12,010)
Balance			
June 30, 2015	\$ <u>17,567</u>	\$ <u>56,233</u>	\$ <u>73,800</u>

**(d) Net Asset Value**

For the fiscal year ended June 30, 2016, the University has adopted the disclosure changes required by Accounting Standards Update (ASU) 2015-07 - Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent). As a result of the adoption, investments reported at net asset value (NAV), as a practical expedient, are no longer included within 1, 2, or 3 in the fair value hierarchy. Application is retrospective and therefore, prior period financial data has been restated to conform to current year presentation.

The net asset value (NAV) column above represents the University's ownership interest in certain alternative investments. As a practical expedient, the University uses its ownership interest in the NAV to determine the fair value of all alternative investments that do not have a readily determinable fair value, and have financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The NAV of these investments is determined by the general partner and is based upon appraisal or other estimates that require judgment. If no public market exists for the investment securities, the general partner will take into consideration, among other things, prices of recent significant transactions of similar securities, and subsequent developments concerning the companies to which the securities relate. The University has performed significant due diligence around these investments to ensure that NAV is an appropriate measure of fair value as of June 30.

The following tables provide additional information about alternative investments.

**UNIVERSITY OF ROCHESTER  
AND RELATED ENTITIES**

Notes to Consolidated Financial Statements

June 30, 2016 and 2015  
(dollars in thousands)

<u>Strategy</u>	<u>2016 Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice</u>
Hedge funds:				
Long/short	\$ 249,675	\$ -	Quarterly, annually, 1 & 3 year rolling lock-ups	45 - 90 days
Multi-strategy	215,530	38,500	Quarterly, annually, 1 & 2 year rolling lock-ups	45 - 90 days
			<u>Remaining Fund Life</u>	<u>Drawdown Period</u>
Private equity:				
Buyouts	221,903	130,674	1 to 10 years	1 to 7 years
Venture capital	154,742	54,007	1 to 12 years	1 to 6 years
Distressed	45,344	46,897	1 to 5 years	1 to 3 years
Real assets:				
Real estate	141,686	67,467	1 to 10 years	1 to 5 years
Natural resources	97,550	134,773	1 to 12 years	1 to 5 years
Total alternative partnerships	1,126,430	472,318		
Other Alternative Investments:				
Commingled funds of public equities	558,297	-	Monthly	15 - 60 days
Commingled funds of fixed income	382	-	NA – held to maturity	NA
Total other alternative investments	558,679	-		
<b>Total alternative investments</b>	<b>\$ 1,685,109</b>	<b>\$ 472,318</b>		

<u>Strategy</u>	<u>2015 Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice</u>
Hedge funds:				
Long/short	\$ 251,542	\$ -	Quarterly, annually, 1 & 3 year rolling lock-ups	45 - 90 days
Multi-strategy	222,682	23,000	Quarterly, annually, 1 & 2 year rolling lock-ups	45 - 90 days
			<u>Remaining Fund Life</u>	<u>Drawdown Period</u>
Private equity:				
Buyouts	208,852	158,081	1 to 10 years	1 to 7 years
Venture capital	162,657	24,540	1 to 12 years	1 to 6 years
Distressed	35,398	29,873	1 to 5 years	1 to 3 years
Real assets:				
Real estate	140,082	93,192	1 to 10 years	1 to 5 years
Natural resources	75,225	178,223	1 to 12 years	1 to 5 years
Total alternative partnerships	1,096,438	506,909		
Other Alternative Investments:				
Commingled funds of public equities	482,219	-	Monthly	15 - 60 days
Commingled funds of fixed income	1,841	-	NA – held to maturity	NA
Total other alternative investments	484,060	-		
<b>Total alternative investments</b>	<b>\$ 1,580,498</b>	<b>\$ 506,909</b>		

**UNIVERSITY OF ROCHESTER  
AND RELATED ENTITIES**

Notes to Consolidated Financial Statements

June 30, 2016 and 2015  
(dollars in thousands)

**(13) Lines of Credit**

The University has a \$50,000 committed line of credit agreement with Northern Trust Company that is subject to annual credit review and renewal. Under this agreement, no amounts were outstanding at June 30, 2016 and 2015, respectively.

The University has a \$75,000 committed line of credit agreement with JPMorgan Chase Bank, N.A. that is subject to annual credit review and renewal. Under this agreement, no amounts were outstanding at June 30, 2016 and 2015, respectively.

The University has a \$50,000 committed line of credit agreement with U.S. Bank, N.A. that is subject to annual credit review and renewal. Under this agreement, no amounts were outstanding at June 30, 2016 and 2015, respectively.

The University has \$534 in standby letters of credit with JPMorgan Chase Bank, N.A. to cover potential liabilities of other financial obligations. Under this agreement, no amounts were outstanding at June 30, 2016 and 2015, respectively.

The University entered into standby letters of credit with JP Morgan Chase Bank, N.A. during fiscal year 2016 for \$1,911. This agreement is subject to annual credit review and renewal to cover potential liabilities related to the construction of the Imaging Science Building. Under this agreement, no amounts were outstanding at June 30, 2016.

**(14) Commitments and Contingencies**

In the ordinary course of operations, the University is named as a defendant in various lawsuits, or events occur which could lead to litigation, claims, or assessments. Although the outcome of such matters cannot be predicted with certainty, management believes that insurance coverage is sufficient to cover current or potential claims, or that the final outcomes of such matters will not have a material adverse effect on the consolidated financial position.

At June 30, 2016, the University has entered into construction contracts and commitments aggregating \$984,597 (\$852,409 at June 30, 2015) of which \$771,774 (\$701,543 at June 30, 2015) had been fulfilled.

**(15) Leases**

The University leases research laboratories, office space, and equipment under operating leases expiring through August 2029. Rental expense for the years ended June 30, 2016 and 2015 totaling \$46,909 and \$44,430, respectively, is included in the accompanying consolidated statements of activities.

Future minimum payments by year and in the aggregate, under non-cancelable operating leases, with initial or remaining terms of one year or more are as follows:

	<u>University</u>	<u>Related Entities</u>
2017	\$ 38,038	\$ 1,763
2018	35,024	1,486
2019	28,654	1,790
2020	15,301	160
2021	13,833	11
Thereafter	<u>40,517</u>	<u>-</u>
Total minimum lease Payments	<u>\$ 171,367</u>	<u>\$ 5,210</u>

**(16) Scholarships, Grants, and Fellowships**

The University awarded a total of \$189,123 and \$177,804 in scholarships, grants, and fellowships during fiscal years 2016 and 2015, respectively. In addition, the University awarded \$37,863 and \$35,853, respectively, of scholarships, grants, and fellowships as compensation to the recipients. Of this amount, \$7,613 and \$8,036, respectively, of the total scholarships, grants, and fellowships awarded were specifically funded by federal, state, or private gifts or grants, or by investment income and gains earned on investments held for endowment and similar purposes and utilized under the University's total return spending policy.

**UNIVERSITY OF ROCHESTER  
AND RELATED ENTITIES**

Notes to Consolidated Financial Statements

June 30, 2016 and 2015  
(dollars in thousands)

**(17) Uncompensated Care**

The University's policy is to treat patients in need of medical services without regard to their ability to pay for such services. The University maintains records to identify and monitor the level of uncompensated care it provides. These records include the amount of charges forgone for services and supplies furnished under its charity care policy. In addition to charity care, the University also provides services at rates significantly below the cost of rendering those services. The estimated difference between the cost of services provided to Medicaid patients and the reimbursement from NYS for this patient care is also monitored.

Effective January 1, 2007, the New York State Public Health Law required all hospitals to implement financial aid policies and procedures. The law also required hospitals to develop a summary of its financial aid policies and procedures that must be made publicly available. All standards set forth in the law are minimum standards.

In order to qualify for charity care, patients are expected to submit financial information demonstrating need. In many cases, patients may be unable or unwilling to provide that data. In those cases, the uncompensated care is classified as bad debt expense unless the University is able to obtain information that would indicate the patient appears to be eligible for charity care assistance. In those cases, the uncompensated care is recorded as charity care.

The estimated costs of providing charity services is based on a calculation which applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients. The University received funding from NYS to help defray some of the costs of indigent care in the amount of \$23,550 and \$20,439 in 2016 and 2015, respectively.

During the years ended June 30, 2016 and 2015, the following levels of uncompensated care were provided:

	<b>2016</b>	<b>2015</b>
Charity care at cost	\$ 25,775	\$ 26,644
Excess of cost over reimbursement for services provided to Medicaid patients	107,310	71,824
Bad debts expense	35,197	34,963
	\$ 142,507	\$ 106,787

**(18) Functional Expenses**

The University also records expenses according to major classes of programs or functions. Functional expenses for the years ended June 30 consisted of the following:

	<b>2016</b>	<b>2015</b>
Instruction	\$ 401,426	\$ 341,290
Research	294,145	299,826
Public service	17,616	16,288
Libraries and other academic support	60,059	61,850
Student services	64,431	60,580
Institutional support	111,625	98,170
Hospital and faculty practice patient care	2,585,635	2,336,849
Auxiliary enterprises	115,741	113,909
Total functional expenses	\$ 3,650,678	\$ 3,328,762

**(19) Subsequent Events**

The University has performed an evaluation of subsequent events through October 20, 2016, the date on which the financial statements were issued.

**University of Rochester**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2016**

CFDA No.	Description	Pass-Through Entity Award Numbers	Federal Expenditures	Subcontract Expenditures
<b><u>Student Financial Assistance Cluster:</u></b>				
<b>U. S. Department of Education Awards</b>				
<b>U. S. Department of Education Direct Awards</b>				
84.007	FEDERAL SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANTS		\$ 611,791	\$ -
84.033	FEDERAL WORK-STUDY PROGRAM		1,229,524	-
	FEDERAL PERKINS LOAN PROGRAM			
84.038	Outstanding loans as of July 1, 2015		17,386,451	-
84.038	New loans issued during 2016		3,017,495	-
84.038	Administrative cost allowance		-	-
84.063	FEDERAL PELL GRANT PROGRAM		5,314,194	-
84.268	FEDERAL DIRECT STUDENT LOANS		55,232,481	-
	<b>Total U. S. Department of Education Direct Awards</b>		<u>82,791,936</u>	<u>-</u>
<b>U. S. Department of Health and Human Services Awards</b>				
<b>U. S. Department of Health and Human Services Direct Awards</b>				
	NURSING STUDENT LOANS			
93.364	Outstanding loans as of July 1, 2015		447,437	-
93.364	New loans issued during 2016		144,750	-
93.364	Administrative cost allowance		-	-
	<b>Total U. S. Department of Health and Human Services Direct Awards</b>		<u>592,187</u>	<u>-</u>
<b>Total Student Financial Assistance Cluster</b>			<u>83,384,123</u>	<u>-</u>
<b><u>Research and Development Program Cluster:</u></b>				
<b>U.S. Department of Agriculture Awards</b>				
<b>U.S. Department of Agriculture Direct Awards</b>				
10.290	AGRICULTURAL MARKET AND ECONOMIC RESEARCH		6,845	-
	<b>Total U.S. Department of Agriculture Direct Awards</b>		<u>6,845</u>	<u>-</u>
<b>U.S. Department of Agriculture Pass-Through Awards</b>				
10.310	CORNELL UNIVERSITY	64824-9857	4,384	-
	<b>Total U.S. Department of Agriculture Pass-Through Awards</b>		<u>4,384</u>	<u>-</u>
	<b>Total U.S. Department of Agriculture Awards</b>		<u>11,229</u>	<u>-</u>
<b>U.S. Department of Commerce Awards</b>				
<b>U.S. Department of Commerce Direct Awards</b>				
11.609	MEASUREMENT AND ENGINEERING RESEARCH AND STANDARDS		187,931	112,262
	<b>Total U.S. Department of Commerce Direct Awards</b>		<u>187,931</u>	<u>112,262</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards



**University of Rochester**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2016**

CFDA No.	Description	Pass-Through Entity Award Numbers	Federal Expenditures	Subcontract Expenditures
<b>U.S. Department Of Defense Awards</b>				
<b>U.S. Army Direct Awards</b>				
12.unknown	CONTRACT - HR0011-10-C-0111		649,630	21,556
12.unknown	CONTRACT - W81XWH-12-1-0061		28,235	-
12.unknown	CONTRACT - W81XWH-14-1-0242		30,392	-
12.unknown	CONTRACT - W911NF-12-1-0263		95,642	-
12.unknown	CONTRACT - W81XWH-14-1-0454		84,081	-
12.unknown	CONTRACT - W81XWH-13-1-0439		233,109	-
12.420	MILITARY MEDICAL RESEARCH AND DEVELOPMENT		799,442	123,691
12.431	BASIC SCIENTIFIC RESEARCH		818,053	-
	<b>Total U.S. Army Direct Awards</b>		<b>2,738,584</b>	<b>145,247</b>
<b>U.S. Army Pass-Through Awards</b>				
12.unknown	OPTICAL SCIENCE CO	N/A	(3,588)	-
12.unknown	OPTIPRO	N68936-12-C-0036	348	-
12.420	MT SINAI SCHOOL OF MEDICINE	0258-0771-4609	2,687	-
12.420	UNIVERSITY OF SOUTHERN CALIFORNIA	69985229	100	-
12.420	UNIVERSITY OF SOUTHERN CALIFORNIA	69094337	10,859	-
12.420	UNIVERSITY OF CALIFORNIA AT SAN DIEGO	ADC-044	29,900	-
12.420	DARTMOUTH COLLEGE	1150	9,912	-
12.420	UNIVERSITY OF MISSISSIPPI	65102800915URMC	240	-
12.420	GEORGETOWN UNIVERSITY	RX 4222-413-UR	(395)	-
12.431	UNIVERSITY OF CALIFORNIA AT BERKELEY	8984	199,899	-
12.431	UNIVERSITY OF CALIFORNIA TECHNICAL INSTITUTE	67N-1092096	129,765	-
12.431	UNIVERSITY OF CENTRAL FLORIDA	244194	50,031	-
12.431	UNIVERSITY OF ILLINOIS AT URBANA	2013-04517-01	26,016	-
12.750	HM JACKSON FOUNDATION	PO 795166	777,360	433,505
12.910	BBN TECH	14400	231,778	-
	<b>Total U.S. Army Pass-Through Awards</b>		<b>1,464,912</b>	<b>433,505</b>
	<b>Total U.S. Army Awards</b>		<b>4,203,496</b>	<b>578,752</b>
<b>U.S. Navy Direct Awards</b>				
12.300	BASIC AND APPLIED SCIENTIFIC RESEARCH		1,231,224	362,099
	<b>Total U.S. Navy Direct Awards</b>		<b>1,231,224</b>	<b>362,099</b>
<b>U.S. Navy Pass-Through Awards</b>				
12.unknown	FRIEDLAND GROUP	0003-001	(61,573)	-
12.300	JOHNS HOPKINS UNIVERSITY	2001278954	(5,203)	-
	<b>Total U.S. Navy Pass-Through Awards</b>		<b>(66,776)</b>	<b>-</b>
	<b>Total U.S. Navy Awards</b>		<b>1,164,448</b>	<b>362,099</b>
<b>U.S. Office of the Secretary of Defense Direct Awards</b>				
12.351	BASIC SCIENTIFIC RESEARCH - COMBATING WEAPONS OF MASS DESTRUCTION		42	-
	<b>Total U.S. Office of the Secretary of Defense Direct Awards</b>		<b>42</b>	<b>-</b>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards

**University of Rochester**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2016**

CFDA No.	Description	Pass-Through Entity Award Numbers	Federal Expenditures	Subcontract Expenditures
<b>U.S. Office of the Secretary of Defense Pass-Through Awards</b>				
12.351	UNIVERSITY OF MICHIGAN	HDTRA1-13-1-0013	25,774	-
	<b>Total U.S. Office of the Secretary of Defense Pass-Through Awards</b>		<u>25,774</u>	<u>-</u>
	<b>Total U.S. Office of the Secretary of Defense Awards</b>		<u>25,816</u>	<u>-</u>
<b>U.S. Air Force Direct Awards</b>				
12.800	AIR FORCE DEFENSE RESEARCH SCIENCES PROGRAM		388,726	-
	<b>Total U.S. Air Force Direct Awards</b>		<u>388,726</u>	<u>-</u>
<b>U.S. Air Force Pass-Through Awards</b>				
12.unknown	TELEDYNE SCIENTIFIC & IMAGING LLC	PO00107441	(13)	-
	<b>Total U.S. Air Force Pass-Through Awards</b>		<u>(13)</u>	<u>-</u>
	<b>Total U.S. Air Force Awards</b>		<u>388,713</u>	<u>-</u>
<b>U.S. National Security Agency Direct Awards</b>				
12.901	MATHEMATICAL SCIENCES GRANTS PROGRAM		57,107	-
	<b>Total U.S. National Security Agency Direct Awards</b>		<u>57,107</u>	<u>-</u>
<b>U.S. Defense Advanced Research Projects Agency Direct Awards</b>				
12.910	RESEARCH AND TECHNOLOGY DEVELOPMENT		195,960	-
	<b>Total U.S. Defense Advanced Research Projects Agency Direct Awards</b>		<u>195,960</u>	<u>-</u>
<b>U.S. Defense Advanced Research Projects Agency Pass-Through Awards</b>				
12.unknown	SURMET CORP	SUR-13-002-544762	3,031	-
12.910	FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION	W911NF-15-1-0542-1	152,187	-
12.910	UNIVERSITY OF MARYLAND, BALTIMORE COUNTY	0000011910	166,519	-
	<b>Total U.S. Defense Advanced Research Projects Agency Pass-Through Awards</b>		<u>321,737</u>	<u>-</u>
	<b>Total U.S. Defense Advanced Research Projects Agency Awards</b>		<u>517,697</u>	<u>-</u>
<b>U.S. Department of The Interior Direct Awards</b>				
15.807	EARTHQUAKE HAZARDS PROGRAM GRANTS		16,291	-
	<b>Total U.S. Department of The Interior Direct Awards</b>		<u>16,291</u>	<u>-</u>
<b>U.S. Department of Justice Pass-Through Awards</b>				
16.unknown	MONROE COUNTY DEPARTMENT OF HEALTH	N/A	12,385	-
	<b>Total U.S. Department of Justice Pass-Through Awards</b>		<u>12,385</u>	<u>-</u>
<b>National Aeronautics and Space Administration Awards</b>				
<b>National Aeronautics and Space Administration Direct Awards</b>				
43.unknown	NASA GRANTS		115,409	-
43.001	SCIENCE		855,130	-
43.003	EXPLORATION		475,141	-
43.009	CROSS AGENCY SUPPORT		103,696	-
	<b>Total National Aeronautics and Space Administration Direct Awards</b>		<u>1,549,376</u>	<u>-</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards

**University of Rochester**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2016**

CFDA No.	Description	Pass-Through Entity Award Numbers	Federal Expenditures	Subcontract Expenditures
<b>National Aeronautics and Space Administration Pass-Through Awards</b>				
43.unknown	LOCKHEED MARTIN	8100003953	4,449	-
43.unknown	JET PROPULSION LAB	RSA NO 1460307	16,241	-
43.unknown	SPACE TELESCOPE SCIENCE INSTITUTE	HST-GO-1302308-A	(2)	-
43.001	ARIZONA STATE UNIVERSITY	15-719	34,785	-
<b>Total National Aeronautics and Space Administration Pass-Through Awards</b>			<u>55,473</u>	-
<b>Total National Aeronautics and Space Administration Awards</b>			<u>1,604,849</u>	-
<b>National Foundation on the Arts and Humanities Awards</b>				
<b>National Foundation on the Arts and Humanities Direct Awards</b>				
45.161	PROMOTION OF THE HUMANITIES RESEARCH		43,758	-
45.301	MUSEUMS FOR AMERICA		24,085	-
<b>Total National Foundation on the Arts and Humanities Direct Awards</b>			<u>67,843</u>	-
<b>National Science Foundation Awards</b>				
<b>National Science Foundation Direct Awards</b>				
47.041	ENGINEERING GRANTS		2,414,327	303,671
47.049	MATHEMATICAL AND PHYSICAL SCIENCES		2,815,061	8,398
47.050	GEOSCIENCES		1,181,928	125,799
47.070	COMPUTER AND INFORMATIONAL SCIENCE AND ENGINEERING		2,773,137	183,248
47.074	BIOLOGICAL SCIENCES		2,029,826	46,986
47.075	SOCIAL, BEHAVIORAL, AND ECONOMIC SCIENCES		460,224	36,527
47.076	EDUCATION AND HUMAN RESOURCES		2,968,483	349,161
47.078	POLAR PROGRAMS		432,371	-
47.082	TRANS-NSF RECOVERY ACT RESEARCH SUPPORT - ARRA		(12,197)	-
<b>Total National Science Foundation Direct Awards</b>			<u>15,063,160</u>	<u>1,053,790</u>
<b>National Science Foundation Pass-Through Awards</b>				
47.unknown	INSITUTEC INC	N/A	42,291	-
47.unknown	NOTRE DAME UNIVERSITY	N/A	4,700	-
47.041	UNIVERSITY OF PENNSYLVANIA	566982/10051397/14580	63,540	-
47.041	SIMPORE INC	1521373 UR	64,992	-
47.049	NOTRE DAME UNIVERSITY	N/A	4,000	-
47.049	UNIVERSITY OF TOLEDO	N/A	1,814	-
47.049	UNIVERSITY OF WASHINGTON	744902	444,653	-
47.050	DES MOINES UNIVERSITY	01-14-03 sub 2	8,031	-
47.050	PRINCETON UNIVERSITY	10005831 SUB0000024	92,279	-
47.050	DUKE UNIVERSITY	14-NSF-1029	60,137	-
47.070	MASSACHUSETTS INSTITUTE OF TECHNOLOGY	5710003860	52,225	-
47.070	CARNEGIE MELLON UNIVERSITY	1122088-332016	11,081	-
47.074	CORNELL UNIVERSITY	67587-9998	97,575	-
47.074	PENNSYLVANIA STATE UNIVERSITY	5036-UR-NSF-9282	117,218	-
47.075	CARNEGIE MELLON UNIVERSITY	1122174-351574	28,111	-
47.075	NEW YORK UNIVERSITY	F7001-01	551	-
47.076	ROCHESTER INSTITUTE OF TECHNOLOGY	31487-01	94,668	-
47.076	UNIVERSITY OF WISCONSIN	490K792	39,616	-
<b>Total National Science Foundation Pass-Through Awards</b>			<u>1,227,482</u>	-
<b>Total National Science Foundation Awards</b>			<u>16,290,642</u>	<u>1,053,790</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards

