

CASE WESTERN RESERVE UNIVERSITY

**Report on Federal Awards in Accordance
With OMB Circular A-133 for the Year Ended June 30, 2010**

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

CASE WESTERN RESERVE UNIVERSITY
REPORT ON FEDERAL AWARDS IN ACCORDANCE
WITH OMB CIRCULAR A-133

June 30, 2010

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FINANCIAL



Report of Independent Auditors

To the Board of Trustees,
Case Western Reserve University:

In our opinion, the accompanying consolidated statement of financial position and the related consolidated statements of activities and of cash flows present fairly, in all material respects, the financial position of Case Western Reserve University and its affiliated entities (the "University") as of June 30, 2010, and the changes in their net assets and their cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the University's 2009 financial statements, and in our report dated October 10, 2009, we expressed an unqualified opinion on those financial statements. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2010 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters for the year ended June 30, 2010. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards for the year ended June 30, 2010 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic consolidated financial statements taken as a whole.

PricewaterhouseCoopers LLP

October 13, 2010
Cleveland, Ohio

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CASE WESTERN RESERVE UNIVERSITY
Consolidated Statements of Financial Position
June 30, 2010 and 2009
(in thousands of dollars)

	June 30, 2010	June 30, 2009
Assets		
Cash and cash equivalents	\$ 65,294	\$ 43,236
Accounts and loans receivable, net	95,945	107,282
Pledges receivable, net	52,662	51,348
Prepaid expenses and other assets	10,060	16,314
Investments	1,263,505	1,261,891
Funds held in trust by others	255,729	220,656
Property, plant, equipment and books, net	769,446	795,088
Total assets	\$ 2,512,641	\$ 2,495,815
Liabilities		
Accounts payable and accrued expenses	\$ 57,148	\$ 59,226
Deferred income and other liabilities	53,339	47,248
Annuities payable	42,299	40,167
Refundable advances	6,587	8,116
Accrued pension liability	31,902	25,562
Notes and bonds payable	579,298	589,216
Refundable federal student loans	16,910	16,431
Total liabilities	787,483	785,966
Net Assets		
Unrestricted	187,485	219,400
Temporarily restricted	733,784	719,744
Permanently restricted	803,889	770,705
Total net assets	1,725,158	1,709,849
Total liabilities and net assets	\$ 2,512,641	\$ 2,495,815

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

CASE WESTERN RESERVE UNIVERSITY
Consolidated Statement of Activities
For the Year Ended June 30, 2010
with summarized financial information for the year ended June 30, 2009

(in thousands of dollars)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Year Ended June 30, 2010	Year Ended June 30, 2009
Operating revenues					
Student tuition and fees	\$ 293,124			\$ 293,124	\$ 279,765
Less: Student aid	(118,197)			(118,197)	(112,731)
	174,927			174,927	167,034
Investment returns distributed for operations	87,733	\$ 1,037	\$ 232	89,002	93,928
Grants and contracts	260,945			260,945	270,433
CCLCM grants and contracts	88,530			88,530	89,962
Gifts and pledges	8,022	16,862	29,743	54,627	52,492
State of Ohio appropriation	3,253			3,253	3,571
Facilities and administrative cost recovery	75,705			75,705	67,687
Organized activities	11,180			11,180	9,861
Other sources	29,351		-	29,351	39,354
Auxiliary services	45,517			45,517	46,278
Net assets released from restrictions	35,126	(33,970)	(1,156)	-	-
Total operating revenues	820,289	(16,071)	28,819	833,037	840,600
Operating expenses					
Instructional	253,578			253,578	241,929
Sponsored research and training	258,420			258,420	258,873
Other sponsored projects	28,191			28,191	29,171
CCLCM research and training	88,530			88,530	89,962
Libraries	21,416			21,416	20,828
Student services	20,356			20,356	18,921
University services	88,583			88,583	83,653
Auxiliary services - students	45,729			45,729	48,668
Auxiliary services - others	13,052			13,052	10,422
Total operating expenses	817,855	-	-	817,855	802,427
Net operating activity	2,434	(16,071)	28,819	15,182	38,173
Nonoperating activities					
Investment returns, reduced by operating distribution above	(13,118)	(5,548)	(9,177)	(27,843)	(279,054)
Net appreciation (depreciation) in the fair market value of investments	1,011	19,008	17,324	37,343	(183,861)
Change in liabilities due under life-income agreements			(3,782)	(3,782)	3,249
Loss on disposal of plant assets	(162)			(162)	(5,554)
Pension plan changes other than periodic benefit costs	(2,317)			(2,317)	(36,980)
Other non-operating activity	(3,112)			(3,112)	
Reclassification of net assets	(16,651)	16,651		-	
Net nonoperating activity	(34,349)	30,111	4,365	127	(502,200)
(Decrease) increase in net assets	(31,915)	14,040	33,184	15,309	(464,027)
Beginning net assets	219,400	719,744	770,705	1,709,849	2,173,876
Ending net assets	\$ 187,485	\$ 733,784	\$ 803,889	\$ 1,725,158	\$ 1,709,849

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

CASE WESTERN RESERVE UNIVERSITY
Consolidated Statements of Cash Flows
For the Years Ended June 30, 2010 and 2009

(in thousands of dollars)

	Year Ended June 30, 2010	Year Ended June 30, 2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 15,309	\$ (464,027)
<i>Adjustments to reconcile change in net assets to net cash used for operating activities:</i>		
Depreciation	64,406	64,918
Amortization of bond issuance costs	98	83
Amortization of bond premiums	(710)	(676)
Net unrealized (appreciation) depreciation in the fair market value of investments	(37,343)	183,861
Realized (gains) losses on investments	(41,963)	111,018
Increase to annuities payable resulting from actuarial adjustments	6,130	1,590
Gifts of property and equipment	-	(125)
Receipt of contributed securities	(3,732)	(4,103)
Loss on disposal of plant assets	162	5,554
Contributions restricted for long-term investment	(27,028)	(21,591)
Decrease in accounts and loans receivable	12,927	12,783
Increase in pledges receivable	(740)	(7,650)
Decrease in allowance for doubtful accounts	(1,232)	(11,650)
Decrease in prepaid expenses and other assets	6,156	566
Decrease in prepaid pension assets	-	11,418
(Increase) decrease in funds held in trust by others	(35,073)	80,062
Decrease in accounts payable and accrued expenses	(2,078)	(6,265)
Increase in deferred income and other liabilities	6,092	8,644
(Decrease) increase in refundable advances	(1,529)	2,059
Increase in accrued pension liability	6,340	25,562
Net cash used for operating activities	<u>(33,808)</u>	<u>(7,969)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Student loans collected	5,870	5,151
Student loans issued	(6,802)	(7,382)
Proceeds from the sale of investments	1,759,321	2,137,861
Purchase of investments	(1,677,897)	(2,083,251)
Proceeds from the sale of plant assets	217	270
Purchase of property, plant, equipment and books	(39,143)	(68,769)
Net cash provided by (used for) investing activities	<u>41,566</u>	<u>(16,120)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in federal advances for student loans	478	278
Decrease in securities pledged under lending agreements	-	36,346
Decrease in payables under securities lending agreements	-	(37,655)
Contributions restricted for long-term investment	27,028	21,591
Proceeds from bond issues and long-term debt	2,361	23,100
Repayment of notes and bonds payable	(11,569)	(24,206)
Decrease to annuities payable resulting from payments	(4,963)	(5,693)
Increase to annuities payable resulting from new gifts	965	474
Net cash provided by financing activities	<u>14,300</u>	<u>14,235</u>
Net increase (decrease) in cash and cash equivalents	22,058	(9,854)
Cash and cash equivalents, beginning of year	43,236	53,090
Cash and cash equivalents, end of year	<u>\$ 65,294</u>	<u>\$ 43,236</u>
SUPPLEMENTAL SCHEDULE OF NON-CASH ACTIVITIES		
Construction in progress payments included in accounts payable	\$ 1,899	\$ 1,689

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

CASE WESTERN RESERVE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010
IN THOUSANDS OF DOLLARS

1. Basis of Presentation and Summary of Significant Accounting Policies and Terms

Basis of Presentation

Case Western Reserve University (the “University”) is an Ohio not-for-profit corporation that operates a private research university in Cleveland, Ohio. The consolidated financial statements of the University as of June 30, 2010, and for the year then ended, have been prepared in accordance with accounting principles generally accepted in the United States of America. Accordingly, the accompanying consolidated financial statements have been prepared on the accrual basis of accounting and include the accounts of the University and all wholly-owned subsidiaries.

The University wholly owns two subsidiaries. Triangle Residential LP is a limited partnership formed in 2005 that owns and operates two apartment buildings, a parking garage and a commercial structure located in the Ford-Euclid-Mayfield Road area. The University is the sole limited partner. The general partner is Triangle Residential LLC, also a wholly-owned subsidiary of the University, formed in 2005. The University, through Triangle Residential LP, plans to operate the properties pending finalization of plans to develop an arts, entertainment and residential complex in the area. All material transactions between the University and its subsidiaries have been eliminated.

Net Asset Categories

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

- Unrestricted net assets are available for any purpose consistent with the University’s mission. Unrestricted net assets and related activity include the following:
 - 1) All revenues traditionally classified as unrestricted resources of the University, including tuition and fees, unrestricted gifts, investment returns on unrestricted funds designated to function as endowment, recovery of facility and administrative costs from grants and contracts, and auxiliary services revenues.
 - 2) Revenues related to sponsored research and other sponsored program agreements, which are considered exchange transactions.
 - 3) Unrestricted funds functioning similar to endowment and related investment returns.
 - 4) Gifts with donor-imposed restrictions, if the restriction is anticipated to be met within the current fiscal year of the University.
 - 5) Investments in plant assets.
 - 6) All expenses of the University.
- Temporarily restricted net assets include investment returns from endowments and gifts for which donor-imposed restrictions have not been met. This restriction on temporarily restricted endowment returns (income and realized and unrealized gains and losses) is released when appropriations are distributed for use and the funds have been spent. The category also includes pledges receivable and life-income gifts for which the ultimate purpose of the proceeds is not permanently restricted.
- Permanently restricted net assets include gifts, trusts and pledges on which donors have imposed the restriction that the corpus is maintained in perpetuity and only the investment returns be made available for program operations. In the case of trusts, gains and losses are added to the gift amount. Gifts restricted by donors to provide loans to students are also included in permanently restricted net assets.

CASE WESTERN RESERVE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010
IN THOUSANDS OF DOLLARS

Expirations of temporary restrictions on net assets are reported as reclassifications between the applicable classes of net assets. Donor required matching from University funds and donor release or clarification of restrictions is also included in this category.

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

Contributions

Contributions, including unconditional pledges to give and irrevocable trusts held by others with the University as the beneficiary, are recognized as revenues in the period received or promised. They are classified as unrestricted, temporarily restricted, or permanently restricted net assets depending upon the donor's intent. Conditional pledges become revenue when the conditions are substantially met. Gifts whose restrictions are met in the same fiscal year in which they are received are reported with unrestricted contribution revenues.

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

Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are reported at their estimated fair value at the date of gift. Contributions scheduled to be received after one year are discounted using a market rate (Note 3).

Grants and Contracts (Government and Private)

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

Cash and Cash Equivalents

The University considers all highly liquid investments with an original maturity of 90 days or less when purchased as cash and cash equivalents, except those amounts managed by investment managers as part of the investment pool or unspent bond proceeds, which are classified as investments.

Investments

Investments are made within guidelines authorized by the Board. Investments are initially recorded at cost at date of acquisition or fair value at date of donation in the case of gifts. Ownership of marketable securities is recognized as of the trade date. Endowment returns are calculated net of internal and external investment management expenses.

CASE WESTERN RESERVE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010
IN THOUSANDS OF DOLLARS

Investments are stated at fair value as defined by ASC 820, "Fair Value Measurements and Disclosures." Fair value is defined under ASC 820 as the exchange price that would be received for an asset or paid to transfer a liability, i.e., an exit price, in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The fair value of all debt and equity securities with readily determinable fair value are based on quotations obtained from national securities exchanges. The alternative investments, which are not readily marketable, are carried at estimated fair values as provided by the investment managers. The University reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments. Those estimated fair values may differ significantly from the values that would have been used had a ready market for these securities existed. Realized gains and losses on investments are included in investment income. Average cost is generally used to determine gains or losses on securities sold. Unrealized changes in the fair market value of investments are shown as net unrealized appreciation or depreciation.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the University for financial instruments measured at fair value on a recurring basis (Note 6). The three levels of inputs are as follows:

- Level 1 — Quoted unadjusted prices in active markets for identical assets or liabilities. An active market is one in which transactions occur with sufficient frequency and volume to produce pricing information on an ongoing basis. Market price data are generally obtained from exchange or dealer markets.
- Level 2 — Pricing inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities. Inputs are obtained from various sources including market participants, dealers and brokers.
- Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Collections

The University's collections of historically significant artifacts, scientific specimens, and art objects are held for education, research, scientific inquiry, and public exhibition. Their value is not reflected in the University's consolidated financial statements.

