



CASE WESTERN RESERVE UNIVERSITY

Federal Entity Identification

Number 1-341018992-A1

Report On Federal Awards In Accordance

With OMB Circular A-133

June 30, 2005

CASE WESTERN RESERVE UNIVERSITY

REPORT ON FEDERAL AWARDS IN ACCORDANCE
WITH OMB CIRCULAR A-133

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FINANCIAL

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**Report of Independent Auditors
on Financial Statements and Supplementary Schedule
of Expenditures of Federal Awards**

To the Board of Trustees,
Case Western Reserve University:

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of activities and cash flows present fairly, in all material respects, the financial position of Case Western Reserve University and its affiliated entities (the University) at June 30, 2005, and the consolidated 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 2004 financial statements, and in our report dated October 5, 2004, 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2005 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, 2005. 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.

The accompanying Schedule of Expenditures of Federal Awards 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

PricewaterhouseCoopers LLP

October 12, 2005

CASE WESTERN RESERVE UNIVERSITY**Balance Sheet****June 30, 2005 and 2004**

(in thousands)

	<u>June 30, 2005</u>	<u>Restated June 30, 2004</u>
Assets		
Cash and temporary investments	\$ 61,954	\$ 72,623
Accounts and loans receivable, net	127,340	121,609
Securities pledged under lending agreements	50,578	71,919
Pledges receivable, net	63,237	65,202
Prepaid expenses and other assets	15,948	13,315
Intangible assets	2,493	2,960
Investments	1,419,948	1,400,011
Property, plant, equipment and books, net	770,906	663,594
Funds held in trust by others	281,778	272,632
Total assets	<u>\$ 2,794,182</u>	<u>\$ 2,683,865</u>
Liabilities		
Accounts payable and accrued expenses	\$ 68,212	\$ 57,293
Deferred income and deposits	25,973	23,559
Payable under securities lending agreements	52,530	74,039
Annuities payable	49,995	27,437
Refundable advances	7,785	9,891
Minimum pension liability	24,811	10,539
Bonds and notes payable	594,234	569,917
Refundable federal student loans	18,395	19,299
Total liabilities	<u>841,935</u>	<u>791,974</u>
Net Assets		
Unrestricted	1,127,435	1,095,434
Temporarily restricted	40,284	38,196
Permanently restricted	784,528	758,261
Total net assets	<u>1,952,247</u>	<u>1,891,891</u>
Total liabilities and net assets	<u>\$ 2,794,182</u>	<u>\$ 2,683,865</u>

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

CASE WESTERN RESERVE UNIVERSITY

Statement of Activities

For the Year Ended June 30, 2005

(with summarized financial information for the year ended June 30, 2004)

(in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	June 30, 2005	Restated June 30, 2004
Operating revenues					
Student tuition and fees	\$ 203,062			\$ 203,062	\$ 190,220
Less: Student aid	(77,066)			(77,066)	(73,156)
	125,996			125,996	117,064
Endowment income	80,768		\$ 302	81,070	80,528
Grants and contracts	253,438			253,438	256,923
CCLCM grants and contracts	68,382			68,382	24,110
Gifts and pledges	13,041	11,810	30,522	55,373	52,423
State of Ohio appropriation	3,962			3,962	4,231
Facilities and administrative cost recovery	66,612			66,612	67,491
Organized activities	8,677			8,677	7,768
Other sources	13,269		27	13,296	9,849
Auxiliary services	25,884			25,884	26,987
Net assets released from restrictions	15,515	(9,721)	(5,794)	-	-
Total operating revenues	675,544	2,089	25,057	702,690	647,374
Operating expenses					
Instructional	208,740			208,740	196,708
Sponsored research and training	226,766			226,766	211,782
Other sponsored projects	42,102			42,102	37,501
CCLCM grants and contracts	68,382			68,382	24,110
Libraries	19,796			19,796	17,689
Student services	20,695			20,695	18,451
University services	94,100			94,100	88,235
Auxiliary enterprises - students	23,947			23,947	24,435
Auxiliary enterprises - other	15,403			15,403	16,669
Total operating expenses	719,931	-	-	719,931	635,580
Net operating (deficit) revenues	(44,387)	2,089	25,057	(17,241)	11,794
Non-operating revenues and expenses					
Investment and other income (loss)	41,109	(1)	(3,144)	37,964	53,727
Net unrealized appreciation in the fair market value of investments	49,638		2,862	52,500	74,624
Actuarial adjustment to annuities payable			1,492	1,492	289
Gain (loss) on disposal of plant assets	778			778	(2,789)
Disposal of interest in subsidiary	(398)			(398)	-
Adjustment for minimum pension liability	(14,739)			(14,739)	4,084
Non-operating revenues, net	76,388	(1)	1,210	77,597	129,935
Increase in net assets	32,001	2,088	26,267	60,356	141,729
Beginning net assets (restated)	1,095,434	38,196	758,261	1,891,891	1,750,162
Ending net assets	\$ 1,127,435	\$ 40,284	\$ 784,528	\$ 1,952,247	\$ 1,891,891

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

CASE WESTERN RESERVE UNIVERSITY
Statement of Cash Flows
For the Years Ended June 30, 2005 and 2004
(in thousands)