**University of Rochester**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2016**

CFDA No.	Description	Pass-Through Entity Award Numbers	Federal Expenditures	Subcontract Expenditures
<b>U.S. Environmental Protection Agency Awards</b>				
<b>U.S. Environmental Protection Agency Direct Awards</b>				
66.509	SCIENCE TO ACHIEVE RESULTS (STAR) RESEARCH PROGRAM		(53,167)	-
	<b>Total U.S. Environmental Protection Agency Direct Awards</b>		<u>(53,167)</u>	<u>-</u>
<b>U.S. Environmental Protection Agency Pass-Through Awards</b>				
66.500	HEALTH EFFECTS INSTITUTE	4904-RFA10	73,451	-
66.500	HEALTH EFFECTS INSTITUTE	4904-RFA10-1/11-	430	-
	<b>Total U.S. Environmental Protection Agency Pass-Through Awards</b>		<u>73,881</u>	<u>-</u>
	<b>Total U.S. Environmental Protection Agency Awards</b>		<u>20,714</u>	<u>-</u>
<b>U.S. Department of Energy Awards</b>				
<b>U.S. Department of Energy Direct Awards</b>				
81.049	OFFICE OF SCIENCE FINANCIAL ASSISTANCE PROGRAM		3,445,815	390,057
81.086	CONSERVATION RESEARCH AND DEVELOPMENT - ARRA		109,724	30,430
81.112	STEWARDSHIP SCIENCE GRANT PROGRAM		63,105,675	2,360,500
81.135	ADVANCED RESEARCH PROJECTS - ENERGY		645,049	-
	<b>Total U.S. Department of Energy Direct Awards</b>		<u>67,306,263</u>	<u>2,780,987</u>
<b>U.S. Department of Energy Pass-Through Awards</b>				
81.unknown	LOGOS TECHNOLOGIES LLC	SUB-370-LLE	1,571,865	-
81.unknown	FERMI NATIONAL ACCELERATOR LAB	602843	33,377	-
81.unknown	LAWRENCE LIVERMORE NATIONAL LAB	B602489	83,096	-
81.unknown	SCHAFFER CORP	SC-1132A-01	(27,761)	-
81.unknown	LOS ALAMOS NATIONAL LAB	243838-1	22,181	-
81.049	FERMI NATIONAL ACCELERATOR LAB	PO #561054	(2)	-
81.112	PRINCETON UNIVERSITY	00002154	1,277	-
81.135	GEORGIA INSTITUTE OF TECHNOLOGY	RD691-G2	10,482	-
81.327	OHIO STATE UNIVERSITY	60036894	38,095	11,802
	<b>Total U.S. Department of Energy Pass-Through Awards</b>		<u>1,732,610</u>	<u>11,802</u>
	<b>Total U.S. Department of Energy Awards</b>		<u>69,038,873</u>	<u>2,792,789</u>
<b>U.S. Department of Education Awards</b>				
<b>U.S. Department of Education Direct Awards</b>				
84.305	EDUCATION RESEARCH, DEVELOPMENT AND DISSEMINATION		120,479	17,933
84.324	RESEARCH IN SPECIAL EDUCATION		322,591	163,764
	<b>Total U.S. Department of Education Direct Awards</b>		<u>443,070</u>	<u>181,697</u>
<b>U.S. Department of Education Pass-Through Awards</b>				
84.133	UNIVERSITY OF ILLINOIS AT CHICAGO	H133B031134	(1,525)	-
84.324	CANISIUS COLLEGE	N/A	18,405	-
	<b>Total U.S. Department of Education Pass-Through Awards</b>		<u>16,880</u>	<u>-</u>
	<b>Total U.S. Department of Education Awards</b>		<u>459,950</u>	<u>181,697</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards

**University of Rochester**  
**Schedule of Expenditures of Federal Awards**  
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CFDA No.	Description	Pass-Through Entity Award Numbers	Federal Expenditures	Subcontract Expenditures
<b>U.S. Department of Health and Human Services Awards</b>				
<b>U.S. Department of Health and Human Services Direct Awards</b>				
93.unknown	CONTRACT - HHSF223201400191C		45,519	38,863
93.unknown	CONTRACT - HHSN266200700008		(4,563)	-
93.unknown	CONTRACT - HHSN266200700008C		39	-
93.unknown	CONTRACT - HHSN272200900026		372,337	72,691
93.unknown	CONTRACT - HHSN272200900026C		164,993	-
93.unknown	CONTRACT - HHSN272201200005C		7,302,388	1,546,301
93.unknown	CONTRACT - HHSN272201400005		4,284,106	1,508,964
93.077	FAMILY SMOKING PREVENTION AND TOBACCO CONTROL ACT REGULATORY RESEARCH		571,241	-
93.103	FOOD AND DRUG ADMINISTRATION RESEARCH		923,234	70,112
93.110	MATERNAL AND CHILD HEALTH FEDERAL CONSOLIDATED PROGRAMS		1,038,190	198,178
93.113	BIOLOGICAL RESPONSE TO ENVIRONMENTAL HEALTH HAZARDS		7,552,814	635,864
93.117	PREV MED AND PUB HEALTH RESIDENCY TRAINING PROG, INT MEDICINE PROG, AND NAT CTR FOR INTEGRA		189,522	-
93.121	ORAL DISEASES AND DISORDERS RESEARCH		4,004,523	337,725
93.135	CENTER FOR RESEARCH AND DEMONSTRATION FOR HEALTH PROMOTION AND DISEASE PREVENTION		1,085,052	73,386
93.136	INJURY PREVENTION AND CONTROL RESEARCH AND STATE AND COMMUNITY BASED PROGRAMS		1,179,405	457,098
93.156	GERIATRIC TRAINING FOR PHYSICIANS, DENTISTS, BEHAVIORAL/MENTAL HEALTH PROFESSIONALS		250,373	-
93.172	HUMAN GENOME RESEARCH		167,624	-
93.173	RESEARCH RELATED TO DEAFNESS AND COMMUNICATION DISORDERS		2,923,416	-
93.185	IMMUNIZATION RESEARCH, DEMONSTRATION, PUBLIC INFO AND EDUCATION TRAINING		837,936	19,170
93.186	NATIONAL RESEARCH SERVICE AWARD IN PRIMARY CARE MEDICINE		180,466	-
93.191	GRADUATE PSYCHOLOGY EDU PROGRAM AND PATIENT NAVIGATOR AND CHRONIC DIS PREVENT PROGRAM		214,972	-
93.213	RESEARCH AND TRAINING IN COMPLEMENTARY AND ALTERNATIVE MEDICINE		1,065,616	317,821
93.217	FAMILY PLANNING SERVICES		81,188	-
93.226	RESEARCH ON HEALTHCARE COSTS, QUALITY AND OUTCOMES		735,489	224,548
93.242	MENTAL HEALTH RESEARCH GRANTS		10,141,244	3,470,662
93.243	SUBSTANCE ABUSE AND MENTAL HEALTH SVCS-PROJECTS OF REGIONAL AND NATIONAL SIGNIFICANCE		391,898	-
93.250	GERIATRIC ACADEMIC CAREER AWARDS		25,474	-
93.265	COMPREHENSIVE GERIATRIC EDUCATION PROGRAMS		31,367	-
93.273	ALCOHOL RESEARCH PROGRAMS		190,835	-
93.279	DRUG ABUSE AND ADDICTION RESEARCH PROGRAMS		2,666,589	187,963
93.286	DISCOVERY AND APPLIED RESEARCH FOR TECHNOLOGICAL INNOVATIONS TO IMPROVE HUMAN HEALTH		1,383,607	34,472
93.307	MINORITY HEALTH AND HEALTH DISPARITIES RESEARCH		332,436	64,594
93.310	TRANS-NIH RESEARCH SUPPORT		910,502	-
93.350	NATIONAL CENTER FOR ADVANCING TRANSLATIONAL SCIENCES		3,926,766	34,329
93.351	RESEARCH INFRASTRUCTURE PROGRAMS		930,581	30,942
93.361	NURSING RESEARCH		1,015,175	262,498
93.389	NATIONAL CENTER FOR RESEARCH RESOURCES		(1,417)	-
93.393	CANCER CAUSE AND PREVENTION RESEARCH		2,650,683	1,096,762
93.394	CANCER DETECTION AND DIAGNOSIS RESEARCH		109,836	-
93.395	CANCER TREATMENT RESEARCH		7,594,518	750,233
93.396	CANCER BIOLOGY RESEARCH		3,466,114	12,252

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards

**University of Rochester**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2016**

CFDA No.	Description	Pass-Through Entity Award Numbers	Federal Expenditures	Subcontract Expenditures
93.397	CANCER CENTERS SUPPORT GRANTS		(124)	-
93.398	CANCER RESEARCH MANPOWER		1,579,897	105,070
93.510	AFFORDABLE CARE ACT (ACA) PRIMARY CARE RESIDENCY EXPANSION PROGRAM		151,900	-
93.533	PREV AND PUBLIC HEALTH FUND (ACA): ENHANCED SURVEILLANCE FOR NEW VACCINE PREV DISEASES		125,492	36,270
93.542	HEALTH PROMOTION AND DISEASE PREVENTION RESEARCH CENTERS		84,803	4,013
93.631	DEVELOPMENTAL DISABILITIES PROJECTS OF NATIONAL SIGNIFICANCE		768,633	8,990
93.632	UNIVERSITY CENTERS FOR EXCELLENCE IN DEVELOP DISABILITIES, EDUCATION, RES AND SERVICE		548,787	-
93.701	TRANS-NIH RECOVERY ACT RESEARCH SUPPORT - ARRA		7	-
93.837	CARDIOVASCULAR DISEASES RESEARCH		12,809,879	3,145,290
93.838	LUNG DISEASES RESEARCH		6,977,440	516,190
93.839	BLOOD DISEASES AND RESOURCES RESEARCH		2,790,753	291,424
93.846	ARTHRITIS, MUSCULOSKELETAL AND SKIN DISEASES EXTRAMURAL RESEARCH		5,474,518	395,634
93.847	DIABETES, DIGESTIVE, AND KIDNEY DISEASES EXTRAMURAL RESEARCH		1,902,333	61,535
93.853	EXTRAMURAL RESEARCH PROGRAMS IN THE NEUROSCIENCE AND NEUROLOGICAL DISORDERS		13,491,767	3,132,209
93.855	ALLERGY, IMMUNOLOGY, AND TRANSPLANTATION RESEARCH		14,418,469	1,064,961
93.859	BIOMEDICAL RESEARCH AND RESEARCH TRAINING		13,259,162	704,344
93.865	CHILD HEALTH AND HUMAN DEVELOPMENT EXTRAMURAL RESEARCH		3,859,740	405,427
93.866	AGING RESEARCH		5,864,729	998,050
93.867	VISION RESEARCH		7,345,989	351,162
93.879	MEDICAL LIBRARY ASSISTANCE		39,411	16,099
93.884	GRANTS FOR TRAINING IN PRIMARY CARE MEDICINE AND DENTISTRY		565,947	-
93.924	RYAN WHITE HIV/AIDS DENTAL REIMBURSEMENT AND COMMUNITY BASED DENTAL PARTNERSHIP GRANTS		14,018	-
93.969	GERIATRIC EDUCATION CENTERS		504,264	104,511
93.989	SENIOR INTERNATIONAL FELLOWSHIPS		253,522	61,777
	<b>Total U.S. Department of Health and Human Services Direct Awards</b>		<b>163,763,424</b>	<b>22,848,384</b>
<b>U.S. Department of Health and Human Services Pass-Through Awards</b>				
93.unknown	AMPLYX PHARMACEUTICALS INC	N/A	3,041	-
93.unknown	CITY OF ROCHESTER	126971	197,804	-
93.unknown	DYSTONIA COALITION	N/A	13,886	-
93.unknown	EMMES CORP	PO134A	13,604	-
93.unknown	GREAT LAKES NEUROTECHNOLOGIES INC	N/A	23,027	-
93.unknown	MASSACHUSETTS GENERAL HOSPITAL	N/A	110,785	-
93.unknown	MASSACHUSETTS GENERAL HOSPITAL	NN103	34,483	-
93.unknown	NATIONAL JEWISH MEDICAL AND RESEARCH NETWORK	N/A	1,712	-
93.unknown	NATIONAL JEWISH MEDICAL AND RESEARCH NETWORK	N/A	1,926	-
93.unknown	NATIONAL JEWISH MEDICAL AND RESEARCH NETWORK	N/A	455	-
93.unknown	NATIONAL MARROW DONOR PROGRAM	547-RDSAFE	(164)	-
93.unknown	NEW ENGLAND RESEARCH INSTITUTE	CT AGREE #1050	(5,504)	-
93.unknown	OYAGEN INC	N/A	139,839	-
93.unknown	POLGENIX	N/A	(11,219)	-
93.unknown	POLGENIX	N/A	12,927	-
93.unknown	RADIOLOGICAL SOCIETY OF NORTH AMERICA	HHSN268201300071 (Z-2)	(16,649)	-
93.unknown	SOCIAL AND SCIENTIFIC SYSTEMS	CRB-SSS-S-11-000	191	-