Funds Held in Trust by Others

Funds held in trust by others are assets held and administered by outside trustees from which the University derives income or residual interest. Funds held in trust by others are reported at their fair value as of June 30, 2010 and 2009, which approximates the present value of the future income flows from these funds.

Income received from funds held in trust by others is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the University. Income appropriated within the same year is classified as unrestricted. Unrealized changes in the fair market value of investments are shown as net unrealized appreciation or depreciation in permanently restricted net assets.

Asset Retirement Obligations

The University accounts for asset retirement obligations in accordance with ASC 410, "Asset Retirement Environmental Obligations." The University accrues for asset retirement obligations in the period in which they are incurred if sufficient information is available to reasonably estimate the fair value of the obligation.

CASE WESTERN RESERVE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010
IN THOUSANDS OF DOLLARS

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.

Allocation of Certain Expenses

The consolidated statement of activities presents expenses by function. Some expenses — such as depreciation, amortization, and expenses related to the operation of the physical plant — are allocated by square footage. Interest expense is allocated to the functions that derive the greatest benefit from the facilities financed.

Retirement Plans

The University accounts for its defined benefit postretirement plan in accordance with ASC 715 “Compensation - Retirement Plans.” The University recognizes the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in its consolidated statement of financial position in the year in which the change occurs, with an offsetting impact to unrestricted net assets.

Use of Estimates

Financial statements using accounting principles generally accepted in the United States of America rely on estimates. At June 30, management makes certain estimates and assumptions, which affect assets and liabilities, disclosures of contingent assets and liabilities, and reported revenues and expenses during the period. Actual results may differ from these estimates.

Comparative Information

The consolidated statement of activities includes prior year summarized comparative information in total, but not by net asset category. Such information does not include enough detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the University’s consolidated financial statements for the year ending June 30, 2009, from which it was derived.

Income Taxes

The University is exempt from federal income tax to the extent provided under section 501(c)(3) of the Internal Revenue Code. The University is classified as an organization that is not a private foundation under section 509(a) of the Internal Revenue Code because it is described in sections 509(a)(1) and 170(b)(1)(A)(ii) and, as such, gifts to the University qualify for deduction as charitable contributions. The University is exempt from federal income tax, however; it is required to pay federal income tax on unrelated business income. The University did not have any material income tax liabilities for the years ended June 30, 2010 and 2009. ASC 740, “Income Taxes,” prescribes a recognition threshold and measurement requirements for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. In addition, ASC 740 provides guidance on recognition, classification, accounting in interim periods and disclosure requirements for uncertain tax provisions. The University has no financial reporting requirements associated with ASC 740 for the years ended June 30, 2010 and 2009.

Reclassifications

Certain amounts in the 2009 consolidated financial statements have been reclassified to conform to the 2010 presentation.

CASE WESTERN RESERVE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010
IN THOUSANDS OF DOLLARS

2. Accounts and Loans Receivable

Accounts and loans receivable of the University at June 30, 2010 and 2009, were as follows:

	2010	2009
Accounts receivable, net:		
Grants, contracts and others	\$ 43,502	\$ 48,675
Students	2,852	9,948
Student loans, net	49,591	48,659
	<u>\$ 95,945</u>	<u>\$ 107,282</u>
Allowances for doubtful accounts:		
Accounts receivable	\$ 3,437	\$ 4,077
Loans receivable	\$ 1,432	\$ 1,450

3. Pledges Receivable

Unconditional promises to give are included in the consolidated financial statements as pledges receivable and revenue of the appropriate net asset category. Multi-year pledges are recorded after discounting to the present value of expected future cash flows. Unconditional promises to give at June 30, 2010 and 2009, are expected to be realized in the following periods:

	2010	2009
In one year or less	\$ 8,834	\$ 9,453
Between one year and five years	35,213	45,338
More than five years	17,205	3,725
	61,252	58,516
Less: Discount	(5,460)	(3,464)
Less: Allowance	(3,130)	(3,704)
	<u>\$ 52,662</u>	<u>\$ 51,348</u>

Pledges receivable at June 30, 2010 and 2009 had the following restrictions:

	2010	2009
Department programs and activities	\$ 25,111	\$ 22,601
Endowments for scholarships and department programs and activities	14,606	19,380
Building construction	12,945	9,367
	<u>\$ 52,662</u>	<u>\$ 51,348</u>

Pledges have been discounted at the market rate. Uncollectible pledges totaling \$2,415 (2010) and \$3,534 (2009) were written off against the allowance for uncollectible pledges.

The University had conditional pledge commitments totaling \$27,152 (2010) and \$50,541 (2009).

CASE WESTERN RESERVE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010
IN THOUSANDS OF DOLLARS

4. Investments

The University's investments (excluding funds held in trust by others) at June 30, 2010 and 2009, were as follows:

	2010		2009	
	Fair Market Value	Cost	Fair Market Value	Cost
Cash & cash equivalents	\$ 196,572	\$ 196,572	\$ 77,185	\$ 77,176
Certificates of deposit	6,000	6,000	-	-
Domestic stocks	26,132	27,985	17,993	23,088
International securities	29,734	31,313	142,467	154,491
Bonds				
Government and municipal	25,865	25,801	20,391	20,507
Corporate	16,795	16,124	22,262	23,436
Mutual funds	252,192	235,489	201,524	194,230
Derivatives	(21,624)	8,406	55,178	56,723
Limited partnerships and other				
Venture capital	65,841	58,053	57,443	51,758
Private equity	226,315	225,390	210,831	236,017
Hedge funds	321,210	276,342	303,687	287,730
Other	27,647	19,031	47,849	36,860
Equity real estate	90,826	108,885	105,081	109,106
Total	<u>\$ 1,263,505</u>	<u>\$ 1,235,391</u>	<u>\$ 1,261,891</u>	<u>\$ 1,271,122</u>

The investments were held for the following purposes:

	2010	2009
Investment pool:		
Endowment	\$ 850,573	\$ 843,952
Donor restricted funds	266,063	268,537
Board designated funds	22,343	21,180
Funds held for the benefit of others	7,649	7,435
Total investment pool	<u>1,146,628</u>	<u>1,141,104</u>
Unpooled investments:		
Endowment	36,015	36,154
Donor restricted funds	779	26
Unexpended bond proceeds	-	8,408
Annuities	49,211	47,409
Unexpended gifts	5,714	5,627
Agency funds	292	264
University investments	24,866	22,899
Total	<u>\$ 1,263,505</u>	<u>\$ 1,261,891</u>

CASE WESTERN RESERVE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010
IN THOUSANDS OF DOLLARS

5. Endowment and Similar Funds

Endowment Funds

The purpose of endowment funds is to generate in perpetuity operating revenue to support specific activities or for general institutional use. Endowments represent only those net assets that are under the control of the University. Gift annuities, interests in funds held in trust by others and pledges designated for the endowment but not yet received are not considered components of the endowment.

Effective June 1, 2009, the state of Ohio adopted legislation that incorporates the provisions outlined in the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA stipulates that unless directed otherwise in the gift instrument, donor-restricted assets in an endowment fund are restricted assets until appropriated for expenditure by the institution. Accordingly, the following items are recorded as permanently restricted net assets:

- The original value of initial gifts donated to the permanent endowment.
- The original value of subsequent gifts to the permanent endowment.
- For those endowment funds with donor-specified reinvestment provisions, accumulations to the permanent endowment made in accordance with the gift instrument at the time the accumulation is added to the fund.

The remaining portion of donor-restricted endowment funds that are not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated and spent in accordance with the endowment purpose by the University.

Similar Funds

The University has made the decision to co-invest and treat in a similar fashion as endowment funds, certain funds that have been purpose-restricted by donors. These funds were not given to the University with the understanding that the gift amount would be maintained in perpetuity; however, the Board has moved to treat these funds in the same fashion as an endowment fund. Accordingly, the Board, at its option, may elect to change that treatment and spend these funds in accordance with donor wishes without the constraints of the University endowment spending formula. These funds follow the same rules as above; however, no portion is permanently restricted.

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2010	Total 2009
Donor restricted endowment funds	\$ (13,601)	\$ 411,626	\$ 489,256	\$ 887,281	\$ 883,063
Donor temporarily restricted funds	-	266,874	-	266,874	267,059
Total endowment and similar funds	<u>\$ (13,601)</u>	<u>\$ 678,500</u>	<u>\$ 489,256</u>	<u>\$ 1,154,155</u>	<u>\$ 1,150,122</u>

Investment Pool

The Board's interpretation of its fiduciary responsibilities for endowment and similar funds is to preserve intergenerational equity to the extent possible. This principle holds that future beneficiaries should receive at least the same level of economic support that the current generation enjoys. To that end, investment goals are formulated to earn returns over the long-term that equal or exceed the board-approved distribution rates plus the impacts of inflation. The University's endowment and similar funds are invested in a broadly diversified portfolio designed to produce long-term rates of return that sustain or increase the real spending contribution from endowed and similar assets and to mitigate downturns in a single sector.

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

	2010	%	2009	%
Investment pool:				
Cash & cash equivalents	\$ 204,840	17.7%	\$ 123,119	10.7%
Investments	911,796	79.0%	989,370	86.0%
Unpooled investments	36,794	3.2%	36,180	3.2%
Cash awaiting investment	725	0.1%	1,453	0.1%
Total Assets	<u>\$ 1,154,155</u>	<u>100.0%</u>	<u>\$ 1,150,122</u>	<u>100.0%</u>

A unit market value for the pool is used to account for pooled transactions. The unit market values are \$36.42 (2010) and \$35.82 (2009). The total investment return for the pooled investments, net of external manager fees, approximated 7.19% (2010) and -19.01% (2009).

Spending Policy

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

- A constant growth component seeks to provide growth in annual spending equal to the rate of academic inflation as measured by the Higher Education Price Index.
- A market value component based on 5% of the average of the three previous calendar year-end market values.

Specific appropriation for expenditure of funds under the policy occurs each spring when the Board approves the operating budget for the following year. The fiscal 2010 pooled endowment and similar funds spending allocation was \$2.16 per unit totaling \$69,536. For fiscal 2009, pooled endowment and similar funds spending allocation was \$2.19 per unit totaling \$69,354.

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

For years where actual investment return exceeds actual approved spending, the difference remains in temporarily restricted net assets; years in which the actual endowment and similar funds return is less than distributions under the policy, the shortfall is covered by realized returns from prior years. The fiscal 2010 pooled endowment and similar funds distribution was funded from a combination of current year investment income and prior year accumulated realized gains. For fiscal 2009, pooled endowment and similar funds distribution was funded from accumulated realized gains.

In addition to the general distribution described above, the Board has authorized a temporary supplemental distribution of previously reinvested income and realized appreciation to support certain development-related activities. This distribution, which is slated to phase out by 2015, totaled \$7,869 (2010) and \$7,912 (2009).

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Changes in endowment and similar funds net assets for fiscal year 2010 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2010	Total 2009
Endowment and similar funds net assets, beginning of year	\$ (22,709)	\$ 694,724	\$ 478,107	\$ 1,150,122	\$ 1,477,483
Investment return:					
Investment income	-	10,301	-	10,301	15,576
Realized and unrealized gains (losses)	-	64,052	-	64,052	(292,025)
Total investment return	-	74,353	-	74,353	(276,449)
Contributions	-		11,149	11,149	27,066
Current year withdrawals	-	(6,525)	-	(6,525)	-
Current year expenditures	-	(74,944)	-	(74,944)	(77,978)
Recovery of prior year deficits of underwater endowments	9,108	(9,108)	-	-	-
Endowment and similar funds net assets, end of year	\$ (13,601)	\$ 678,500	\$ 489,256	\$ 1,154,155	\$ 1,150,122

Occasionally, the fair market value of assets associated with individual donor-restricted endowment funds may fall below the value of the original gift amounts. When deficits exist in donor-restricted funds, they are classified as a reduction of unrestricted net assets. Deficits of this nature reported in unrestricted net assets were \$13,601 (2010) and \$22,709 (2009). These deficits resulted from unfavorable market fluctuations that occurred after the investment of recently established endowments, and authorized appropriation that was deemed prudent.

Of the amount classified as temporarily restricted endowment net assets, \$411,626 (2010) and \$435,371 (2009) represents the portion of perpetual endowment funds subject to time and purpose restrictions under Ohio's enacted version of UPMIFA.

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6. Fair Value Measurements

Financial instruments carried at fair market value as of June 30, 2010 by the ASC 820 valuation hierarchy are as follows:

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments				
Cash & cash equivalents	\$ 45,633	\$ 148,030	\$ 2,909	\$ 196,572
Certificates of deposit	6,000	-	-	6,000
Domestic stocks	24,747	1,385	-	26,132
International securities	12,636	17,098	-	29,734
Bonds				
Government and municipal	10,130	15,735	-	25,865
Corporate	6,648	10,147	-	16,795
Mutual funds	237,032	-	15,160	252,192
Derivatives	268	(21,726)	(166)	(21,624)
Limited partnerships and other				
Venture capital	-	-	65,841	65,841
Private equity	-	-	226,315	226,315
Hedge funds	-	65,655	255,555	321,210
Other	146	74	27,427	27,647
Equity real estate	213	-	90,613	90,826
Total investments	343,453	236,398	683,654	1,263,505
Funds held in trust by others	-	-	255,729	255,729
Pension Plan Assets (Note 9)				
Cash & cash equivalents	1,616	-	-	1,616
Mutual funds	34,747	-	-	34,747
Limited partnerships and other				
Hedge funds	-	-	47,123	47,123
Other	-	-	590	590
Equity real estate	-	-	2,289	2,289
Total pension plan assets (note 9)	36,363	-	50,002	86,365
Total assets at fair market value	\$ 379,816	\$ 236,398	\$ 989,385	\$ 1,605,599
Interest rate swaps payable	\$ -	\$ 24,838	\$ -	\$ 24,838

Level 3 Investment Information

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

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- The value of certain alternative investments represents the ownership interest in the net asset value of the respective partnership.
- The fair values of the securities held by limited partnerships that do not have readily determinable fair values are determined by the general partner based on appraisals or other estimates that require varying degrees of judgment.
- If no public market exists for the investment securities, the fair value is determined by the general partner taking into consideration, among other things, the cost of the securities, prices of recent significant placements of securities of the same issuer, subsequent developments concerning the companies to which the securities relate, or other estimates requiring varying degrees of judgment. The University regularly reviews, evaluates and performs significant due diligence around these investments to ensure that the values provided by the investment managers are appropriate measures of fair value. The University agrees with the valuations and assumptions used in determining the fair value of these investments.

A roll forward of the consolidated statement of financial position amounts for financial instruments classified by the University within Level 3 of the fair value hierarchy is as follows:

	Mutual Funds	Cash & Derivatives	Int'l Securities	Venture Capital	Private Equity	Hedge Funds	Equity Real Estate	Other & Funds Held by Others	Total
Beginning balance, July 1, 2009	\$ 13,378	\$ -	\$ 56,438	\$ 57,443	\$ 210,831	\$ 343,402	\$ 107,416	\$ 256,601	\$ 1,045,509
Realized gains (losses) and investment income	8	(2,093)	11,344	(691)	2,690	1,408	(3,133)	(5,315)	4,218
Unrealized gains (losses)	1,734	(165)	3,626	960	26,111	37,737	(14,292)	27,749	83,460
Net purchases, issuances and settlements	40	5,001	(71,408)	8,129	(13,317)	(14,215)	2,911	4,711	(78,148)
Transfers out of Level 3	-	-	-	-	-	(65,654)	-	-	(65,654)
Ending balance, June 30, 2010	\$ 15,160	\$ 2,743	\$ -	\$ 65,841	\$ 226,315	\$ 302,678	\$ 92,902	\$ 283,746	\$ 989,385

The net realized and unrealized gains and losses in the table above are included in the University's consolidated statement of activities in one of two financial statement lines; *Investment returns, reduced by operating distribution above* or in the *Net appreciation (depreciation) in the fair market value of investments*. In the case of pension assets, net realized and unrealized gains and losses are recognized in the financial statement line *Pension plan changes other than periodic benefit costs*.

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

In 2009, new guidance related to the Fair Value Measurement standard was issued for estimating the fair value of investments in investment companies (limited partnerships) that have a calculated value of their capital account or net asset value ("NAV") in accordance with, or in a manner consistent with U.S. generally accepted accounting principles ("US GAAP"). As a practical matter, the University is permitted under US GAAP to estimate the fair value of an investment at the measurement date using the reported NAV without further adjustment unless the entity expects to sell the investment at a value other than NAV or if the NAV is not

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calculated in accordance with US GAAP. The University's investments in private equity, real estate and certain hedge funds in the absolute return portfolio are fair valued based on the most current NAV.

The University performs additional procedures including due diligence reviews on its investments in investment companies and other procedures with respect to the capital account or NAV provided to ensure conformity with US GAAP. The University has assessed factors including, but not limited to, managers' compliance with Fair Value Measurement standard, price transparency and valuation procedures in place, the ability to redeem at NAV at the measurement date, and existence of certain redemption restrictions at the measurement date.

The guidance also requires additional disclosures to enable users of the financial statements to understand the nature and risk of the University's investments. Furthermore, investments which can be redeemed at NAV by the University on the measurement date or in the near term are classified as Level 2. Investments which cannot be redeemed on the measurement date or in the near term are classified as Level 3. The new guidance did not materially affect the University's consolidated financial statements.

Category	Fair Market Value	Unfunded Commitments	Redemption Frequency	Notice Period
Limited partnerships and other				
Venture capital (a)	\$ 65,841	\$ 37,573	n/a	
Private equity (b)	226,315	108,621	n/a	
Hedge funds (c)	255,555	5,694	varies	30 - 60 days
Other (d)	27,427	25,269	n/a	
Equity real estate (e)	90,613	19,448	n/a	
	<u>\$ 665,751</u>	<u>\$ 196,605</u>		

- (a) This category includes several private equity funds that invest primarily in technology, health care or clean technology industries. While the portfolio is U.S. centric, there are small allocations to companies in foreign markets. The funds typically provide money and resources to entrepreneurs to finance a start-up company or product, with the hope that the company experiences exceptional growth and therefore would produce a successful investment. The funds invest at different stages of a company's growth, some very early and others at a later stage where the company may already produce revenues. The valuations for these investments have been estimated using the manager's fair market values, which have been vetted to make sure they meet the ASC 820 guidelines. These investments can never be redeemed with the funds. As these investments age in duration, distributions will be received from these funds as the underlying portfolio companies are sold in the market. It is estimated that the underlying investments within the funds would be fully liquidated over the next 7-12 years.
- (b) This category includes several private equity funds that invest across all industries. While the portfolio is U.S. centric, there has been an increasingly larger allocation to companies in foreign markets. The funds typically invest capital into more mature companies for a minority or majority of ownership and through operational and financial expertise, generate a return of capital greater than the original amount invested. The valuations for these investments have been estimated using the manager's fair market values, which have been vetted to make sure they meet the ASC 820 guidelines. These investments can never be redeemed with the funds. As these investments age in duration, distributions will be received from these funds as the underlying portfolio companies are sold in the market. It is estimated that the underlying investments within the funds would be fully liquidated over the next 7-12 years.
- (c) This category includes hedge fund investments across a multitude of strategies including long/short equity, long/short commodity, global macro, multi-strategy, event-driven, credit, fund of hedge funds, and emerging markets. The vast majority of these investments are U.S. based, but some may invest

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internationally. Investment managers may make investment decisions based on top down macroeconomic analysis or bottom up company or theme specific analysis; managers may shift portfolios from net long to net short positioning but on balance tend to carry a net long exposure within their portfolios. The estimated fair values of the investments are received on a monthly basis from the fund administrators. Final valuations are typically received around mid-month for most funds but in some instances funds will report final valuations on a quarterly basis in accordance with the reporting period specified in the fund legal documents. Fund liquidity varies across the hedge fund category from monthly, quarterly, annually, and up to a maximum period of three years.

- (d) This category includes various direct private investments as well as private funds that do not fall within the other categories listed. Examples would include an Eastern Europe agriculture fund, some private U.S. oil and gas partnerships and various stakes in local private organizations. For the funds, the valuations have been estimated using manager's fair market values, which have been vetted to make sure they meet the ASC 820 guidelines. These investments can never be redeemed with the funds. As these investments age in duration, distributions will be received from these funds as the underlying portfolio companies are sold in the market. It is estimated that the underlying investments within the funds would be fully liquidated over the next 7-10 years.
- (e) This category includes private real estate funds that invest primarily in the United States. Some of these private partnerships also make investments internationally, primarily in Europe, India and Brazil. The private funds make investments in various real estate types, such as office, industrial, retail and multi-family properties. The valuations for these investments have been estimated using the manager's fair market values, which have been vetted to make sure they meet the ASC 820 guidelines. These investments can never be redeemed with the funds. As these investments age in duration, distributions will be received from these funds as the underlying properties are sold in the market. It is estimated that the underlying investments within the funds would be fully liquidated over the next 5-7 years.

Derivative Information

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

- **Manager risk** – the risk that a manager underperforms similar managers, benchmarks, or appropriate indices.
- **Benchmark risk** – the risk of harm caused by constructing, selecting, or managing to an inappropriate benchmark.
- **Peer risk** – the risk that one's peers generate better investment performance, thereby boosting the relative size of their endowments and enhancing their competitive advantage.
- **Market risk** – the risk that the value of an investment will decrease due to market moves.
- **Interest rate risk** – the risk that an investment's value will change due to a change in the absolute level of interest rates, the spread between two rates, the shape of the yield curve, or any other interest rate relationship.
- **Concentration** – the risk of being too concentrated in one particular security, manager, strategy, sector or asset class, thus being vulnerable to poor performance stemming from lack of diversification.
- **Absolute return risk** – the ability to generate positive absolute returns, not just in favorable markets, but also in uncertain and negative phases measured over a business cycle.
- **Currency risk** – the risk that currency fluctuations or trends reduce the value of investments in non-U.S. markets.
- **Commodity risk** – refers to the uncertainties of future market values and the size of future income caused by fluctuation in the prices of commodities (energy, agricultural, precious and industrial metals) due to demand/supply imbalances.

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- **Leverage** – the risk that significant volatility or losses will be generated by the use of debt designed to magnify returns.
- **Counterparty risk** – the risk that one party to a transaction does not make complete or timely payment of margin, swap cash flow, bond proceeds, or other similar payments.
- **Credit risk** – the possibility that a bond issuer will default by failing to pay interest or repay principal in a timely manner.
- **Tail risk** – a form of portfolio risk that arises when the possibility that an investment will move more than three standard deviations from the mean is greater than what is shown by a normal distribution.
- **Liquidity risk** – the inability to sell or trade securities at fair market value within a short period of time; also, the risk that sufficient cash is not maintained, or cannot be accessed, to meet short-term obligations.
- **Inflation risk** – the risk that rising prices significantly erode the effective purchasing power of the portfolio, as measured by the University's cost inflation.
- **Shortfall risk** – the risk that investment returns will be lower than expected, causing a failure to accomplish investment or financial objectives.

The University seeks to mitigate these risks by using derivative transactions. At the macro level of the investment portfolio, derivative transactions also create cost-effective beta exposure that may replace a fund or investment manager, add alpha, support liquidity management, and reduce the impact of extreme negative market conditions. The derivative instruments used include futures, total return swaps, and over-the-counter options.

- **Futures:** An Equity Index Future is a standardized obligation to buy or sell a market index, at a certain date in the future (settlement date), at a specified price (futures price). Equity Index Futures are typically cash-settled. Trading Medium: Exchange A single clearing house (e.g., Options Clearing Corporation, for the Chicago Board Options Exchange) is the counterparty to both parties involved in the contract. Futures trade a premium or discount to the cash index level based on the following theoretical formula: $\text{Futures Fair Value} = \text{Cash Index Value} + \text{Expected Interest Income prior to contract expiry} - \text{Expected Dividend Income prior to contract expiry} - \text{Expected Lending Income prior to contract expiration}$. The value of a futures contract converges to that of the underlying index at expiration. The investor posts an initial margin and a maintenance margin which represents a small portion of the overall notional value (usually 12%-18% of the notional value). Collateral between the counterparties is exchanged daily based on the mark to market performance of the futures contract. Used to gain beta exposure to an index on the long side and to hedge out beta exposure on the short side. Used primarily as a manager replacement strategy.
- **Total Return Swap (TRS):** A TRS is a non-standardized agreement whereby one party makes periodic cash payments based on a set rate (e.g., LIBOR) while another party makes periodic cash payments based on the total return of an underlying index. The total return payer agrees to pay the total return of the underlying index to the total return receiver. The total return receiver agrees to receive future total return, and pay periodic payments to the total return payer. Trading Medium: Over-The-Counter (OTC). Total Return Swaps offer synthetic exposure to beta returns while avoiding the transaction and administrative costs of owning the actual underlying equity shares. Subject to counterparty credit risk; if collateral is posted between parties, counterparty credit risk can be mitigated. Transacted via ISDA/CSA agreement between counterparties. There is no initial or maintenance margin posting. Collateral between the counterparties is exchanged daily based on the mark to market performance of the swap. Used to gain beta exposure to an index on the long side and to hedge out beta exposure on the short side. The swap resets on a periodic basis (monthly or quarterly), at which point the LIBOR rate is reset and the gains/losses cash settled. A new notional value reflecting the settled gains/losses is established at this point. The next measurement begins with the new notional value. There may be a breakup fee if the swap is terminated earlier than its expiration date. Used primarily as a manager replacement strategy.