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**University of Rochester**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2016**

CFDA No.	Description	Pass-Through Entity Award Numbers	Federal Expenditures	Subcontract Expenditures
93.unknown	STATE UNIVERSITY OF NEW YORK AT STONY BROOK	1118975-2-68627	48,537	-
93.unknown	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000406268-006	2,988	-
93.unknown	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000406257-006	4	-
93.unknown	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000406190-006	33	-
93.unknown	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000406291-005	72,164	-
93.unknown	UNIVERSITY OF CINCINNATI	007808	(1,647)	-
93.unknown	UNIVERSITY OF WISCONSIN	525K206	15,558	-
93.unknown	UNIVERSITY OF WISCONSIN	280K694	(83)	-
93.069	MONROE COUNTY DEPARTMENT OF HEALTH	N/A	4,721	-
93.070	HEALTH RESEARCH INC	5145-01	15,943	-
93.077	ROCHESTER INSTITUTE OF TECHNOLOGY	31367-01	11,103	-
93.103	DUKE UNIVERSITY	203-8219	2,611	-
93.103	UNIVERSITY OF KANSAS MEDICAL CENTER	QB859730	47,038	-
93.110	MASSACHUSETTS GENERAL HOSPITAL	226858	21,188	-
93.110	MASSACHUSETTS GENERAL HOSPITAL	227146	6,412	-
93.110	MASSACHUSETTS GENERAL HOSPITAL	220039	6,606	-
93.110	MASSACHUSETTS GENERAL HOSPITAL	220042	1,483	-
93.110	UNIVERSITY OF CALIFORNIA AT LOS ANGELES	200 G TC249	163,190	-
93.110	UNIVERSITY OF CALIFORNIA AT LOS ANGELES	2000 G PH196	35,090	-
93.113	COLUMBIA UNIVERSITY	1 GG005615	12,678	-
93.113	MT SINAI SCHOOL OF MEDICINE	0255-8271-4609	53,774	-
93.113	RESEARCH FOUNDATION OF STATE UNIVERSITY OF NEW YORK AT ALBANY	53367	(1,101)	-
93.121	CEDARS SINAI MEDICAL CENTER	0001174239	32,236	-
93.121	DUKE UNIVERSITY	203-2499	178,376	-
93.121	JAN BIOTECH INC	JBI-UR-NIDCR-01-15	3,474	-
93.121	LOUISIANA STATE UNIVERSITY HEALTH SCIENCE CENTER	SOD-16-136-002	32,298	-
93.121	NEW ENGLAND RESEARCH INSTITUTE	402	3,200	-
93.121	UNIVERSITY OF ALABAMA	000412838-008	(10,223)	-
93.121	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000412838-036	90,211	-
93.121	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000412838-006	(39,133)	-
93.121	UNIVERSITY OF PENNSYLVANIA	567327/10078980/16193	45,635	-
93.172	UNIVERSITY OF CALIFORNIA AT SANTA CRUZ	S0183875	(859)	-
93.173	BAYLOR UNIVERSITY	10215784	21,341	-
93.173	GEORGIA STATE UNIVERSITY	SP00010522	2,598	-
93.173	OMNISPEECH	N/A	58,578	-
93.173	ROCHESTER GENERAL HOSPITAL	14.243092-001	42,896	-
93.185	MONROE COUNTY DEPARTMENT OF HEALTH	N/A	26	-
93.213	MASSACHUSETTS GENERAL HOSPITAL	N/A	(130)	-
93.213	MASSACHUSETTS GENERAL HOSPITAL	224322	1,106	-
93.213	MASSACHUSETTS GENERAL HOSPITAL	206748	(723)	-
93.242	AMERICAN ACADEMY OF PEDIATRICS	770101-UROC	150,350	-
93.242	BROWN UNIVERSITY	00000680	33,158	-
93.242	CALIFIA BIO INC	R44MH93270-13070	43,221	-
93.242	CENTRAL NEW YORK RESEARCH CORP	1R34MH096854-01A1UR	91,550	20,663

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**University of Rochester**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2016**

CFDA No.	Description	Pass-Through Entity Award Numbers	Federal Expenditures	Subcontract Expenditures
93.242	INDIANA UNIVERSITY	BL-4632908-UR	47,685	-
93.242	MIRIAM HOSPITAL	710-9927	182,111	-
93.242	RESEARCH FOUNDATION FOR MENTAL HYGIENE	25891	705	-
93.242	UNIVERSITY OF WASHINGTON	UWSC8565	5,820	-
93.242	UNIVERSITY OF WISCONSIN	399K722	28,187	-
93.242	UNIVERSITY OF WISCONSIN AT MADISON	663K773	8,708	-
93.279	JOHNS HOPKINS UNIVERSITY	2002914003	40,761	-
93.279	JOHNS HOPKINS UNIVERSITY	2001060007	14,505	-
93.279	PALO ALTO VETERANS INSTITUTE FOR RESEARCH	YOJ0003-01	17,164	-
93.279	TEMPLE UNIVERSITY	361040-08110-7343-02	20,860	-
93.283	HEALTH RESEARCH INC	3376-01	793	-
93.283	HEALTH RESEARCH INC	3376-02	8,786	-
93.283	HEALTH RESEARCH INC	3376-03	8,931	-
93.283	HEALTH RESEARCH INC	3376-04	54	-
93.283	HEALTH RESEARCH INC	3376-05	(4,623)	-
93.283	HEALTH RESEARCH INC	3376-06	733,334	-
93.283	HEALTH RESEARCH INC	3376-07	567,113	-
93.283	HEALTH RESEARCH INC	4353-02	(800)	-
93.283	HEALTH RESEARCH INC	4732-02	43,865	-
93.286	MICHIGAN STATE UNIVERSITY	RC104170UR	76,698	-
93.307	THE UNIVERSITY OF TEXAS HEALTH SCIENCE CENTER AT HOUSTON	0008663AE	11,304	-
93.310	UNIVERSITY OF SOUTHERN CALIFORNIA	CTAFYN027	19,981	-
93.310	XAVIER UNIVERSITY OF LOUISIANA	OSP-15-21173-01E	2,370	-
93.315	HEALTH RESEARCH INC	4880-01	13,617	-
93.315	HEALTH RESEARCH INC	4880-02	63,253	-
93.317	HEALTH RESEARCH INC	4123-05	67,742	-
93.393	CATASSAYS	A0001	32,717	-
93.393	INDIANA UNIVERSITY	IN4687559URCTCC	186,465	-
93.393	MASSACHUSETTS GENERAL HOSPITAL	221371	13,300	-
93.393	MAYO CLINIC	PO 64159920	161,930	-
93.393	PURDUE UNIVERSITY	4102-41069	58,987	-
93.393	UNIVERSITY OF CALIFORNIA AT SAN FRANCISCO	7148SC	143,333	-
93.394	BOSTON UNIVERSITY	4500001257	855	-
93.394	ROCHESTER INSTITUTE OF TECHNOLOGY	31500-01	13,605	-
93.394	ROSWELL PARK CANCER CENTER	HRI 119-01	1,500	1,500
93.394	ROSWELL PARK CANCER CENTER	HRI 119-01	(11,463)	-
93.395	HEALTH RESEARCH INC	23-02	155,537	-
93.395	ROSWELL PARK CANCER CENTER	199-01	14,118	-
93.395	STANFORD UNIVERSITY	60929024-112086	82,814	-
93.395	UNIVERSITY OF OREGON HEALTH SCIENCE	9009627_URochester	62,847	-
93.521	HEALTH RESEARCH INC	4123-01	206	-
93.521	HEALTH RESEARCH INC	4123-02	(73)	-
93.521	HEALTH RESEARCH INC	5199-01	103,136	-
93.610	FINGER LAKES HEALTH SYSTEMS AGENCY	N/A	178,700	-