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- **Options:** Options or Option structures are a non-standardized agreements whereby one party makes periodic cash payments based on a set rate (e.g., LIBOR) while another party makes periodic cash payments based upon a predefined, linear or non-linear payoff profile based on an individual option or a combination of individual options. Trading Medium: over-the-counter (OTC). Transacted via ISDA/CSA agreement between counterparties. Subject to counterparty credit risk; if collateral is posted between parties, counterparty credit risk can be mitigated. Options/Option structures allow investors to customize the risk/return profile of existing portfolios. For example: Investors who are underweight equities and have a moderately positive outlook can obtain enhanced equity exposure by capping returns with or without a leveraged payoff. More bearish investors can opt for downside protection to reduce risk. Collateral between the counterparties is exchanged daily based on the mark to market performance of the Option or Option Structure. At maturity the Option or Option structure is cash settled. Prior to maturity, Option/Option structures may trade above or below their intrinsic value due to various factors such as time, volatility, interest rates, skew, delta, gamma etc. The value eventually converges to intrinsic value at maturity. Used for beta replacement strategies, alpha strategies or hedging strategies.

The following table provides detailed information on the derivatives included in the investment portfolio as of June 30 and where they are located in the consolidated statements of financial position.

Location	Derivative Type	Notional Amount	2010		
			Level 1 Fair Value	Level 2 Fair Value	Level 3 Fair Value
Investments					
	Total return swaps	\$ 109,972	\$ -	\$ (7,766)	\$ (166)
	Interest rate swaps	74,811	-	(73)	-
	Options (over-the-counter)	222,598	268	(13,887)	-
			<u>\$ 268</u>	<u>\$ (21,726)</u>	<u>\$ (166)</u>
Location	Derivative Type	Notional Amount	2009		
			Level 1 Fair Value	Level 2 Fair Value	Level 3 Fair Value
Investments					
	Options (over-the-counter)	\$ 66,309	\$ 46	\$ 34,437	\$ -
	Futures contracts	51,828	20,695	-	-
			<u>\$ 20,741</u>	<u>\$ 34,437</u>	<u>\$ -</u>

The following table provides detailed information on the effect the derivatives had on the overall performance of the investment portfolio which is reflected in the consolidated statement of activities:

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Location	Derivative Type	2010	2009
Investment Income			
	Options (over the counter)	\$ 38,328	\$ 21,422
	Futures contracts	(8,188)	(70,726)
		<u>\$ 30,140</u>	<u>\$ (49,304)</u>
Unrealized gains (losses)			
	Total return swaps	\$ (10,962)	\$ -
	Options (over the counter)	(19,068)	11,309
	Futures contracts	-	(58)
		<u>\$ (30,030)</u>	<u>\$ 11,251</u>

7. Property, Plant, Equipment and Books

Property, plant, equipment and books are stated at cost, less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful life of 28 years for buildings, 5 to 12 years for equipment, and 10 years for books.

Components of property, plant, equipment and books are as follows:

	2010	2009
Land and land improvements	\$ 39,009	\$ 39,009
Building and building improvements	1,087,176	1,064,490
Equipment and software	261,826	248,975
Library books	34,303	32,855
Construction-in-progress	37,007	38,777
	<u>1,459,321</u>	<u>1,424,106</u>
Less: accumulated depreciation	<u>(689,875)</u>	<u>(629,018)</u>
	<u>\$ 769,446</u>	<u>\$ 795,088</u>

The above assets include \$492,376 leased from the Ohio Higher Education Facility Commission (OHEFC). The University may purchase each of the leased assets for a nominal amount at the end of the lease period. Therefore, these assets have been capitalized and are included in the above listing. Also included in the University's consolidated financial statements is the obligation for related bonds issued by the OHEFC.

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8. Notes and Bonds Payable

Notes and bonds payable are as follows:

	<u>Interest Rate</u>	<u>Maturity</u>	<u>2010</u>	<u>2009</u>
Ohio Higher Education Facility Commission revenue notes and bonds:				
Series 1988	7.85 - 7.90%	2010-2013	\$ 22,899	\$ 23,801
Series 1990	6.50 - 7.13%	2010-2020	11,650	11,650
Series 1994	6.00 - 6.25%	2014-2018	20,000	20,000
Series 1997	4.90 - 6.25%	2010-2014	7,785	8,920
Series 2001	Variable	2010-2022	12,975	13,285
Series 2002A	Variable	2023-2031	64,875	64,875
Series 2004A	3.625 - 5.00%	2016-2034	75,670	75,670
Series 2006	3.75 - 5.25%	2012-2044	82,490	82,490
Series 2008A	Variable	2030-2044	60,000	60,000
Series 2008B	Variable	2030-2044	67,500	67,500
Series 2008C	4.00 - 5.00%	2014-2033	50,490	50,490
U.S. Government housing bonds:				
Series 1966	3.00 - 3.50%	2010-2016	690	845
Series 1971	3.00%	2010-2016	785	905
Ohio Higher Education Facility Commission commercial paper:				
	.25 - .43%	not to exceed	63,000	63,000
Ohio Higher Education Facility Commission capital lease:				
	6.75%	2010-2018	614	681
	4.12%	2010-2018	6,548	12,293
Charter One Bank	3.25%		-	100
Compass Group USA, Inc.	-n/a-	2010-2019	3,300	3,750
HUD Loan:				
Part A	4.96%	2010-2041	12,448	12,617
Part B	5.33%	2010-2041	4,280	4,335
			<u>567,999</u>	<u>577,207</u>
Unamortized Bond Premium				
Ohio Higher Education Facility Commission:				
Series 2004A			2,017	2,174
Series 2006			7,314	7,704
Series 2008C			1,968	2,131
			<u>11,299</u>	<u>12,009</u>
			<u>\$ 579,298</u>	<u>\$ 589,216</u>

The fair market value of the University's notes and bonds payable is approximately \$589,298 (2010) and \$587,886 (2009). These values were estimated utilizing the discounted future cash outflows at rates for similar debt.

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The U.S government housing bonds are collateralized by securities and pledges of net revenues from the University's student housing and dining facilities.

The Ohio Higher Education Facility Commission (OHEFC) authorized a \$63,000 tax-exempt commercial paper program in February 2000 to provide construction funds for several approved capital projects and to refinance earlier projects. In November 2008, the OHEFC authorized a \$27,000 expansion of that program, to a total size of \$90,000, to provide funding for future projects. The University has issued no additional commercial paper pursuant to the \$27,000 of new authority, and the amount outstanding under this program as of June 30 is \$63,000, with maturities not exceeding 270 days from the issuance date. All commercial paper issued under the terms of the program must mature no later than February 1, 2030. The average annual interest rate for this program was .38% (2010) and 1.14% (2009).

The University has total revolving lines of credit in the amount of \$60,000 with two financial institutions of \$30,000 each to finance working capital. Both lines are subject to review and renewal annually. There were no amounts outstanding at June 30, 2010.

In May 2008, the OHEFC series 2008 bonds were issued to refinance the OHEFC series 2004B bonds. The amount refinanced was \$177,826. The variable portion of the debt is supported by two lines of credit with financial institutions. The unamortized balance of deferred financing fees is included in prepaid expenses and other assets. The balance was \$1,355 (2010) and \$1,367 (2009).

Principal payment requirements for bonds, notes, and capital lease obligations for the next five years and thereafter are as follows:

	Scheduled Principal Payments	Outstanding VRDO's	Total Maximum Principal Payments
2011	\$ 9,709	\$ 121,070	\$ 130,779
2012	9,505	58,070	67,575
2013	10,534	58,070	68,604
2014	10,388	15,570	25,958
2015	11,811	15,570	27,381
Thereafter	516,052	(268,350)	247,702
	<u>\$ 567,999</u>	<u>\$ -</u>	<u>\$ 567,999</u>

The University has letter of credit agreements, standby bond purchase agreements and a liquidity agreement with various financial institutions to purchase the University's variable rate demand obligations ("VRDO's") and commercial paper if they cannot be remarketed. Outstanding VRDO's in the above table represent amounts payable in the event that bonds are tendered but not successfully remarketed.

Interest payments for fiscal year 2010, including payments for variable rate debt, were \$16,732. Interest payments under interest rate swap agreements during fiscal 2010 totaled \$6,041. See Note 12.

Certain borrowing agreements require that the University comply with certain covenants. The University is in compliance with these provisions as of June 30, 2010.

CASE WESTERN RESERVE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010
IN THOUSANDS OF DOLLARS

9. Retirement Plans

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

	2010	2009
Benefit obligation at June 30	\$ 118,267	\$ 103,584
Fair value of plan assets at June 30	86,365	78,022
Funded status at June 30	<u>\$ (31,902)</u>	<u>\$ (25,562)</u>
Accumulated benefit obligation	\$ 117,137	\$ 102,999

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

	2010	2009
Net periodic benefit cost	\$ 4,023	\$ 1,900
Employer contributions	442	-
Benefits paid	3,128	2,769

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

Fiscal 2011	\$ 3,428
Fiscal 2012	\$ 4,417
Fiscal 2013	\$ 4,518
Fiscal 2014	\$ 5,626
Fiscal 2015	\$ 4,564

Amounts expected to be paid between 2016 and 2020 total \$36,222. The University's estimated employer contribution for the defined benefit plan in fiscal 2011 will depend on the results of the July 1, 2010 actuarial valuation.

Weighted-average assumptions used to determine the benefit obligation and benefit plan costs are as follows:

	2010	2009
Benefit obligation:		
Discount rate	6.25%	6.50%
Rate of compensation increase	4.25%	4.50%
Measurement date	6/30/10	6/30/09
Census date	7/1/09	7/1/08
Net periodic benefit cost:		
Discount rate	6.50%	7.00%
Expected return on plan assets	8.50%	8.50%
Rate of compensation increase	4.50%	4.50%

The expected long-term rate of return for the defined benefit plan was estimated using market benchmarks for equities and bonds applied to the plan's target asset allocation. The expected return on equities was computed utilizing a valuation framework that projected future returns based on current equity valuations rather than

CASE WESTERN RESERVE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010
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historical returns. Management estimated the rate by which the plan assets would outperform the market in the future based on historical experience adjusted for changes in asset allocation and expectations for overall lower future returns on equities compared to past periods.

The investment objective for the defined benefit plan is to maximize total return with tolerance for slightly above average risk, in order to meet the obligations that the University has to its plan beneficiaries. To accomplish this objective, the University has established a broadly-diversified asset allocation strategy that includes absolute return strategies (50%), equity investments (30%), real estate (10%), and inflation-indexed bonds and cash (10%). The weightings of the investments relative to each other in the total portfolio fluctuate as market conditions vary; they are adjusted regularly to remain within acceptable ranges.

The weighted-average asset allocation for the defined benefit plan is as follows:

	2010	2009
Equity securities	62.00%	66.00%
Fixed income securities	33.00%	29.00%
Real estate	3.00%	3.00%
Other	2.00%	2.00%
Total	100.00%	100.00%

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

	2010	2009
Statement of financial position:		
Net balance sheet liability	\$ (31,902)	\$ (25,562)
Unrestricted net assets:		
Prior service costs	\$ 684	\$ 1,020
Actuarial losses	37,766	34,671
Amount recognized as a reduction of unrestricted net assets	\$ 38,450	\$ 35,691

The estimated amortization of prior year service costs expected in fiscal 2011 totals \$336.

Components of the net periodic benefit cost and other changes in plan assets that are recognized in the consolidated statement of activities for fiscal year 2010 are as follows:

Change in actuarial losses	\$ 3,095
Amortization of prior service cost	(336)
Total loss recognized in unrestricted net assets	2,759
Net periodic benefit cost	4,023
Employer contributions	(442)
Total loss recognized in the statement of activities	\$ 6,340

Benefit plan costs for the defined contribution plan are \$18,494 (2010) and \$17,652 (2009).

CASE WESTERN RESERVE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010
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10. Commitments and Contingencies

In its normal operations, the University is subject to various claims and lawsuits. In management's opinion, the resolution of these contingencies will not have a significant adverse effect on the University's financial position, operations, or cash flows.

In April 2006, the Boards of University Hospitals Health System and the University approved a new affiliation agreement between the School of Medicine and University Hospitals of Cleveland ("UHC"). This agreement significantly strengthened the historical relationship between the entities through the creation of the Case Medical Center, a virtual entity that encompasses certain teaching, research and clinical activities of the School of Medicine and UHC.

In May 2002, the University entered into an agreement with the Cleveland Clinic Foundation ("CCF") to form a new medical education and research program, the Cleveland Clinic Lerner College of Medicine ("CCLCM"). Beginning in 2004, research grants from the National Institutes of Health to support work by CCF-based investigators were awarded to and administered through the University by CCLCM, which operates as an academic unit of the School of Medicine. Expenditures for research conducted under this joint agreement totaled \$88,530 (2010) and \$89,962 (2009).

The University is self-insured for workers compensation and employee and student medical coverage. Property is commercially insured with an aggregate deductible of \$700. The University also carries general liability insurance with a deductible of \$100 per occurrence. The University believes its reserves for self-insured risks and the deductible portion of insured risks are sufficient.

The expected cost to complete construction in progress is approximately \$10,669.