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**University of Rochester**  
**Schedule of Expenditures of Federal Awards**  
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CFDA No.	Description	Pass-Through Entity Award Numbers	Federal Expenditures	Subcontract Expenditures
93.610	FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES	TC-013-13	(1,581)	-
93.701	UNIVERSITY OF CALIFORNIA AT SAN DIEGO	27-URMC ADNI-GO	6,369	-
93.701	UNIVERSITY OF PITTSBURGH	0015124	493	-
93.717	HEALTH RESEARCH INC	3764-01	14	-
93.837	CINCINNATI CHILDREN'S HOSPITAL MEDICAL CENTER	109363	33,840	-
93.837	SELF DETERMINED HEALTH	ICAT-UI	(307)	-
93.837	STATE UNIVERSITY OF NEW YORK AT BUFFALO	N/A	1,971	-
93.837	UNIVERSITY OF ARIZONA	Y600193	51,208	-
93.837	UNIVERSITY OF CINCINNATI	131950	534,588	-
93.837	UNIVERSITY OF MARYLAND	18011-Q2632001	72,686	-
93.837	UNIVERSITY OF OREGON HEALTH SCIENCE	1002459-URMC	65,374	-
93.837	YALE UNIVERSITY	M15A12118(A10207)	36,610	-
93.837	YALE UNIVERSITY	M16A12280(A10422)	37,630	-
93.837	YALE UNIVERSITY	M10A1580(A09305)	5,258	-
93.838	JOHNS HOPKINS UNIVERSITY	2001532543	38,242	-
93.838	SEATTLE CHILDRENS HOSPITAL	11058SUB	614	-
93.838	ST LUKES ROOSEVELT	N/A	138,702	138,702
93.838	ST LUKES ROOSEVELT	N/A	(148,278)	-
93.838	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000438960-003	29,635	-
93.838	UNIVERSITY OF COLORADO DENVER	FY16.784.003	28,991	-
93.838	UNIVERSITY OF PENNSYLVANIA	564378	18,085	-
93.838	UNIVERSITY OF PENNSYLVANIA	561374	121	-
93.839	WASHINGTON UNIVERSITY AT SAINT LOUIS	WU-14-187	31,797	-
93.846	BAYLOR COLLEGE OF MEDICINE	7000000047	49,212	-
93.846	BAYLOR COLLEGE OF MEDICINE	5600091738	184,516	-
93.846	THE RECTOR AND VISITORS OF THE UNIVERSITY OF VIRGINIA	GC12272 147061	34,996	-
93.846	THE RECTOR AND VISITORS OF THE UNIVERSITY OF VIRGINIA	GB10207 150178	94,668	-
93.846	UNIVERSITY OF CONNECTICUT	UCHC6-53015088	15,867	-
93.846	UNIVERSITY OF CONNECTICUT	UCHC6-53172462	28,463	-
93.846	UNIVERSITY OF MICHIGAN	3002095786	496	-
93.846	UNIVERSITY OF MINNESOTA	N000188519	6,349	-
93.846	UNIVERSITY OF WASHINGTON	UWSC7559	128,232	-
93.846	UNIVERSITY OF WASHINGTON	725286	254,758	-
93.846	UNIVERSITY OF WASHINGTON	760330	(10,226)	-
93.847	BENAROYA RESEARCH INSTITUTE	FY14106102	3,464	-
93.847	CHILDRENS HOSPITAL OF PHILADELPHIA	325861 (PO#961685RSUB)	19,375	-
93.847	CHILDRENS HOSPITAL OF PHILADELPHIA	950683RSUB	4,489	-
93.847	JOHNS HOPKINS UNIVERSITY	2001185504	3,423	-
93.847	NATIONWIDE CHILDREN'S HOSPITAL	82050015	6,896	-
93.847	SEATTLE CHILDRENS HOSPITAL	10342SUB	40,520	-
93.847	UNIVERSITY OF CALIFORNIA AT LOS ANGELES	1640 G TA906	18,330	-
93.847	UNIVERSITY OF NEVADA	UNR-13-14	22,531	-
93.847	UNIVERSITY OF PENNSYLVANIA	559221	31,541	-
93.853	CALIFIA BIO INC	R44NS092137-150827	345,203	-

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CFDA No.	Description	Pass-Through Entity Award Numbers	Federal Expenditures	Subcontract Expenditures
93.853	CASE WESTERN RESERVE UNIVERSITY	RES510250	103,542	-
93.853	CORNELL UNIVERSITY	5T32NS007338-25	(40,299)	-
93.853	FRED HUTCHINSON CANCER RESEARCH CENTER	0000798600	(25,913)	-
93.853	FRED HUTCHINSON CANCER RESEARCH CENTER	0000831830	13,116	-
93.853	FRED HUTCHINSON CANCER RESEARCH CENTER	0000848413	135,692	-
93.853	JOHNS HOPKINS UNIVERSITY	2000695638	(1)	-
93.853	MASSACHUSETTS GENERAL HOSPITAL	217142	14,489	-
93.853	MASSACHUSETTS GENERAL HOSPITAL	219714	151,471	-
93.853	MASSACHUSETTS GENERAL HOSPITAL	223072	124,975	-
93.853	MASSACHUSETTS GENERAL HOSPITAL	223327	32,892	-
93.853	MASSACHUSETTS GENERAL HOSPITAL	224675	39,964	-
93.853	MASSACHUSETTS GENERAL HOSPITAL	224957	74,966	-
93.853	MASSACHUSETTS GENERAL HOSPITAL	226396	5,789	-
93.853	MASSACHUSETTS GENERAL HOSPITAL	226589	41,030	-
93.853	MASSACHUSETTS GENERAL HOSPITAL	PS#221606	(3,956)	-
93.853	MEDICAL COLLEGE OF WISCONSIN	1577897	51,782	-
93.853	MEDICAL COLLEGE OF WISCONSIN	N/A	(2,098)	-
93.853	MICHIGAN STATE UNIVERSITY	RC100128UR	2,988	-
93.853	NORTHWESTERN UNIVERSITY	60036745UR	56,276	-
93.853	SCOTT AND WHITE HOSPITAL	140782	(36)	-
93.853	THE SCRIPPS RESEARCH INSTITUTE	5-52424	45,047	-
93.853	UNIVERSITY OF ALABAMA	N/A	(199)	-
93.853	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000377209-046	5,321	-
93.853	UNIVERSITY OF ALABAMA AT BIRMINGHAM	N/A	(4,776)	-
93.853	UNIVERSITY OF ALABAMA AT BIRMINGHAM	N/A	163	-
93.853	UNIVERSITY OF CALIFORNIA AT LOS ANGELES	52665321	1,649	-
93.853	UNIVERSITY OF CALIFORNIA AT SAN FRANCISCO	5815SC	43,591	-
93.853	UNIVERSITY OF IOWA	1 11775 00	(40)	-
93.853	UNIVERSITY OF IOWA	5278095 00	(73)	-
93.853	UNIVERSITY OF IOWA	W000646628 PO# 1001372046	68,658	-
93.853	UNIVERSITY OF IOWA	W000750544 PO#1001531476	70,186	-
93.853	UNIVERSITY OF IOWA	W000788171 PO#1001591617	64,778	-
93.853	UNIVERSITY OF MICHIGAN	3002530335	68,641	-
93.853	UNIVERSITY OF SOUTHERN CALIFORNIA	65337519	20,361	-
93.853	UNIVERSITY OF TEXAS AT AUSTIN	UTA15-001146	28,141	-
93.853	WAYNE STATE UNIVERSITY	WSU10091	(95)	-
93.853	YALE UNIVERSITY	A07593	8,848	-
93.853	YALE UNIVERSITY	M10A10567	2,647	-
93.854	MASSACHUSETTS GENERAL HOSPITAL	223370	180,874	-
93.854	RUTGERS, THE STATE UNIVERSITY	N/A	917	-
93.855	BRIGHAM & WOMENS HOSPITAL	110007	10,540	-
93.855	BRIGHAM & WOMENS HOSPITAL	110014	(1,385)	-
93.855	BRIGHAM & WOMENS HOSPITAL	N/A	121,418	-
93.855	BRIGHAM & WOMENS HOSPITAL	N/A	376,440	-
93.855	CHILDRENS HOSPITAL OF BOSTON	75940	9,793	-

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards

**University of Rochester**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2016**

CFDA No.	Description	Pass-Through Entity Award Numbers	Federal Expenditures	Subcontract Expenditures
93.855	CHILDRENS HOSPITAL OF HARVARD	N/A	1,230	-
93.855	COLUMBIA UNIVERSITY	7(GG11896-09) PO G 10912	28,635	-
93.855	DREXEL UNIVERSITY	22538-UOR	5,105	-
93.855	DUKE UNIVERSITY	2032948	96,121	-
93.855	DUKE UNIVERSITY	2032959	75,232	-
93.855	DUKE UNIVERSITY	2032972	(951)	-
93.855	DUKE UNIVERSITY	2033037	9,364	-
93.855	DUKE UNIVERSITY	2033914	280	-
93.855	DUKE UNIVERSITY	20330006	22,675	-
93.855	DUKE UNIVERSITY	M09-ARA06-UOR	121	-
93.855	DUKE UNIVERSITY	N/A	(1,263)	-
93.855	EMORY UNIVERSITY	S920254	194,448	-
93.855	FRED HUTCHINSON CANCER RESEARCH CENTER	000085397	96,634	-
93.855	FRED HUTCHINSON CANCER RESEARCH CENTER	0000747787	5	-
93.855	FRED HUTCHINSON CANCER RESEARCH CENTER	0000803261	1,644	-
93.855	FRED HUTCHINSON CANCER RESEARCH CENTER	0000818298	27,533	-
93.855	FRED HUTCHINSON CANCER RESEARCH CENTER	0000824311	83,949	-
93.855	FRED HUTCHINSON CANCER RESEARCH CENTER	0000834206	32,916	-
93.855	FRED HUTCHINSON CANCER RESEARCH CENTER	0000841665	23,592	-
93.855	FRED HUTCHINSON CANCER RESEARCH CENTER	0000851186	49,548	-
93.855	FRED HUTCHINSON CANCER RESEARCH CENTER	0000852936	257,394	-
93.855	JOHNS HOPKINS UNIVERSITY	2000907916	1,932	-
93.855	JOHNS HOPKINS UNIVERSITY	2002150101	2,864	-
93.855	JOHNS HOPKINS UNIVERSITY	2002585307	8,484	-
93.855	JOHNS HOPKINS UNIVERSITY	2002598763	30,309	-
93.855	JOHNS HOPKINS UNIVERSITY	N/A	7,061	-
93.855	MEDICAL UNIVERSITY OF SOUTH CAROLINA	MUSC14-035	13,038	-
93.855	NATIONAL JEWISH MEDICAL AND RESEARCH NETWORK	20096501	160,088	-
93.855	NATIONAL JEWISH MEDICAL AND RESEARCH NETWORK	20096901	237,102	-
93.855	NATIONAL JEWISH MEDICAL AND RESEARCH NETWORK	20097902	10,373	-
93.855	ROCHESTER GENERAL HOSPITAL	14245007-01	12,557	-
93.855	RUTGERS, THE STATE UNIVERSITY	438549/PO S2231068	38,414	-
93.855	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000438982-001	25,146	-
93.855	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000503356-SP013--002	(458)	-
93.855	UNIVERSITY OF COLORADO DENVER	FY16.206.001	33,055	-
93.855	UNIVERSITY OF DELAWARE	38794	2,109	-
93.855	UNIVERSITY OF SOUTHERN CALIFORNIA	72729238	6,382	-
93.855	UNIVERSITY OF TEXAS MEDICAL BRANCH AT GALVESTON	15-061	75,351	-
93.855	WASHINGTON UNIVERSITY AT SAINT LOUIS	WU-15-302 (PO2922996Y)	184,743	184,743
93.855	WASHINGTON UNIVERSITY AT SAINT LOUIS	WU-15-302 (PO2922996Y)	(137,953)	-
93.855	ZALGEN LABS LLC	N/A	47,969	-
93.859	HAUPTMAN WOODWARD MEDICAL RESEARCH INSTITUTE	6203-5	39,743	-
93.859	THE RESEARCH FOUNDATION FOR SUNY BINGHAMTON	47499	(7)	-
93.859	THE RESEARCH FOUNDATION FOR SUNY BINGHAMTON	2R01GM071461-SUB	57,866	-
93.859	UNIVERSITY OF MICHIGAN	3002150826	(18,780)	-

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards

**University of Rochester**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2016**

CFDA No.	Description	Pass-Through Entity Award Numbers	Federal Expenditures	Subcontract Expenditures
93.865	EMORY UNIVERSITY	N/A	(12,843)	-
93.865	MASSACHUSETTS GENERAL HOSPITAL	218583	36,744	-
93.865	MEDICAL COLLEGE OF WISCONSIN	1	(1,596)	-
93.865	MEDICAL COLLEGE OF WISCONSIN	N/A	15,180	-
93.865	MIRIAM HOSPITAL	710-9918-8985	31,120	-
93.865	PENNSYLVANIA STATE UNIVERSITY	URMCHD038992	15,179	-
93.865	ROCHESTER BUFFALO NEONATAL RESEARCH GROUP	N/A	411,669	-
93.865	STATE UNIVERSITY OF NEW YORK AT BUFFALO	R902445	118,819	-
93.865	THE MEDICAL COLLEGE OF WISCONSIN INC	N/A	78,752	-
93.865	UNIVERSITY OF ALABAMA AT BIRMINGHAM	000504713-007	19,103	-
93.865	UNIVERSITY OF CALIFORNIA AT LOS ANGELES	2000GQG860	499,559	-
93.865	UNIVERSITY OF FLORIDA	UFDSP00010238	6,126	-
93.865	UNIVERSITY OF MICHIGAN	3003539097	42,653	-
93.865	UNIVERSITY OF PENNSYLVANIA	4446-UR-DHHS-725	34,196	-
93.865	UNIVERSITY OF TENNESSEE	HD65740ROCHESTER	1,688	-
93.865	UNIVERSITY OF TENNESSEE	N/A	(329)	-
93.865	UNIVERSITY OF TEXAS AT AUSTIN	UTA15-000988	104,798	-
93.865	UNIVERSITY OF WISCONSIN	632K170	217,277	-
93.865	UNIVERSITY OF WISCONSIN	N/A	43,320	-
93.865	VIRGINIA COMMONWEALTH UNIVERSITY	PT110467-SC105870	30,658	-
93.865	WAYNE STATE UNIVERSITY	WSU14066	1,018	-
93.866	BROWN UNIVERSITY	00000708	3,511	-
93.866	CITY OF HOPE	22643.914992.6690	46,072	-
93.866	CITY OF HOPE	23030.914940.669	48,824	-
93.866	MEDICAL UNIVERSITY OF SOUTH CAROLINA	MUSC14-080	30,503	-
93.866	UNIVERSITY OF CALIFORNIA AT SAN DIEGO	45889290	38,980	-
93.866	UNIVERSITY OF CALIFORNIA AT SAN DIEGO	46177888	73,589	-
93.866	UNIVERSITY OF CALIFORNIA AT SAN DIEGO	59503173	7,136	-
93.866	UNIVERSITY OF CALIFORNIA AT SAN DIEGO	ADC-037	(3,588)	-
93.866	UNIVERSITY OF CALIFORNIA AT SAN DIEGO	ADC-037-RES	3,901	-
93.866	UNIVERSITY OF CALIFORNIA AT SAN DIEGO	ADNI-024	68,723	-
93.866	UNIVERSITY OF CALIFORNIA AT SAN DIEGO	WFUHS110656	11,537	-
93.866	UNIVERSITY OF MICHIGAN	3002987313	44,330	-
93.866	UNIVERSITY OF SOUTHERN CALIFORNIA	CTAADNI027	33,960	-
93.866	UNIVERSITY OF SOUTHERN CALIFORNIA	CTAINI0027	3,363	-
93.866	UNIVERSITY OF WISCONSIN	629K871	158,482	-
93.867	ALDENEX VISION LLC	N/A	42,054	-
93.867	JAEB CENTER	C02	3,079	-
93.867	JAEB CENTER	N/A	32,644	-
93.867	JAEB CENTER	N/A	499	-
93.867	JAEB CENTER	Protocol HTS1	4,974	-
93.867	JAEB CENTER	Protocol U	29,557	-
93.867	LUMETRICS INC	UR-FUNDUS-01	10,722	-
93.867	PENNSYLVANIA STATE UNIVERSITY	URF023533	2,699	-
93.867	ST LUKES ROOSEVELT	5U10EY017281-05	201,239	-
93.867	ST LUKES ROOSEVELT	MOU 5U10EY017281-05	(486)	-
93.867	ST LUKES ROOSEVELT	NORDIC PRC	21,510	-

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards

**University of Rochester**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2016**

CFDA No.	Description	Pass-Through Entity Award Numbers	Federal Expenditures	Subcontract Expenditures
93.867	UNIVERSITY OF CALIFORNIA AT BERKELEY	00007512	56,251	-
93.867	UNIVERSITY OF CALIFORNIA AT BERKELEY	00009038	1,144	-
93.867	UNIVERSITY OF PENNSYLVANIA	564824	68,296	-
93.873	UNIVERSITY OF ARIZONA	Y600219	160,484	-
93.940	HEALTH RESEARCH INC	4813-02	30,773	-
93.940	HEALTH RESEARCH INC	4813-01	6,889	-
<b>Total U.S. Department of Health and Human Services Pass-Through Awards</b>			13,934,679	345,608
<b>Total U.S. Department of Health and Human Services Awards</b>			177,698,103	23,193,992
<b>Total Research and Development Program Cluster</b>			271,766,087	28,275,381
<b><u>Economic Development Cluster:</u></b>				
<b>U.S. Department of Commerce Awards</b>				
<b>U.S. Department of Commerce Direct Awards</b>				
11.307	ECONOMIC ADJUSTMENT ASSISTANCE		24,830	18,943
<b>Total U.S. Department of Commerce Direct Awards</b>			24,830	18,943
<b>Total Economic Development Cluster</b>			24,830	18,943
<b><u>Trio Cluster:</u></b>				
<b>U.S. Department of Education Awards</b>				
<b>U.S. Department of Education Direct Awards</b>				
84.047	TRIO - UPWARD BOUND		534,515	-
84.217	TRIO - MCNAIR POST BACCALAUREATE ACHIEVEMENT		203,136	-
<b>Total U.S. Department of Education Direct Awards</b>			737,651	-
<b>Total Trio Cluster</b>			737,651	-
<b><u>Aging Cluster:</u></b>				
<b>U.S. Department of Health and Human Services Awards</b>				
<b>U.S. Department of Health and Human Services Direct Awards</b>				
93.045	PROGRAMS FOR THE AGING - TITLE III, PART C - NUTRITION SERVICES		443,421	-
<b>Total U.S. Department of Health and Human Services Direct Awards</b>			443,421	-
<b>U.S. Department of Health and Human Services Pass Through Awards</b>				
93.053	MONROE COUNTY OFFICE OF THE AGING		24,091	-
<b>Total U.S. Department of Health and Human Services Pass-Through Awards</b>			24,091	-
<b>Total U.S. Department of Health and Human Services Awards</b>			467,512	-
<b>Total Aging Cluster</b>			467,512	-

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards

**University of Rochester**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2016**

CFDA No.	Description	Pass-Through Entity Award Numbers	Federal Expenditures	Subcontract Expenditures
<b>Other Awards:</b>				
<b>U.S. Department of Housing and Urban Development Awards</b>				
<b>U.S. Department of Housing and Urban Direct Awards</b>				
14.128	SECTION 242 - MORTGAGE INSURANCE FOR HOSPITALS		3,709,366	-
	<b>Total U.S. Department of Housing and Urban Direct Awards</b>		<u>3,709,366</u>	<u>-</u>
<b>U.S. Department of Labor Awards</b>				
<b>U.S. Department of Labor Employment Training Administration Direct Awards</b>				
17.268	H-1B JOB TRAINING GRANT		92,264	59,976
	<b>Total U.S. Department of Labor Employment Training Administration Direct Awards</b>		<u>92,264</u>	<u>59,976</u>
<b>U.S. Department of Transportation Awards</b>				
<b>U.S. Department of Transportation Pass-Through Awards</b>				
20.600	NEW YORK STATE GOVERNOR'S TRAFFIC	CPS-2016-00023-(028)	2,362	-
	<b>Total U.S. Department of Transportation Pass-Through Awards</b>		<u>2,362</u>	<u>-</u>
<b>National Aeronautics and Space Administration Awards</b>				
<b>National Aeronautics and Space Administration Direct Awards</b>				
43.009	CROSS AGENCY SUPPORT		21,164	-
	<b>Total National Aeronautics and Space Administration Direct Awards</b>		<u>21,164</u>	<u>-</u>
<b>National Aeronautics and Space Administration Pass-Through Awards</b>				
43.008	CORNELL UNIVERSITY	76156-10493	12,656	-
	<b>Total National Aeronautics and Space Administration Pass-Through Awards</b>		<u>12,656</u>	<u>-</u>
	<b>Total National Aeronautics and Space Administration Awards</b>		<u>33,820</u>	<u>-</u>
<b>National Foundation on the Arts and Humanities Awards</b>				
<b>National Foundation on the Arts and Humanities Direct Awards</b>				
45.024	PROMOTION OF THE ARTS, GRANTS TO ORGANIZATIONS AND INDIVIDUALS		89,977	-
45.161	PROMOTION OF THE HUMANITIES RESEARCH		40,412	-
45.163	PROMOTION OF THE HUMANITIES PROFESSIONAL DEVELOPMENT		4,192	-
45.301	MUSEUMS FOR AMERICA		2,476	-
	<b>Total National Foundation on the Arts and Humanities Direct Awards</b>		<u>137,057</u>	<u>-</u>
<b>U.S. Environmental Protection Agency Awards</b>				
<b>U.S. Environmental Protection Agency Pass-Through Awards</b>				
66.500	HEALTH EFFECTS INSTITUTE	4904-RFA10-1/115	6,508	-
	<b>Total U.S. Environmental Protection Agency Pass-Through Awards</b>		<u>6,508</u>	<u>-</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards

**University of Rochester**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2016**

CFDA No.	Description	Pass-Through Entity Award Numbers	Federal Expenditures	Subcontract Expenditures
<b>U.S. Department of Energy Awards</b>				
<b>U.S. Department of Energy Pass-Through Awards</b>				
81.unknown	FERMI NATIONAL ACCELERATOR LAB	565314	32,023	-
81.unknown	LAWRENCE BERKELEY NATIONAL LAB	7104515	13,058	-
81.unknown	LAWRENCE LIVERMORE NATIONAL LAB	B603004	85,792	-
<b>Total U.S. Department of Energy Pass-Through Awards</b>			<b>130,873</b>	<b>-</b>
<b>U. S. Department of Education Awards</b>				
<b>U. S. Department of Education Direct Awards</b>				
84.200	GRADUATE ASSISTANCE IN AREAS OF NATIONAL NEED		316,022	-
84.325	COMBINED PRIORITY FOR PERSONNEL DEVELOPMENT		246,667	-
84.365	WESTERN NEW YORK COLLABORATION FOR ELL SUCCESS		445,116	-
84.367	SUPPORTING EFFECTIVE INSTRUCTION STATE GRANT		7,973	-
84.367B	SUPPORTING EFFECTIVE INSTRUCTION STATE GRANT		86,629	-
			<b>94,602</b>	<b>-</b>
84.407	TRANSITION PROGRAMS FOR STUDENTS WITH INTELLECTUAL DISABILITIES INTO HIGHER EDUCATION		305,985	117,481
<b>U. S. Department of Education Direct Awards</b>			<b>1,408,392</b>	<b>117,481</b>
<b>U. S. Department of Education Pass-Through Awards</b>				
84.367	NEW YORK STATE DEPARTMENT OF EDUCATION GRANTS FINANCE	000412838-008	(250)	-
84.367B	NEW YORK STATE DEPARTMENT OF EDUCATION GRANTS FINANCE	5U10EY017281-05	71,048	-
<b>Total U. S. Department of Education Pass-Through Awards</b>			<b>70,798</b>	<b>-</b>
<b>Total U. S. Department of Education Awards</b>			<b>1,479,190</b>	<b>117,481</b>
<b>U. S. Department of Health and Human Services Awards</b>				
<b>U. S. Department of Health and Human Services Direct Awards</b>				
93.525	STATE PLANNING AND ESTABLISHMENT GRANTS FOR THE AFFORDABLE CARE ACT (ACA)'S EXCHANGES		169,364	-
93.939	HIV PREVENTION ACTIVITIES, NON-GOVERNMENTAL ORGANIZATION BASED		1,060,277	-
93.989	SENIOR INTERNATIONAL FELLOWSHIPS		106,241	30,100
93.925	SCHOLARSHIPS FOR HEALTH PROFESSIONSSTUDENTS FROM DISADVANTAGED BACKGROUNDS		382,500	-
<b>Total U. S. Department of Health and Human Services Direct Awards</b>			<b>1,718,382</b>	<b>30,100</b>
<b>U. S. Department of Health and Human Services Pass-Through Awards</b>				
93.unknown	ACADEMIC PEDIATRIC ASSOCIATION	N/A	19,292	-
93.unknown	PROTEIN SCIENCES	N/A	6,583	-
			<b>25,875</b>	<b>-</b>
93.069	MONROE COUNTY DEPARTMENT OF HEALTH	N/A	3,179	-
93.074	HEALTH RESEARCH INC	N/A	46,500	-
93.074	HEALTH RESEARCH INC	4864-01	204,816	-
93.074	NEW YORK STATE	CMS	596,777	-
93.074	HEALTH RESEARCH INC	15-0689-02	37,000	-
			<b>885,093</b>	<b>-</b>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards

**University of Rochester**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2016**

CFDA No.	Description	Pass-Through Entity Award Numbers	Federal Expenditures	Subcontract Expenditures
93.235	NEW YORK STATE	C028572	168,730	-
93.243	GEORGIA DEPARTMENT OF BEHAVIORAL HEALTH	44100-026-0000056717	520	-
93.283	HEALTH RESEARCH INC	4183-01	7,329	-
93.283	HEALTH RESEARCH INC	4709-01	(43)	-
93.283	MONROE COUNTY DEPARTMENT OF HEALTH	FLOSE MASTER	115	-
			<u>7,401</u>	-
93.610	FOUNDATION FOR CALIFORNIA COMMUNITY COLLEGES	TC-013-13	(468)	-
93.701	ACADEMIC PEDIATRIC ASSOCIATION	N/A	4,784	-
93.752	HEALTH RESEARCH INC	4709-02	94,226	-
93.889	HEALTH RESEARCH INC	N/A	22,500	-
93.889	HEALTH RESEARCH INC	2054-09	749	-
			<u>23,249</u>	-
93.917	HEALTH RESEARCH INC	4915-02	54,074	-
93.917	HEALTH RESEARCH INC	5107-01	196,858	-
			<u>250,932</u>	-
93.940	HEALTH RESEARCH INC	4360-03	(14,896)	-
93.994	CORNELL UNIVERSITY	67613-10072	70,305	-
93.994	NEW YORK STATE DEPARTMENT OF HEALTH DIVISION OF FAMILY HEALTH	C029410	166,038	-
			<u>236,343</u>	-
	<b>Total U. S. Department of Health and Human Services Pass-Through Awards</b>		<u>1,684,968</u>	-
	<b>Total U. S. Department of Health and Human Services Awards</b>		<u>3,403,350</u>	<u>30,100</u>
<b>Corporation for National and Community Service Awards</b>				
<b>Corporation for National and Community Service Direct Awards</b>				
94.013	VOLUNTEERS IN SERVICE TO AMERICA		45,473	-
	<b>Total Corporation for National and Community Service Direct Awards</b>		<u>45,473</u>	-
<b>Total Other Awards</b>			<u>9,040,263</u>	<u>207,557</u>
<b>Total Federal Award Expenditures</b>			<u>\$ 365,420,466</u>	<u>\$ 28,501,881</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards



# University of Rochester

## Notes to Schedule of Expenditures of Federal Awards

### Year Ended June 30, 2016

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#### 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") summarizes the expenditures of the University of Rochester (the "University") under programs of the federal government for the year ended June 30, 2016. The information in the Schedule is presented on the accrual basis of accounting, which is in accordance with the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only the federal award activity of the University, it is not intended to and does not present the financial position, changes in net assets and cash flows of the University.

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

Negative numbers in the Schedule represent adjustments to amounts reported in prior years in the normal course of business. CFDA numbers and pass-through numbers are provided when available.

#### 2. Loan Programs

The Federal Perkins Loan Program and the Federal Nursing Student Loan Program are administered directly by the University and balances and transactions relating to these programs are included in the University's consolidated financial statements. The amount of Federal Perkins loans and Federal Nursing Student loans outstanding at June 30, 2016 totaled \$17,236,939 and \$498,579, respectively. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. Also included is the amount recovered, for the year ended June 30, 2016, for administrative cost allowance from the Perkins and Nursing Loan Programs of \$0 and \$0, respectively.

The Memorial Hospital of William F. and Gertrude F. Jones, Inc. (Jones) has a loan insured by the U.S. Department of Housing and Urban Development (HUD) under Section 242 of the National Housing Act. Refer to Note 8 within the accompanying financial statements for further detail. The loan balance as of January 1, 2016 is included in the federal expenditures presented in the schedule. Jones received no additional loans during the six months ended June 30, 2016 and the balance of the loan outstanding at June 30, 2016 is \$3,132,148.

#### 3. Facilities and Administrative Cost Rates

The University had predetermined facilities and administrative cost rates for the year ended June 30, 2016, under a rate agreement with the Department of Health and Human Services ("HHS"), the University's federal cognizant agency. The base rate for on-campus research was 53.5% for fiscal 2016. The base rate for off-campus research was 27.0% for fiscal 2016. The University does not utilize the 10% de minimis cost rate described in section 200.414 of Uniform Guidance.



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

To the Board of Trustees  
University of Rochester

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of the University of Rochester and its related entities (the "University"), which comprise the consolidated balance sheet as of June 30, 2016 and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 20, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the 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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material



effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*PricewaterhouseCoopers LLP*

Rochester, New York

October 20, 2016



**Report of Independent Auditors on Compliance with Requirements  
That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over  
Compliance in Accordance with the Uniform Guidance**

To the Board of Trustees  
University of Rochester

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

We have audited the University of Rochester's (the "University") compliance with the types of compliance requirements described in the OMB *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, 2016. 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 federal statutes, regulations and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2016.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2016-001, 2016-002 and 2016-003. Our opinion on each major federal program is not modified with respect to these matters.

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

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

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the University's internal control over compliance with the types of requirements that could have a direct and material effect on 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the University's internal control over compliance.

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

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



identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-002, that we consider to be a significant deficiency.

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

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

*PricewaterhouseCoopers LLP*

Rochester, New York  
March 30, 2017

**University of Rochester**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2016**

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**Section I - Summary of Auditor's Results**

***Financial Statements***

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ Yes   X   No

Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes   X   None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes   X   No

***Federal Awards***

Internal control over major programs:

Material weakness(es) identified? \_\_\_\_\_ Yes   X   No

Significant deficiency(ies) identified that are not considered to be material weaknesses?   X   Yes \_\_\_\_\_ None reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?   X   Yes \_\_\_\_\_ No

Identification of major programs:

<b><i>CFDA Number(s)</i></b>	<i>Name of Federal Program or Cluster</i>
Various	Student Financial Assistance Cluster
Various	Research and Development Cluster
93.939	U.S. Department of Health and Human Services – HIV Prevention Activities, Non-Governmental Organization Based

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

Auditee qualified as low-risk auditee?   X   Yes \_\_\_\_\_ No

**University of Rochester**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2016**

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**Section II – Financial Statement Findings**

None noted in the current year.



**University of Rochester**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2016**

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**Section III - Federal Award Findings and Questioned Costs**

**2016-001 Subrecipient Monitoring**

**Research and Development Cluster**

**CFDA 81.112 Stewardship Science Grant Program, Award Number DE-NA0001944, Fiscal Year 2016**

**CFDA 93.351 Research Infrastructure Programs, Award Number 1R25OD010494, Fiscal Year 2016**

**CFDA 93.847 Diabetes, Digestive, and Kidney Diseases Extramural Research, Award Number 5U01DK060990, Pass-through Entity University of Pennsylvania, Pass-through Award Number 559221, Fiscal Year 2016**

**Criteria:**

In accordance with 2 CFR 200.331(a), all pass-through entities must ensure that every subaward is clearly identified to the subrecipient as a subaward and includes required information at the time of the subaward. If any of the required information changes, these changes should be included in subsequent subaward modifications.

**Condition:**

In performing our testing, we noted the University includes required subaward information within signed agreements prior to conducting business with each entity. We examined 60 subcontracts for evidence of the required subaward information included within the executed agreement. Of the 60, we noted 2 did not include the CFDA number and 1 had an incorrect CFDA number within the executed agreements. This is a repeat of prior year finding, 2015-002.

**Questioned Costs:**

None

**Cause:**

The required subaward information was not included or was included incorrectly due to human error that was not identified through review by the University's preaward department.

**Effect:**

Inaccurate CFDA numbers may cause the subrecipient to be out of compliance with specific CFDA compliance requirements.

**Recommendation:**

We recommend the University enforce their formal controls to ensure all subrecipient agreements include required subaward information.

**Management's Views and Corrective Action Plan:**

Management views and corrective action plan is included at the end of this report.

# University of Rochester

## Schedule of Findings and Questioned Costs

### Year Ended June 30, 2016

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#### 2016-002 Non-Compliance with Timely and Accurate Student Enrollment Change Submissions to the National Student Loan Data System (NSLDS)

Department of Education Student Financial Aid Cluster  
CFDA 84.007 Federal Supplemental Educational Opportunity Grants

CFDA 84.038 Federal Perkins Loan Program

CFDA 84.063 Federal Pell Grant Program

CFDA 84.268 Federal Direct Loan Program

#### Criteria:

In accordance with 2 CFR 685.309, schools are required to confirm and report to the NSLDS the enrollment status of students who receive Federal student loans. Enrollment reporting in a timely and accurate manner is critical for effective management of the programs. Enrollment information must be reported within 30 days whenever attendance changes for a student, unless an Enrollment reporting roster will be submitted within 60 days. These changes include reductions or increases in attendance levels, withdrawals, graduations, or approved leaves-of-absence.