11. Related Party Transaction (Utilities)

In 1998, the University entered into a thirty-year agreement with the Medical Center Company (a cooperative utility company formed by and serving institutions in the University Circle area) to purchase chilled water and other utilities for several University buildings. The amounts purchased were \$23,412 (2010) and \$22,692 (2009). No obligation associated with this agreement is recorded in the accompanying consolidated financial statements.

12. Derivatives and Other Financial Instruments

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

The University follows accounting guidance that defines fair value, establishes a framework for measuring fair value and expands disclosure requirements about fair value measurements, including derivatives. The University's interest rate swaps are valued by an external swap consultant that uses the mid-market levels, as of the close of business, to value the agreements. The valuations provided are derived from proprietary models based upon well-recognized financial principles and reasonable estimates about relevant future market conditions and the University's credit worthiness. The University's interest rate swap arrangements have inputs that can generally be corroborated by market data and are classified as Level 2 in the fair value hierarchy.

CASE WESTERN RESERVE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010
IN THOUSANDS OF DOLLARS

At June 30, 2010 the University has six interest rate swap agreements to exchange variable-rate debt for fixed-rate obligations without the exchange of the underlying principal amount. Net payments or receipts under the swap agreements are recorded as adjustments to investment and other income and the incremental expense is disclosed in the table below. Under two agreements in effect at June 30, 2010, the counterparty pays the University a variable interest rate equal to the Securities Industry and Financial Markets Association (SIFMA) index, and under four other agreements, the counterparty pays a variable interest rate equal to a percentage of the one month London Interbank Offered Rates (LIBOR). The following table provides detailed information on the interest rate swaps at June 30, 2010, with comparative fair values for June 30, 2009. The number of swaps is reported based on notional amount. Information related to the interest rate swap agreements to which the University is a party, including the associated OHEFC borrowing, where applicable, and the liability recognized in the consolidated statements of financial position are as follows:

Notional Amount	Interest	Commencement	Termination	Basis	2010 Level 2 Fair Market Value	2009 Fair Market Value
\$ 12,975	4.34%	Jun. 5, 2002	Jun. 5, 2022	LIBOR	\$ (2,331)	\$ (1,858)
15,000	4.43%	Sept. 25, 2002	Sept. 25, 2022	LIBOR	(3,509)	(2,752)
15,000	3.60%	Aug. 4, 2004	Aug. 1, 2034	LIBOR	(2,237)	(1,452)
35,000	3.81%	Aug. 12, 2004	Oct. 1, 2022	LIBOR	(7,717)	(5,588)
100,000	3.37%	Jan. 2, 2007	Jan. 1, 2012	SIFMA	(4,336)	(4,922)
100,000	3.37%	Jan. 1, 2012	Jan. 1, 2017	SIFMA	(4,708)	(2,464)
					<u>\$ (24,838)</u>	<u>\$ (19,036)</u>

Changes in the fair value of derivative instruments are recorded in non-operating revenues and expenses as investment and other income. The provisions of the swap agreements require that on a weekly basis the University place into an escrow fund collateral sufficient to limit the counter-party's financial exposure to the University to no more than \$20,000. The University had placed \$4,767 (2010) and \$0 (2009) into such a fund, which is shown in *Cash and cash equivalents* on the consolidated statements of financial position.

Interest expense recorded for the swap agreements in the non-operating activities for the year ended June 30 was \$6,041 (2010) and \$4,091 (2009).

13. Commonfund Short Term Investment Fund

As part of its investment portfolio, the University had an investment in the Commonfund Short Term Investment Fund (CSTIF) of \$19,550. On September 27, 2008, the Commonfund Short Term Investment Fund (CSTIF) trustee terminated the fund and began an orderly liquidation of its assets. The University received distributions of its entire investment from the trustee in the amounts of \$2,156 (2010) and \$17,394 (2009).

14. Subsequent Events

The University has performed an evaluation of subsequent events through October 13, 2010, the date on which the consolidated financial statements were issued.

For the year ended June 30, 2010

The accompanying notes are an integral part of the schedule

CASE WESTERN RESERVE UNIVERSITY
Schedule of Expenditures of Federal Awards

For the year ended June 30, 2010

FEDERAL GRANTOR/PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Pass Through Entity Identifying Number	Expenditures
Department of Housing and Urban Development Subtotal			311,660
Department of the Interior			
Direct Programs			
U.S. Geological Survey_Research and Data Collection	15.808		9,000
Department of the Interior Subtotal			9,000
Department of Transportation			
Direct Programs			
Highway Planning and Construction-ARRA	20.205		47,309
Pass Through Programs			
University of Akron	20.701	DTRT06-G-0037	23,726
Department of Transportation Subtotal			71,035
National Aeronautics and Space Administration			
Direct Programs			
Aerospace Education Services Program	43.001		835,353
Technology Transfer	43.002		448,309
Pass Through Programs			
California Institute of Technology	43	44E-1083742	280,234
Ohio Aerospace Institute	43.001	WE-500077	193,102
University of Michigan	43.001	3001229609	40,840
National Space Biomedical Research Insti	43.002	NPFR00206	4,006
Universities Space Research Association	43.002	04520-01	3,768
Virginia Commonwealth University	43.002	PT090702-SC100220	(2,827)
National Aeronautics and Space Administration Subtotal			1,802,785
National Endowment for the Arts			
Pass Through Programs			
American Antiquarian Society	45.161		46,887
National Endowment for the Arts Subtotal			46,887
National Science Foundation			
Direct Programs			
Engineering Grants	47.041		1,454,823
Mathematical & Physical Sciences	47.049		7,841,110
Geosciences	47.050		229,010
Computer and Information Science & Engineering	47.070		996,839
Biological Sciences	47.074		940,431
Social, Behavioral and Economic Sciences	47.075		463,979
Education and Human Resources	47.076		414,503
Polar Programs	47.078		122,764
International Science and Engineering (OISE)	47.079		25,168
Trans-NSF Recovery Act Research Support-ARRA	47.082		1,309,689
Pass Through Programs			
Agiltron	47.041	NANOTRONS PO# 728458	44,403
Old Dominion University	47.041	09-133-383991	24,240
Scattering Solutions, LLC	47.041	IIP-0740033	8,165
University of Alabama	47.041	06-067	78,008
University of Illinois	47.041	2005-05374-03	64,927
University of Iowa	47.041	420-17-77A	43,188
University of Texas Health Science Cente	47.041	2610009561	34,172

CASE WESTERN RESERVE UNIVERSITY
Schedule of Expenditures of Federal Awards

For the year ended June 30, 2010

FEDERAL GRANTOR/PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Pass Through Entity Identifying Number	Expenditures
University of Utah	47.041	10012597-CWRU	38,793
Yale University School of Medicine	47.049	Y-08-18	64,668
University of Southern California	47.050	119935	19,246
University of Iowa	47.074	420-40-32A	107,219
University of California, Santa Barbara	47.075	KK1051 / SES-1025846	36,804
University of Chicago	47.078	ANT-0638937	298,159
Civilian Research & Development Foundati	47.079	KYB2-2880-BI-07	(103)
ADA Technologies, Inc.-ARRA	47.082	10-0004S	46,553
National Science Foundation Subtotal			14,706,758
Environmental Protection Agency			
Pass Through Programs			
Buffalo State College	66.469	GL00E7530-CWR	9,993
Environmental Protection Agency Subtotal			9,993
Department of Energy			
Direct Programs			
Other Department of Energy Programs	81.000		(1,889)
Office of Science Financial Assistance Program-ARRA	81.049		552,103
Renewable Energy Research and Development-ARRA	81.087		601,920
Pass Through Programs			
3M Company	81.000	USMMM040W3	269,191
Advanced Technology Institute	81.000	ATI 2005-301	48,067
Thomas Jefferson University	81.000	100223371	5,628
University of Pittsburgh	81.000	H133E070024	85,729
Los Alamos National Laboratories	81.036	61008-001-08	21,441
Stanford University-ARRA	81.049	DE-FG02-05ER64136	45,914
BASF Fuel Cell, Inc.-ARRA	81.087	DE-PS36-07GO97012	91,135
Bayer MaterialScience LLC-ARRA	81.087	DE-EE0001361	33,463
North American Die Casting Assoc-ARRA	81.117	DE-EE0001100	111,634
Univenture, Inc.-ARRA	81.135	DE-AR0000037	3,925
Department of Energy Subtotal			1,868,261
Department of Education			
Direct Programs			
Pass Through Programs			
Cincinnati Children's Hospital	84.133	107354	4,265
Brecksville-Broadview Heights Capa	84.184	BRECKSVILLE HTS.	(1,578)
Department of Education Subtotal			2,687
Department of Health & Human Services			
Direct Programs			
Food and Drug Administration_Research	93.103		51,416
Maternal & Child Health Federal Consolidated Programs	93.110		256,032
Environmental Health	93.113		480,982
Oral Diseases & Disorder Research	93.121		5,030,528
Centers for Research and Demonstration for Health Promotion and Disease Prevention	93.135		392,960
Human Genome Research	93.172		2,006,283
Research Related to Deafness & Communications Disorders	93.173		1,279,959
Immunization Research, Demonstration, Public Information and Education_Training and Clinical Skills Improvement Projects	93.185		331,845
Research and Training in Complementary and Alternative Medicine	93.213		527,238
Research on Healthcare Costs, Quality and Outcomes	93.226		19,468

CASE WESTERN RESERVE UNIVERSITY
Schedule of Expenditures of Federal Awards

For the year ended June 30, 2010

FEDERAL GRANTOR/PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Pass Through Entity Identifying Number	Expenditures
National Center on Sleep Disorders Research	93.233		1,532,926
Mental Health Research Grants	93.242		3,061,497
Occupational Safety and Health Program	93.262		53,024
Alcohol Research Programs	93.273		360,194
Drug Abuse and Addiction Research Programs	93.279		2,960,453
Mental Health Research Career/Scientist Development Awards	93.281		108
Centers for Disease Control and Prevention_Investigations and Technical Assistance	93.283		3,943,241
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286		5,372,644
Minority Health and Health Disparities Research	93.307		1,407,113
Trans-NIH Research Support	93.310		583,557
Nursing Research	93.361		2,172,518
National Center for Research Resources	93.389		13,419,980
Cancer Cause & Prevention Research	93.393		4,948,240
Cancer Detection and Diagnosis Research	93.394		2,366,859
Cancer Treatment Research	93.395		3,118,563
Cancer Biology Research	93.396		2,921,577
Cancer Centers Support Grants	93.397		4,259,722
Cancer Research Manpower	93.398		3,144,006
Cancer Control	93.399		148,913
Refugee and Entrant Assistance_Wilson/Fish Program	93.583		26,023
Trans-NIH Recovery Act Research Support-ARRA	93.701		14,705,493
Cardiovascular Diseases Research	93.837		11,426,067
Lung Diseases Research	93.838		2,731,886
Blood Diseases and Resources Research	93.839		2,065,744
Arthritis, Musculoskeletal, and Skin Diseases Research	93.846		4,876,072
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847		13,150,440
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853		8,811,708
Allergy, Immunology and Transplantation Research	93.855		15,353,160
Microbiology and Infectious Diseases Research	93.856		1,632,479
Biomedical Research and Research Training	93.859		7,393,960
Child Health and Human Development Extramural Research	93.865		4,647,228
Aging Research	93.866		7,153,928
Vision Research	93.867		8,088,463
Medical Library Assistance	93.879		394,753
Health Care and Other Facilities	93.887		913,348
International Research and Research Training	93.989		1,058,176
Pass Through Programs			
Mt. Sinai Health Care Foundation	93.000	TACT	3,360
Seattle Institute of Cardiac Research	93.000	HL067972	11,550
University of California, San Francisco	93.000	557445-25784	88,753
University of Florida	93.103	UF06127	51,761
Hemophilia Foundation of Michigan	93.110	6H30MC00015	14,057
Sensor Development Corporation	93.113	ES013664	6,626
Boston University	93.172	7426-5	36,644
Cornell University	93.173	56083-8774	126,241
Vanderbilt University	93.173	DC008408	(22,083)
Vanderbilt University	93.173	VUMC32871-R	33,444
Baylor College of Medicine	93.184	100400918	17,372
Kent State University	93.213	443149-P0002692	53,089
University of Cincinnati	93.213	AT004454	115,791
Rush Presbyterian - St. Luke's Medical Center	93.226	HS015688	11,656
California Pacific Medical Center	93.233	2803209-S105	158,576
Washington University	93.233	WU-06-76	23,331
Cincinnati Children's Hospital	93.242	CHMC 102316 M3	266,761
Duke University	93.242	118685 SITE 14	668
Duke University	93.242	GCID#100528	167
Emory University	93.242	5-41045-G3	67,997
Neurotez, Inc.	93.242	NEUROTEZ	1
Vanderbilt University	93.242	MH078028	230,337
Thomas Jefferson University	93.273	080-04000-R82301	122,526

CASE WESTERN RESERVE UNIVERSITY
Schedule of Expenditures of Federal Awards

For the year ended June 30, 2010

FEDERAL GRANTOR/PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Pass Through Entity Identifying Number	Expenditures
The University of British Columbia	93.279	DA021525	105,645
Association of American Medical Colleges	93.283	U36/CCU319276	(3,150)
City of Cleveland	93.283	CITY OF CLEVELAND	175,148
Hemophilia Foundation of Michigan	93.283	U01/DD000203	11,996
Brown University	93.286	EB007401	24,655
Massachusetts Institute of Technology	93.286	5710002285	106,152
University of California, San Francisco	93.286	5365SC	43,632
University of the Virgin Islands	93.307	CALLWOOD-2008-1	22,644
Wake Forest University	93.361	WFUHS10104	7,676
Massachusetts Institute of Technology	93.389	5710001819	19,473
University of Alabama	93.389	RR025777	48,044
University of Mississippi	93.389	RR017701; 66208-CWRU	194,422
University of Utah	93.389	10006464-03	28,168
Massachusetts General Hospital	93.39	GM075946	3,160
Ohio State University Research Foundatio	93.39	60003197	30
American College of Radiology	93.393	CA021661	115
George Washington University	93.393	09-M33	73,566
Henry Ford Health System	93.393	CA112379	73,347
Huntsman Cancer Institute	93.393	10014775-01	1,390
Moffitt Cancer Center	93.393	10-14922-99-04-G5	11,819
National Childhood Cancer Foundation	93.393	19659	18,655
University of Minnesota	93.393	H001238301	795
University of South Carolina	93.393	PO:22060 SUB:10-1773	471
University of Texas- MD Anderson Cancer	93.393	28954/98012595	23,639
University of Texas- MD Anderson Cancer	93.393	CA139020	39,139
Virginia Commonwealth University	93.393	PD300205-SC101314	62,312
Virginia Commonwealth University	93.393	PT102388-SC101313	104,614
BioInVision, Inc.	93.394	CA124270	58,570
Burnham Institute	93.394	CA071932	109,449
ContraDyn, Inc.	93.394	CA128130	32,949
American College of Obstetricians & Gyne	93.395	27469-094	20,759
Medical University of South Carolina	93.395	MUSC07-030	23,240
National Childhood Cancer Foundation	93.395	18548	116,688
National Surgical Adjuvant Breast & Bowe	93.395	TFED39-#728	18,819
Ohio State University Research Foundatio	93.395	OHIO STATE UNIVER	68,689
Surfagen, Inc	93.395	CA135785	49,311
Univ. of Colorado Health Sciences Center	93.395	FY08.325.010	59,885
Wayne State University	93.395	WSU05014	51,009
National Surgical Adjuvant Breast & Bowe	93.399	PFED19-IRE-01	41,354
National Surgical Adjuvant Breast & Bowe	93.399	TIND-728	47,670
Southwest Oncology Group	93.399	CA037429	15,913
Scripps Research Institute	93.583	5-22770	(1,008)
Burnham Institute-ARRA	93.701	CA071932-12S2	26,287
California Pacific Medical Center-ARRA	93.701	2803261-S113	1,616
Cornell University-ARRA	93.701	60215-9032	100,000
Duke University-ARRA	93.701	165191	27,753
Duke University-ARRA	93.701	303-4985	115,176
Indiana University-ARRA	93.701	HL081819	74,512
Jaeb Center for Health Research- Contrac-ARRA	93.701	EY012358-11S1-CWRU	66,415
Johns Hopkins University-ARRA	93.701	2000784928	12,818
Johns Hopkins University-ARRA	93.701	2000879393	100,908
Medical College of Georgia-ARRA	93.701	23789-1	142,266
Medical College of Georgia-ARRA	93.701	DK076169	34,815
University of Massachusetts Boston-ARRA	93.701	10 005692 B 00	67,518
University of Medicine & Dentistry, NJ-ARRA	93.701	GM084039	45,278
University of Minnesota-ARRA	93.701	N001005501	17,747
University of North Carolina-ARRA	93.701	5-30249	138,092
University of Pennsylvania-ARRA	93.701	553520	51,533
University of Rochester-ARRA	93.701	1000015-D	29,437
Weill Medical College of Cornell University-ARRA	93.701	09111781	264,612
Ohio Health Information Partnership-ARRA	93.718	90RC001201	14,424

CASE WESTERN RESERVE UNIVERSITY
Schedule of Expenditures of Federal Awards

For the year ended June 30, 2010

FEDERAL GRANTOR/PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Pass Through Entity Identifying Number	Expenditures
Brigham and Women Hospital	93.837	HL048743	466,900
Cleveland Clinic Foundation	93.837	U01 HL087314	68,436
Kent State University	93.837	443165-CWRU	28,606
Loyola University Chicago	93.837	HL053353	20,692
NIH-National Heart, Lung, and Blood Inst	93.837	HL092933	478,231
Northern California Institute for Resear	93.837	2 FRAM 767-01	(44,643)
Northwestern University	93.837	PROJ0001040	40,656
St. Lukes's Roosevelt Institute for Heal	93.837	HL062509	6,425
University of California, Los Angeles	93.837	1568 G KB381	17,945
University of Maryland	93.837	SR00000925	442,305
University of Michigan	93.837	3001346374	42,742
University of Pittsburgh	93.837	115835-2	1,000
University of Pittsburgh	93.837	HL098177	14,596
University of Toledo	93.837	2008-007	11,448
Washington University	93.837	WU-09-186	10,098
The Broad Institute, Inc.	93.838	571002293-02	58,739
University of Chicago	93.838	37781	161,598
University of North Carolina	93.838	5-34400	217,411
University of North Carolina	93.838	5-51358	67,934
Cincinnati Children's Hospital	93.846	U01AR055054	1,583
Drexel University	93.846	232222-3850	97,586
Duke University	93.846	APPLE SITE 16	27,948
University of Rochester	93.846	5-29797	69,758
Cincinnati Children's Hospital	93.847	102243	34,463
Cleveland Clinic Foundation	93.847	PRELIMINARY	20,194
Department of Agriculture	93.847	5306-51530-019-17G	13,557
George Washington University	93.847	10-D02	573,967
George Washington University	93.847	DK061230	497
Medical College of Georgia	93.847	20497-21	21,060
Medical College of Georgia	93.847	23789-1	484,896
NIH-National Institute of Diabetes and D	93.847	DK42191	6,785
Thermalin Diabetes Incorporated	93.847	DK081292	40,594
University of Pittsburgh	93.847	0010021	13,277
University of Maryland	93.847	DK046461	92,499
University of Virginia	93.847	GC11314-134336	215,864
University of Virginia	93.847	GC11314-134338	343,306
Vanderbilt University	93.847	VUMC33829-R	18,426
Los Angeles Biomedical Research Institut	93.847	DK069844	77,415
University of Alabama, Birmingham	93.847	DK074038	26,886
University of California, San Francisco	93.847	4510SC	82,993
University of Chicago	93.847	TRACS:30004	37,554
University of Michigan	93.847	DK079912-01	12,796
University of Pennsylvania	93.847	5-44131	11,309
Wayne State University	93.847	WSU09056	3,107
Children's Hospital and Regional Medical	93.853	CHMC 380	23,193
Children's Hospital Research Foundation	93.853	CHMC #345	1,282
Medical University of South Carolina	93.853	MUSC08-063	37
The University of British Columbia	93.853	F09-04946	9,402
University of Alabama, Birmingham	93.853	NS042685-071	2,147
University of Cincinnati	93.853	COEUS 003525	16,630
University of Kentucky	93.853	NS066250	57,467
University of Kentucky	93.853	R01NS053470	2
University of North Carolina	93.853	U01 NS042167	6,688
University of Texas Health Science Cente	93.853	122267-122182	67,321
University of Utah	93.853	10001299	111,955
Washington University	93.853	WU-10-332	53,684
Yale University School of Medicine	93.853	A07593	30,482
Iowa State University	93.855	430-23-12A	18,741
Iowa State University	93.855	AI074286	115,639
Johns Hopkins University	93.855	2000056544	47,664
Magee Woman's Hospital	93.855	4292	19,692

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FEDERAL GRANTOR/PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Pass Through Entity Identifying Number	Expenditures
Magee Woman's Hospital	93.855	4339	57,474
Mount Sinai School of Medicine of the Ne	93.855	0255-1354-4609	240,603
Mount Sinai School of Medicine of the Ne	93.855	MT. SINAI	26,101
University of Alabama, Birmingham	93.855	AI067039	362,899
University of Iowa	93.855	AI74286	268,759
University of Maryland	93.855	SR00000593	28,051
University of South Florida	93.855	6408-1009-01-A	52,080
University of Texas Medical Branch	93.855	0007207A	235,527
University of Washington	93.855	R01 AI070090	222,430
Washington University	93.855	WU-06-211	(81)
Washington University	93.855	WU-10-292	12,435
Washington University	93.855	WU-10-302	461,312
Midwest Regional Center of Excellence	93.856	U54AI057160	(224)
Oregon Health and Sciences University	93.856	GPEDI0184A1	3,451
Social & Scientific Systems, Inc.	93.856	BRS-ACURE-Q-06-00136	661,472
University of Wisconsin - Madison	93.856	292H143	84,204
University of Wisconsin - Madison	93.856	J033342	137,735
Eli Lilly Pharmaceuticals Company	93.859	U54-GM074945-06	618,000
Mayo Foundation- Rochester	93.859	GM061388	155,378
Structural Genomix Inc	93.859	SGX PHARMACEUTICALS	8,591
University of Chicago	93.859	41028-B	24,471
University of Michigan	93.859	3000949132	190,276
University of Pittsburgh	93.859	0002343	61,888
University of Illinois	93.864	492078 E5381	45,104
Children's Research Institute	93.865	388509	207,082
Cincinnati Children's Hospital	93.865	106049	4,324
Duke University	93.865	DUKE UNIVERSITY	139,826
George Washington University	93.865	21050	266,074
Kent State University	93.865	445727-P070660	17,336
Magee Woman's Hospital	93.865	26.635.653.3301.1370	(3,131)
Ohio State University Research Foundatio	93.865	RF01076422/60012965	201,628
Ohio State University Research Foundatio	93.865	RF01152211	48,194
Pennsylvania State University	93.865	2253-CWRU-DHHS-8075	7,979
The Ohio State University	93.865	RF01194520	34,412
University of California, San Diego	93.865	10283438-002	193,776
University of Michigan	93.865	3000640016	(97)
Aegis Biosciences LLC	93.866	AEGIS BIOSCI	8,716
Boston University	93.866	GC159610NGC	20,686
California Pacific Medical Center	93.866	2803212-S039	62,134
Duke Clinical Research Institute	93.866	159178	10,016
Rensselaer Polytechnic Institute	93.866	A12193	2,913
Research Foundation for Mental Hygiene	93.866	24358	662
Rutgers University	93.866	3138	81,878
University of California, San Diego	93.866	114 HBA	36,029
University of California, San Diego	93.866	114NGF	1,655
University of California, San Diego	93.866	ADC-023	33,264
Jaeb Center for Health Research	93.867	EY012358	72,361
Jaeb Center for Health Research- Contrac	93.867	DRCR - SITE 58	10,887
University of California, Irvine	93.867	10205850-009	33,877
University of Florida	93.867	UF06042	(3,482)
University of Pennsylvania	93.867	552812	95,742
University of Southern California	93.867	H44551	6,013
University of Wisconsin - Madison	93.867	196044	522,305
West Virginia University	93.879	06-650-CWRU	21,268
Cuyahoga County Board of Health	93.944	CCBH	61,664
Department of Health & Human Services Subtotal			186,416,852
Department of Homeland Security			
Direct Programs			
Assistance to Firefighters Grant	97.044		383,988

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FEDERAL GRANTOR/PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Pass Through Entity Identifying Number	Expenditures
Pass Through Programs			
University of Texas Medical Branch	97.061	10-045	12,310
Department of Homeland Security Subtotal			396,298
Total Research and Development - University Only			213,426,687
Research Training			
Department of Defense			
Direct Programs			
Basic and Applied Scientific Research	12.300		109,748
Military Medical Research and Development	12.420		205,009
Basic, Applied, and Advanced Research in Science and Engineering-ARRA	12.630		74,602
Department of Defense Subtotal			389,359
National Aeronautics and Space Administration			
Direct Programs			
Aerospace Education Services Program	43.001		67,289
Technology Transfer	43.002		5,624
National Aeronautics and Space Administration Subtotal			72,913
National Science Foundation			
Direct Programs			
Engineering Grants	47.041		123,042
Biological Sciences	47.074		23,685
Education and Human Resources	47.076		204,597
Trans-NSF Recovery Act Research Support-ARRA	47.082		116,767
Pass Through Programs			
Ohio State University Research Foundation	47.076	745922	17,413
Jackson State University	47.080	633108	14,250
National Science Foundation Subtotal			499,754
Department of Education			
Direct Programs			
Graduate Assistance in Areas of National Need	84.200		508,736
Special Education - Personnel Preparation to Improve Services and Results for Children with Diabetes	84.325		20,435
Pass Through Programs			
Cleveland State University	84.366	CI-667-OMAP-09-07	11,502
Department of Education Subtotal			540,673
Department of Health & Human Services			
Direct Programs			
Maternal and Child Health Federal Consolidated Programs	93.110		173,506
Oral Diseases & Disorder Research	93.121		60,839
Nurse Anesthetist Traineeships	93.124		16,382
National Research Service Awards_Health Services Research Training	93.225		293,032
National Center on Sleep Disorders Research	93.233		242,358
Mental Health Research Grants	93.242		150,372
Advanced Nursing Education Grant Program	93.273		37,520
Mental Health National Research Service Awards for Research Training	93.282		27,077