#### Condition:

We reviewed a sample of 60 students who graduated or withdrew from the University either prior to or after the student began attendance. Of the 60 students requiring notification of the enrollment change to NSLDS, twenty-eight students were reported to NSLDS either inaccurately or untimely. Of the twenty-eight students, nine students were input using incorrect effective dates of withdrawal which resulted in students not being reported to NSLDS within the required timeframe. One student was reported using an incorrect effective date and status as half-time when the student had withdrawn. Seventeen students which had accurate effective dates were not reported to NSLDS within the required timeframe. In addition, one student was never reported as withdrawn to NSLDS. The reporting occurred from 69 to 258 days after the University's determination date. These issues occurred prior to the University's implementation of the corrective action plan and as such this is a repeat of prior year finding, 2015-004.

#### Questioned Costs:

None

#### Cause:

Fifteen of the twenty-eight students that were not reported to NSLDS in a timely manner relate to withdrawals at the end of the spring term. These students were not reported to NSLDS until the fall term as the University incorrectly reported the student as continuously enrolled during the summer.

Nine students were not reported to NSLDS in an accurate or timely manner as individuals involved in the process were not aware of the University's policy and procedures for reporting student enrollment changes.

Four students were not reported to NSLDS in an accurate or timely manner due to untimely identification of student status changes and communication to the offices of Financial Aid and Registrar.

# University of Rochester

## Schedule of Findings and Questioned Costs

### Year Ended June 30, 2016

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#### **Effect:**

A student's enrollment status determines eligibility for in-school status, deferment, and grace periods, as well as for the payment of interest subsidies all of which are negatively impacted by inaccurate and late reporting.

#### **Recommendation:**

We recommend the University amend its policy to ensure that students who withdraw at the end of the spring term are reported to NSLDS as withdrawn within the required timeframe.

We further recommend that the University provide training to individuals involved in the process to enforce the University's policy and procedures for reporting student enrollment changes in a timely and accurate manner.

In addition, we recommend the University enforce the centralized policy across each campus to ensure changes in student status are timely communicated to the offices of Financial Aid and Registrar.

#### **Management's Views and Corrective Action Plan:**

Management views and corrective action plan is included at the end of this report.

#### **2016-003 Non-Compliance with Procurement Requirements**

##### **Research & Development Cluster**

##### **U.S. Department of Health and Human Services**

##### **CFDA 93.395 Cancer Treatment Research, Award Number UG1CA189961, Fiscal Year 2016**

#### **Criteria:**

In accordance with 2 CFR 215.46, "procurement records and files for purchases in excess of the small purchase threshold shall include the following at a minimum: (a) basis for contractor selection; (b) justification for lack of competition when competitive bids or offers are not obtained; and (c) basis for award cost or price." The University's policy requires these records for all equipment, supplies, and/or services expected to exceed \$25,000.

#### **Condition:**

We reviewed a sample of 25 procurement transactions greater than the University's threshold to ensure each transaction is supported by the required procurement records. One of the transactions with a purchase price of \$35,000 did not have any evidence of the basis for contractor selection or justification for lack of competition in accordance with University policy.

#### **Questioned Costs:**

None

#### **Cause:**

The individual responsible for entering into the procurement transaction did not follow the University's policy to prepare a supplier price justification and conflict information form which contains all required procurement record information.

**University of Rochester**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2016**

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**Effect:**

If the University had followed its policy, competitive bids may have allowed the University to procure the same goods or services at a lower rate.

**Recommendation:**

We recommend the University enforce their procurement policy and procedures to ensure procurement records are prepared and maintained for all covered transactions greater than the University's threshold.

**Management's Views and Corrective Action Plan:**

Management views and corrective action plan is included at the end of this report.

**University of Rochester**  
**Schedule of Status of Prior Audit Findings**  
**Year Ended June 30, 2016**

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**2015-001 Cash Account Reconciliation Process**

**Research and Development Cluster and Department of Education Student Financial Aid Cluster**

**Condition:**

The University transitioned to Workday, which is a cloud based general ledger package, on January 1, 2015. In connection with the system implementation management attempted using the automated cash reconciliation functionality within Workday, however, the functionality was not working as designed. The system limitation was identified by management during the January, 2015 month-end closing process. Since that time, a month-end cash reconciliation was not performed through the June, 2015 close. As a result of the manual reconciliation completed in October, 2015 for the month ended June 30, 2015, a \$7,700,000 adjustment was required which increased cash. In addition, there remained an unreconciled difference of \$430,000.

**Status:**

A manual cash reconciliation has been implemented by the University and performed on a monthly basis to ensure all significant reconciling items are identified and appropriately accounted for. Based on results of procedures performed, no reportable findings were noted in the current year.

**2015-002 Subrecipient Monitoring**

**Research and Development Cluster**

**CFDA 93.242 Mental Health Research Grants**

**CFDA 93.837 Cardiovascular Diseases Research**

**Condition:**

In performing our testing, we noted the University includes required subrecipient entity identifiers within signed agreements prior to conducting business with each entity. We examined 40 subcontracts for evidence of each entity's DUNS number being obtained and included within the subrecipient contract. We noted 1 of the 40 selected agreements did not include the subrecipient's identifier within the signed agreement.

We examined 40 subaward contracts for evidence of ongoing monitoring. We noted for 1 of the 40 selections, the University failed to obtain the A-133 report.

**Status:**

University personnel responsible for obtaining the information prior to executing subrecipient agreements were reminded of the University's policy over subrecipient contract execution policies. However, this is a repeat finding in 2016 because current year testing identified three subaward agreements with either missing or incorrect CFDA information. See current year finding 2016-001.

**2015-003 Non-Compliance with Return of Title IV Funds Requirements**

**Department of Education Student Financial Aid Cluster**

**CFDA 84.007 Federal Supplemental Educational Opportunity Grants**

**University of Rochester**  
**Schedule of Status of Prior Audit Findings**  
**Year Ended June 30, 2016**

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**CFDA 84.038 Federal Perkins Loan Program**

**CFDA 84.063 Federal Pell Grant Program**

**CFDA 84.268 Federal Direct Loan Program**

**Condition:**

We examined 27 instances of students who withdrew from the University or changed status. We noted 4 of 27 selected instances in which funds were not returned timely within the 45-day requirement per 34 CFR section 668.173(b).

Funds were returned within 58 days to 111 days for the 45-day requirement.

In addition, during the course of auditing the returns of title IV funds we became aware of 3 other specific withdrawals that occurred subsequent to year end, March 2016, for which the effective date recorded by the University was December 2015. The financial aid office has informed us that they are reviewing the facts and circumstances surrounding the dating of the withdrawals. We note neither the University nor the student benefitted from the change in the effective date of the withdrawal.

**Status:**

The University received a letter from the U.S. Department of Education on September 2, 2016 considering the finding closed with no letter of credit required. A centralized policy and process has been implemented to ensure compliance with 34 CFR section 668.22(a)(1). Based on results of procedures performed, no reportable findings were noted in the current year.

**2015-004 Non-Compliance with Timely and Accurate Student Enrollment Change Submissions to the National Student Loan Data System (NSLDS)**

**Department of Education Student Financial Aid Cluster**

**CFDA 84.007 Federal Supplemental Educational Opportunity Grants**

**CFDA 84.038 Federal Perkins Loan Program**

**CFDA 84.063 Federal Pell Grant Program**

**CFDA 84.268 Federal Direct Loan Program**

**Condition:**

We examined a sample size of 27 students who withdrew from the University either prior to or after the student began attendance, or graduated. Of the 27 students requiring notification of the enrollment change to NSLDS, 4 students were input using incorrect effective dates of withdrawal which resulted in 2 students not being reported to NSLDS within the required timeframe. In addition, 2 students which had accurate effective dates were not reported to NSLDS within the required timeframe. The reporting occurred from 63 to 112 days after the effective date.

**University of Rochester**  
**Schedule of Status of Prior Audit Findings**  
**Year Ended June 30, 2016**

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**Status:**

A centralized policy and process has been implemented, however, this is a repeat finding in 2016 because current year testing identified 28 out of 60 students selected with inaccurate and/or untimely reporting to NSLDS. See current year finding 2016-002.



**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2016**

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**Section III – Management’s View and Correction Action Plans:**

**2016-001 Subrecipient Monitoring**

We agree with these observations.

The failure to include a CFDA number in two subrecipient agreements and the inclusion of an incorrect CFDA number in another subrecipient agreement were isolated incidents. In the prior year, a similar finding was noted for failure to include a subcontract entity’s DUNS number in a signed subcontract agreement. The subrecipient agreements specific to these findings were executed prior to fiscal year 2015.

Employees in the Office of Research and Project Administration are trained to include all required information in subcontract agreements. This training includes the purpose for providing required, accurate, and complete information in subcontract agreements as well as the outcome to users of such reports when the data is inaccurate. The Office will formally communicate the importance of this information being included to the responsible employees and provide additional oversight to personnel in this area to review all draft subcontract agreements prior to them being executed to ensure future compliance. Full Corrective Actions will be completed by April 2017.

**Responsible Area:** University Office of Research and Project Administration

**2016-002 Non-Compliance with Timely and Accurate Student Enrollment Change Submissions to the National Student Loan Data System (NSLDS)**

We agree with these observations.

Management in both the Offices of the Registrar and Financial Aid understand the requirement to report to the NSLDS the enrollment status of students who receive Federal Student loans, specifically within 30 days of a change. In February 2016, the University hired a new Director of Financial Aid who was informed of the fiscal year June 30, 2015 audit findings in March 2016. The Director took immediate action, however, since nine months of the June 30, 2016 fiscal year had already passed, it was anticipated that the June 30, 2016 Audit Report would have similar findings.

The process for tracking and processing enrollment changes (change of status) is the responsibility of each school; however, the overall reporting to the Clearinghouse/NSLDS is through the University Registrar. The Registrar's Office maintained an existing policy and procedure to report every 30 days, through the National Student Clearinghouse, to NSLDS. However, timely identification of student status changes and communication to the central offices of Financial Aid, Registrar, and Bursar did not occur. In addition, enrollment changes during the summer for students not enrolled in the summer term had not previously been reported until the first fall term report, which often exceeded the 30 day requirement.

As a corrective action plan, and as an immediate response to the prior year audit finding, the new Director of Financial Aid established a working group with representatives from each school, including registrar, financial aid, and bursar staff. This working group developed centralized University policy and procedures that are compliant with 34 CFR section 668.22(a)(1) which became effective in the Fall of 2016 (during fiscal year 2017). The group also addressed standards on defining how students are to be determined to be withdrawn/leave of absence, the effective date of the separation, and the date of the University's determination of the separation. During fiscal year 2017, the Registrar, Bursar, and Director of Financial Aid conducted training on implementation of the new policy and procedures at both the University-wide Registrar’s meeting, and individually with staff at each school.

**Responsible Area:** University Registrar Office and Student Financial Aid Office






**2016-003 Non-Compliance with Procurement Requirements**

We agree with the observation.

The department initiating the purchase did not adhere to existing University policies and procedures and could not provide documentation to support the basis for contractor selection or justification for lack of competition. This was an isolated incident.

A formal communication will be made to the respective department regarding the need to adhere to the existing policies and procedures that are in accordance with 2 CFR 215.46 and the requirement to maintain the documentation necessary for purchase of services or materials in excess of the small purchase threshold of \$25,000. Full Corrective Actions will be completed by April 2017.

**Responsible Area:** University Purchasing Office and Central Finance Office

Signed:  \_\_\_\_\_

Elizabeth A. Milavec  
Associate Vice President for Financial Operations and University Controller