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FEDERAL GRANTOR/PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Pass Through Entity Identifying Number	Expenditures
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286		395,078
Advanced Nursing Education Traineeships	93.358		141,558
Nursing Research	93.361		474,896
National Center for Research Resources	93.389		2,901,346
Cancer Biology Research	93.396		222,995
Cancer Research Manpower	93.398		2,037,335
Cancer Research Manpower-ARRA	93.407		18,896
Cancer Research Manpower-ARRA	93.701		220,370
Cardiovascular Diseases Research	93.837		408,093
Lung Diseases Research	93.838		726,569
Blood Diseases and Resources Research	93.839		193,713
Arthritis, Musculoskeletal and Skin Diseases Research	93.846		373,383
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847		583,302
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853		592,448
Allergy, Immunology and Transplantation Research	93.855		160,318
Microbiology and Infectious Diseases Research	93.856		7,626
Biomedical Research and Research Training	93.859		2,316,637
Child Health and Human Development Extramural Research	93.865		913,705
Aging Research	93.866		(2,943)
Vision Research	93.867		338,212
Grants for Training in Primary Care Medicine and Dentistry	93.884		582,780
Scholarships for Health Professions Students from Disadvantaged Backgrounds	93.925		43,093
Geriatric Education Centers	93.969		407,474
International Research and Research Training	93.989		1,203,227
Pass through programs			
Michigan State University	93.648	61-5101CWR	77,148
Research Foundation of State University	93.648	09-35	100,418
University of Georgia	93.989	RTW006900	54,317
Vanderbilt University	93.989	TW007988	53,413
Department of Health & Human Services Subtotal			16,546,493
Total Research Training Grants			18,049,192
Sub Total Research and Development and Research Training Cluster - University Only			231,475,879
Research and Development - Cleveland Clinic Lerner College of Medicine (see Footnote 1)			
Department of Health & Human Services			
Direct Programs			
Environmental Health	93.113		239,393
Oral Diseases & Disorder Research	93.121		339,526
Human Genome Research	93.172		806,048
Human Genome Research	93.173		606,883
Research and Training in Complementary and Alternative Medicine	93.213		10,843
Alcohol National Research Service Awards for Research Training	93.272		17,103
Alcohol Research Programs	93.273		1,720,295
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286		86,114
Trans-NIH Research Support	93.310		174,760
National Center for Research Resources	93.389		877,620
Cancer Cause & Prevention Research	93.393		746,542
Cancer Detection and Diagnosis Research	93.394		537,135
Cancer Treatment Research	93.395		3,121,399
Cancer Biology Research	93.396		3,803,855
Cancer Research Manpower	93.398		1,596,855
Family Violence Prevention and Services/Grants for Battered Women's Shelters_Grants to States and Indian Tribes	93.671		59,143
Trans-NIH Recovery Act Research Support-ARRA	93.701		5,503,906
Cardiovascular Diseases Research	93.837		15,416,029
Lung Diseases Research	93.838		3,376,068
Blood Diseases & Resources Research	93.839		7,399,268

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Arthritis, Musculoskeletal, & Skin Diseases Research	93.846		1,744,702
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847		6,967,029
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853		8,008,219
Allergy, Immunology and Transplantation Research	93.855		5,356,900
Biomedical Research and Research Training	93.859		3,005,918
Child Health and Human Development Extramural Research	93.865		1,290,875
Aging Research	93.866		1,305,459
Vision Research	93.867		1,811,486
Department of Health and Human Services Public Health Service	93.951		3,634
Pass Through Programs			
University of Louisville	93.121	R21DE017706	3,015
Mass Eye & Ear Infirmary	93.173	U01 DC006296-01A1	(56)
Massachusetts General Hospital	93.213	U01AT000613	4,760
Butler Hospital	93.242	R01MH076179	64,133
CME Development Inc.	93.242	R42MR073197	14,296
Duke University	93.242	U10HL080413	8,465
Massachusetts General Hospital	93.242	R01MH071762	73,853
Biomedical Imaging/BIOENG	93.286		881,507
Massachusetts General Hospital	93.286	R01EB009048	75,232
Source Signalt Imaging Inc.	93.286	R44EB000614	108
University of California	93.286	R01EB008049	80,432
University of Southern California	93.286	R01EB002010	72,504
Boston University	93.389	U54RR019497	12,564
Cincinnati Children's Hospital RSC	93.389	R01AR050028	5,749
LAM Foundation	93.389	U54RR019498	35,554
Bet Israel Deaconess Medical Center	93.393	R01CA95662	(9,474)
Dartmouth University	93.393	R01CA098286	191,006
Emory University	93.393	R01CA114456	(12,490)
Moffit Cancer CTR & RSCH	93.393	R01CA112112	6,957
University of Hawaii	93.393	R01CA104132	(18,073)
University of Southern California	93.393	U24CA074799	161,112
Brigham & Women's Hospital	93.394	R01CA100833	2,659
Cleveland BIOLABS	93.394	R44CA110885	(41,353)
Nanoprobe Inc.	93.394	R42CA083618	(15,519)
Ohio State University RSC	93.394	R01CA134451	13,875
Oncoscope Inc	93.394	R44CA128163	18,703
University of Washington at St. Louis	93.394	R01CA068124	58,926
University of Miami	93.394	R01CA122105	8,268
University of Nebraska	93.394	U01CA114778	42,372
University of Washington	93.394	R01CA107209	22,054
American College of Radio	93.395	U10CA021661	70,342
City of Hope	93.395	R01CA90559	16,494
Gynecological Oncology GR	93.395	U10CA027469	153,873
Johns Hopkins - Oncology	93.395	R01CA100904	3,060
Massachusetts General Hospital	93.395	P01CA084203	204,200
Moffit Cancer CTR & RSCH	93.395	R01CA131076	22,058
Ohio State University RSC	93.395	R01CA093871	(12,841)
Ohio State University RSC	93.395	U01CA044971	143,494
Southwestern Oncology Group	93.395	U10CA004919	41,383
University of Michigan	93.395	U10CA321022	9,512
University of Pittsburgh	93.395	P01CA109688	86,054
University of Pittsburgh	93.395	R01CA114071	51,379
Ohio State University RSC	93.396	P01CA097189	25,217
Ohio State University RSC	93.396	P01CA124570	364,560
Ohio State University RSC	93.397	U54CA113001	16,569
Biomedical Imaging/BIOENG	93.398	K08EB003468	7,435
City of Hope	93.399	R01CA096670	(4,068)
Dartmouth University	93.399	R01CA059005	(27,299)
Fred Hutchinson Center	93.399	R01CA0120582	3,086
Meridia Cancer Institute	93.399	R01CA037377	(8,386)

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University of California at Irving	93.399	U10CA037429	81,140
University of Colorado	93.399	R01CA068099	(2,498)
Beth Israel Deaconess Medical Center-ARRA	93.701	RC1CA146596Z	4,658
Biomedical Imaging/Bioengineering-ARRA	93.701	R03EB009651	34,483
May Clinic-ARRA	93.701	U01DK062410Z	59,212
Texas A&M-ARRA	93.701	R21HL093689	32,097
University of Cincinnati-ARRA	93.701	R01NS039512Z	10,213
University of Michigan-ARRA	93.701	RC2HL101740	8,632
University of Washington-ARRA	93.701	R01DK081368	83,495
University of Washington-ARRA	93.701	R01GM048085Z	70,667
Wake Forest University-ARRA	93.701	RC2HL101487	41,520
Washington University School of Med-ARRA	93.701	-	36,989
Biomec Cardiovascular Inc.	93.837	R44HL065815	87,547
Medstar Research Institute	93.837	U01HL064244	189,748
Mount Sinai School of Medicine	93.837	U01HL088942	126,651
Perfusion Solutions Inc.	93.837	R43HL096144	21,614
Pixel Velocity Inc.	93.837	R44HL071379	329
University of Washington at St. Louis	93.837	R01HL074283	81,755
University of Connecticut	93.837	P01HL070694	32,187
University of Houston	93.837	R01HL085487	77,367
University of Pittsburgh	93.837	R01HL075038	(120,968)
University of Texas	93.837	U01HL087318	137,912
Duke University	93.838	Site 113	23,469
Duke University	93.838	U10HL080413	5,773
Tulane University Health SCI CT	93.838	U10 HL080510	37,269
University of Alabama at Birmingham	93.838	R01HL085324	29,196
University of Washington at St. Louis	93.838	R01HL091762	37,108
Vanderbilt University	93.838	R01HL083839	10,000
Biomec Cardiovascular Inc.	93.839	R44HL067483	(25,256)
Burke Medical Research Institute	93.839	R01HL082511	25,708
Nanomimetics, Inc.	93.839	R43HL082095	11,307
University of Washington at St. Louis	93.839	U01HL088476	28,639
University of Illinois	93.839	U54HL090513	232,011
Boston University	93.846	U54RR019497	157,710
Brigham & Woman's Hospital	93.846	R01AR055557	36,355
Cincinnati Children's Hospital RSC	93.846	P60AR047784	4,020
Cincinnati Children's Hospital RSC	93.846	R01AR049735	8,960
Seattle Children's Hospital	93.846	R01AR049762	46,359
Vanderbilt University	93.846	R01AR053684	9,281
Bertec	93.847	R44DK084844	4,035
Diapedia LLC	93.847	R44DK059074	12,889
Mayo Clinic	93.847	U01DK062410	78,751
Metrohealth Hospital	93.847	DK077668	99,882
Neurotron Inc.	93.847	R41DK074987	(22,554)
Technest Inc.	93.847	R44DK071469	30,325
Vanderbilt University	93.847	U01DK072473	18,569
Feinstein Institute for M	93.847	R33DK070341	66,606
Loyola University Chicago	93.847	U01DK064044	(2,364)
New England Medical CTR-T	93.847	K24DK078204	1,472
University of Illinois	93.847	R01DK072231	19,441
University of Pennsylvania	93.847	U01DK060990	291,033
University of Pittsburgh	93.847	R01DK070910	(21,870)
Wayne State University	93.847	U01NS061264	20,708
Brigham & Women's Hospital	93.853	R01NS049639	(213)
Cleveland Medical Devices	93.853	R42NS054348	95,016
Cleveland Medical Devices	93.853	R44NS042451	75,563
Cleveland Medical Devices	93.853	R44NS043816	45,000
Cleveland Medical Devices	93.853	U44NS057969	101,815
Columbia University	93.853	R01NS047530	1,750
Columbia University	93.853	R01NS048212	178
Columbia University	93.853	U01NS043975	(3,330)

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Cornell University	93.853	U01NS050324	17,338
Great Batch	93.853	R44NS039716	(26,298)
Massachusetts General Hospital	93.853	U01NS049640	66,584
Mayo Clinic	93.853	R01NS028492	255
Mayo Clinic	93.853	R01NS049577	30,502
Medical University of South Carolina	93.853	U01NS058728	60,437
Mount Sinai School of Medicine	93.853	U01NS045719	32,038
The Children's Hospital of PH	93.853	R01NS050488	5,521
Twin Star Medical Inc.	93.853	R43NS061364	9,517
University of California at L A	93.853	U01NS042372	1,029
University of California at San	93.853	R01NS062820	10
University of California at San	93.853	U01NS053998	351
University North Texas Health Science Center	93.853	R01NS048837	36,579
University of Cincinnati	93.853	R01NS039512	10,828
University of Iowa	93.853	R01NS040068	13,819
University of Iowa	93.853	R01NS054893	160,131
University of North Carolina Chapel Hill	93.853	5U01NS42167	48,572
Yale University	93.853	U01NS044876	(3,870)
University of Medicine & Dentist	93.853	R01NS038384	353
Brigham & Women's Hospital	93.855	U01AI063623	154,349
Cleveland BIOLABS	93.855	R01AI066497	(52,694)
Mount Sinai School of Medicine	93.855	U01AI063594	376,594
UCSF - SURGERY1	93.855	U01AI052748	61,840
University of Washington at St. Louis	93.855	U54AI057160	3
University of Washington at St. Louis	93.855	U01AI077810	36,443
University of Wisconsin-Madison	93.855	R01HL069116	200,572
University of Indiana	93.855	R01AI056318	1,726
University of Washington	93.855	R01AI083034	6,453
Vanderbilt University	93.855	R01AI065744	10,705
Wayne State University	93.855	R21AI064907	2,105
University of Michigan	93.865	U01HD041249	72,943
University of South Florida	93.865	U01DK061055	82,593
Mount Sinai School of Medicine	93.866	R01AG029656	45,974
Rutgers University @Brunswick	93.866	R01AG024494	45,897
University of Maryland Baltimore	93.866	R01AG016613	(1,935)
University of Colorado	93.866	P30AG015292	31,949
Arteriocyte Inc.	93.867	R41EY018784	492
Emory University	93.867	U10EY013272	3,654
Jackson Laboratories	93.867	R01EY016501	(236)
Jaeb Center Health Research	93.867	U10EY011751	1,653
Jaeb Center Health Research	93.867	U10EY012358	772
Medical College of Georgia	93.867	R01EY012830	24,774
University of Southern California	93.867	R01EY013516	54,787
Department of Health & Human Services Subtotal			83,170,738
Total Research and Development - Cleveland Clinic Lerner College of Medicine			83,170,738
Total Research and Development and Research Training Cluster			314,646,617
Student Financial Aid			
Department of Education			
Direct Programs-Student Financial Aid Cluster			
Federal Supplemental Educational Opportunity Grants	84.007		1,063,074
Federal Work-Study Program	84.033		3,052,378
Federal Pell Grant Program	84.063		3,788,569
			7,904,021
Total Department of Education-SFA Cluster			7,904,021

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TRIO			
Department of Education			
Direct Programs			
TRIO_Upward Bound	84.047		488,521
Department of Education Subtotal			488,521
Total TRIO			488,521
Other Federal Assistance			
Department of Defense			
Direct Programs			
Military Medical Research and Development	12.420		20,000
Department of Defense Subtotal			20,000
Department of Transportation			
Direct Programs			
Highway Planning and Construction-ARRA	20.205		10,519
Department of Transportation Subtotal			10,519
National Endowment for the Humanities			
Direct Programs			
Promotion of the Humanities_Professional Development	45.163		10,478
National Endowment for the Humanities Subtotal			10,478
Department of Veteran Affairs			
Direct Programs			
Other Department of Veteran's Affairs Programs	64.000		47
Department of Veteran Affairs Subtotal			47
Department of Education			
Direct Programs			
Other Department of Education Programs	84.000		822,300
Pass through programs			
Brecksville-Broadview Heights	84.184		32,585
Department of Education Subtotal			854,885
Department of Health & Human Services			
Direct Programs			
Research on Healthcare Costs, Quality and Outcomes	93.226		1,194
Cardiovascular Diseases Research	93.837		5,000
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853		5,992
Aging Research	93.866		17,500
Health Care and Other Facilities	93.887		77,279
Ryan White HIV/AIDS Dental Reimbursements Community Based Dental Partnership	93.924		6,350
Block Grants for Community Mental Health Services	93.958		28,962
Pass Through Programs			
YMCA of Greater Cleveland	93.283	YMCA	7,376
Association of American Medical Colleges	93.283	5U36CD319276	4,211

CASE WESTERN RESERVE UNIVERSITY
Schedule of Expenditures of Federal Awards

For the year ended June 30, 2010

FEDERAL GRANTOR/PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Pass Through Entity Identifying Number	Expenditures
Great Lakes Science Center	93.389	GLMSET	18
Booz Allen Hamilton, Inc.	93.393	79950CBS10	28,495
Booz Allen Hamilton, Inc.	93.393	79950CSB10	258
Children's Hospital and Regional Medical	93.846	413820230101	7,042
Scripps Research Institute	93.853	5-22770	(159)
University of Alabama	93.855	5R13AI1440-10	7,368
Social & Scientific Systems, Inc.	93.855	1 U01 AI068636-01	10,134
			64,743
Department of Health & Human Services Subtotal			207,020
Total Other Federal Assistance			1,102,949
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 324,142,108

CASE WESTERN RESERVE UNIVERSITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

1. Summary of Significant Accounting Policies

Basis of Presentation:

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant transactions of Case Western Reserve University (the "University") recorded on the accrual basis of accounting. Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net assets or cash flows of the University. Negative amounts represent adjustments or credits to amounts reported as expenditures in prior years. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*.

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

Subrecipients:

Certain funds are passed through to subgrantee organizations by the University and CCLCM. Expenditures incurred by the subgrantees and reimbursed by the University are presented in the Schedule. Under the research and development program, a total of \$20,262,822 was passed through to subgrantee organizations from the University and \$7,237,731 from the CCLCM for the year ended June 30, 2010. \$97,328 was passed through under other programs.

2. Catalog of Federal Domestic Assistance Numbers:

Catalog of Federal Domestic Assistance ("CFDA") Numbers and Pass Through Entity Identifying Numbers are presented for those programs for which such numbers are available and were able to be identified by the University. The programs for which CFDA Numbers were not available or identified are reported with the federal agency's 2-digit prefix when known.

CASE WESTERN RESERVE UNIVERSITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

3. Facilities and Administrative Cost Rates:

The University recovers facilities and administrative costs by means of final facilities and administrative cost rates. The final rates are a result of negotiated agreements with the U.S. Department of Health and Human Services. The final rate effective for the period July 1, 2009 to June 30, 2010 for on-campus research and for the CCLCM is 57% of modified total direct costs. The base rates for off-campus research for the same period vary depending upon the location of the research.

4. Loan Advances:

The following schedule represents total loans advanced to students by the University and balances outstanding for the Perkins, Nursing, Health Profession Student and Disadvantaged Students Loan Programs for the year ended June 30, 2010:

	CFDA Number	Advances	Outstanding Balance
Perkins Loan Program	84.038	\$ 1,809,140	\$ 17,537,328
Nursing Student Loan Program	93.364	5,750	301,557
Health Professional Student Loan Program/PCL	93.342	289,000	2,032,288
Loan for Disadvantaged Students	93.342	-	50,641

The Perkins Loan administrative cost allowance totalled \$0 for the year ended June 30, 2010.

5. Federal Family Education Loan Program

During the year ended June 30, 2010, the University disbursed the following loan amounts under the Federal Family Education Loan Program (FFELP) (which includes Stafford Loans, unsubsidized Stafford Loans, and Parents Plus Loans for Undergraduate Students):

	CFDA Number	Amounts
Federal Family Education Loan Program	84.032	\$ 102,816,128

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

During the year ended June 30, 2010, the University made principal and interest payments of \$498,919 and \$900,562 respectively on HUD mortgage bonds and U.S. Government housing bonds. HUD mortgage bonds and U.S. Government housing bonds payable at June 30, 2010 amounted to \$18,203,370. See note 8 to the financial statements for further information concerning the components of these loans.

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



**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,
Case Western Reserve University:

We have audited the consolidated financial statements of Case Western Reserve University and its affiliated entities, (the "University") as of and for the year ended June 30, 2010, and have issued our report thereon dated October 13, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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.

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

Compliance and Other Matters

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

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

A handwritten signature in cursive script that reads "PricewaterhouseCoopers LLP".

October 13, 2010
Cleveland, Ohio



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

To the Board of Trustees,
Case Western Reserve University:

We have audited the compliance of Case Western Reserve University (the "University") with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010 except as described in the second paragraph of this letter. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

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

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

In our opinion, based on our audit and the report of the other auditors, the University complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed two instances of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as items 2010-1 and 2010-2.

Internal Control over Compliance

Management of the University is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, except as noted in the following paragraph, we considered the University's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and



to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly we do not express an opinion on the effectiveness of the University's internal control over compliance.

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

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

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

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

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

A handwritten signature in cursive script that reads "PricewaterhouseCoopers LLP".

March 22, 2011
Cleveland, Ohio

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CASE WESTERN RESERVE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2010

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:		Unqualified
Internal control over financial reporting:		
• Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
• Significant deficiency (s) identified that are not considered to be material weaknesses?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> none reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

Federal Awards

Internal control over major programs:		
• Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
• Significant deficiency(s) identified that are not considered to be material weaknesses?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> none reported

Type of auditor’s report issued on compliance for major programs:		Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> no

Identification of major programs: CFDA Number(s)	Name of Federal Program or Cluster
Various	Research & Development and Research Training
Various	Student Financial Aid

Dollar threshold used to distinguish between type A and type B programs:	\$3,000,000
Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/> yes <input type="checkbox"/> no

CASE WESTERN RESERVE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2010

Section II - Financial Statement Findings

No current year findings.

CASE WESTERN RESERVE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2010

Section III – Federal Award Findings and Questioned Costs

Finding #2010-1: Student Refunds

Student Financial Aid Cluster

Sponsoring Agency: Department of Education

CFDA #'s: 84.007, 84.003, 84.063

Award Year: FY2010

Information on the federal program/Condition/Context

Of the 60 students tested in the Student Financial Aid cluster we noted that 4 students had credit balances which were not processed in compliance with the required 14 day period.

Criteria or specific requirement

In accordance with 34 CFR 668.164(e), funds in excess of allowable institutional charges (i.e. credit balances) must be paid directly to the student or parent as soon as possible but no later than 14 days after the balance occurred if the credit balance occurred after the first day of class of a payment period; or no later than 14 days after the first day of class of a payment period if the credit balance occurred on or before the first day of class of that payment period.

Questioned Costs

None.

Cause/Effect

The University follows a policy of 14 business days for processing credit balances instead of 14 calendar days.

Recommendation

We recommend that the University update its policy to reflect 14 calendar days instead of 14 business days.

Views of responsible officials and planned corrective actions

Management's response is reported in the "Management's Views and Corrective Action Plan" and considered as part of this report.

CASE WESTERN RESERVE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2010

Finding #2010-2: Monitoring of CCLCM Award Activity

Research and Development Cluster

Sponsoring Agency: Department of Health and Human Services

CFDA #'s: Various - CCLCM Awards

Award Year: FY2010

Information on the Federal Program/Condition/Context

For the research grants that are awarded through Cleveland Clinic Lerner College of Medicine of Case Western Reserve University ("CCLCM") and administered by Cleveland Clinic Foundation ("CCF"), the University utilizes the CCF A-133 report as the primary means of monitoring how CCF complies with the various federal compliance requirements of research and development awards. However, as CCF reports on a December 31st year end and the University is on a June 30th fiscal year end, there is a six month lag in A-133 reporting and, therefore, in what is available for the University to review. In addition, although the operations of CCLCM are overseen jointly by the University and CCF many of the post-award administrative functions are performed only by CCF in accordance with an affiliation agreement and jointly designed operating procedures. The University does not routinely perform detailed monitoring procedures of the day-to-day monitoring performed by CCF on behalf of CCLCM. For instance, cash draw-downs are performed by CCF using CCLCM drawdown accounts and federal status reports are signed by a CCF official on behalf of CCLCM; however, the University does not perform a detailed review of the support behind these drawdowns or reports which are compiled by CCF employees on behalf of CCLCM.

Criteria or specific requirement

As required by OMB Circular A-110, Subpart C. Reports and Record, section 51 (a), the University is responsible for managing and monitoring each project, program, subaward, function or activity supported by the award.

Questioned Costs

None.

Cause/Effect

Significant reliance is placed on the affiliation agreement which covers the arrangement and operating procedures between CCLCM and the University. The affiliation agreement, which has been in place since the inception of the joint program with CCF, was discussed with the National Institute of Health ("NIH") at the inception of this affiliation.

These specific awards are in the name of the Case Western Reserve University or CCLCM and, therefore, the University is the prime recipient. As the prime recipient, the University is required to monitor the activity of all subrecipients within the guidance developed by OMB. As such, the University may not be performing sufficient monitoring of activities of CCF on behalf of CCLCM.

CASE WESTERN RESERVE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2010

Recommendation

We recommend that the University enhance its monitoring of CCF compliance activities associated with CCLCM awards by performing monitoring activities at a more detailed level along with the higher level governance oversight currently in place. Such detailed monitoring activities could include among other activity, a periodic review of CCLCM documentation to support draw-downs and requisite cash management procedures performed by CCF and related financial status reports prepared by CCF on behalf of CCLCM.

Views of responsible officials and planned corrective actions

Management's response is reported in the "Management's Views and Corrective Action Plan" and considered as part of this report.

CASE WESTERN RESERVE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2009

Summary of Prior Year Findings and Questioned Costs

No prior year findings.

Management's Corrective Action Plan

Finding #2010-1: Student Refunds

Management's Response:

The University agrees with this finding. The University has updated its policy to ensure that funds in excess of allowable institutional charges are processed in accordance with the criteria above within 14 days.

Responsible area: Director, Financial Aid

Finding #2010-2: Monitoring of CCLCM Award Activity

Management's Response:

Effective March 2011, management has instituted enhanced monitoring procedures which will be effective with the audit period ending June 30, 2011. The new procedures will include review of CCLCM's Letter of Credit (LOC) process and random periodic sampling of the LOC draw-downs and review of the Federal Financial Reports (FFR).

Responsible area: Assistant Vice President for Research

Signed: 

Bradley W. Fralic
University Controller