	<u>June 30, 2005</u>	<u>Restated June 30, 2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Total change in net assets	\$ 60,356	\$ 141,729
<i>Adjustments to reconcile change in net assets to net cash (used for) provided by operating activities:</i>		
Depreciation	40,675	40,331
Net unrealized appreciation in the fair market value of investments	(52,500)	(74,624)
Net realized gains on investments	(36,368)	(14,399)
Decrease to annuities payable resulting from actuarial adjustments	(1,492)	(289)
Gifts of property and equipment	(516)	(714)
(Gain) loss on disposal of plant assets	(778)	2,789
Contributions restricted for long-term investment	(24,763)	(15,124)
Increase in accounts receivable, net	(4,017)	(21,814)
Decrease (increase) in pledges receivable, net	1,965	(11,126)
Increase in prepaid expenses and other assets	(2,633)	(757)
Decrease in intangible assets	467	485
Increase in funds held in trust by others	(9,146)	(19,926)
Increase in accounts payable and accrued expenses	10,919	644
Increase in deferred income and deposits	2,414	1,645
(Decrease) increase in refundable advances	(2,106)	2,822
Increase (decrease) in minimum pension liability	14,272	(4,569)
Net cash (used for) provided by operating activities	<u>(3,251)</u>	<u>27,103</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Student loans collected	6,568	7,200
Student loans issued	(8,282)	(8,000)
Proceeds from the sale of investments	2,185,394	2,014,931
Purchase of investments	(2,116,463)	(2,158,047)
Proceeds from the sale of buildings and land	6,890	379
Purchase of property, plant, equipment and books	(153,583)	(178,699)
Net cash used for investing activities	<u>(79,476)</u>	<u>(322,236)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in federal advances for student loans	(904)	(489)
Decrease (increase) in securities pledged under lending agreements	21,341	(11,692)
(Decrease) increase in payables under securities lending agreements	(21,509)	11,877
Contributions restricted for long-term investment	24,763	15,124
Proceeds from bond issues and long-term debt	30,000	285,774
Repayment of debt	(5,683)	(5,959)
Payments on annuities payable	(3,269)	(2,962)
Increase to annuities payable resulting from new gifts	27,319	495
Net cash provided by financing activities	<u>72,058</u>	<u>292,168</u>
Net decrease in cash and temporary investments	(10,669)	(2,965)
Cash and temporary investments, beginning of year	72,623	75,588
Cash and temporary investments, end of year	<u>\$ 61,954</u>	<u>\$ 72,623</u>

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

Part 2 – Summary of Significant Accounting Policies and Terms

This part explains the accounting practices the University uses in its financial statements.

Basis of Accounting Presentation

The financial statements use the accrual basis of accounting. Prior to July 2004, these statements included the accounts of the University, the Case Alumni Association, and JumpStart, Inc. (formerly Enterprise Development, Inc.).

The Case Alumni Association is an independent, not-for-profit entity engaged in activities that provide support and service to both the Case School of Engineering and programs in the applied sciences. As a result of discussions between the University and the Association during fiscal 2005, the University and Association have decided to report their financial activities separately and no longer report on a consolidated basis. Prior year balances have been restated to reflect the removal of the Association's activities from the University's financial statements.

JumpStart, Inc. is a not-for-profit corporation organized to accelerate the growth of early stage businesses and ideas into venture-ready companies and to improve Northeast Ohio's entrepreneurial climate. In June 2004, the University voted to admit the Northeast Ohio Technology Coalition as an equal voting member of Enterprise Development, Inc. and to change the name of the corporation to JumpStart, Inc. The activities of JumpStart for fiscal 2005 are not included in the University's financial statements.

Net Asset Categories

The financial statements present information about the University's financial position and activities using three categories of net assets:

- **Unrestricted net assets** have no donor-imposed restrictions. They are available for any purpose consistent with the University's mission.
- **Temporarily restricted net assets** are subject to specific donor-imposed restrictions that must be met by University actions or through the passage of time.
- **Permanently restricted net assets** are subject to donor-imposed restrictions that the University must honor in perpetuity. Usually, donors allow part or all of the income to be used for a designated purpose.

Cash and Temporary Investments

Investments with a maturity of three months or less when purchased are reported as temporary investments (i.e., cash equivalents) unless they are part of long-term investment pools.

Investments	Investments are recorded at fair market value. Fair market values for private equity and real estate investments in limited partnerships or commingled funds are estimated by their external investment managers. The University reviews the assumptions and methods used in these estimated valuations. Since limited partnership investments are not readily marketable, these estimates may differ from the value that would have been used had a ready market been available. Such differences could be material. 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.
Contributions	Contributions (including unconditional pledges) are recognized as either temporarily restricted or permanently restricted net assets when donors' commitments are received. 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.
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 contract. Any government revenue received before it is expended is recorded as a refundable advance. Expenses incurred for government grants before revenue is received are recorded as receivables.
Collections	The University's collections of historically significant artifacts, scientific specimens, and art objects are held for education, research, scientific inquiry, and public exhibition. Therefore, their value is not reflected in the University's 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 market value as of June 30, 2005, which approximates the present value of the future income flows from these funds.
Allocation of Certain Expenses	The 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.
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 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 financial statements for the year ending June 30, 2004, from which it was derived. Certain reclassifications have been made to the summarized financial information for comparative purposes.

**Income
Taxes**

The University is generally exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is made in the financial statements.

Part 3 – Notes

These notes clarify and amplify data in the financial statements. Unless otherwise indicated, all dollar values are listed in thousands as of June 30.

**NOTE A
 Accounts and
 Loans
 Receivable**

Accounts and loans receivable are as follows:

	<u>2005</u>	<u>2004</u>
Accounts receivable, net:		
Grants, contracts and others	\$ 75,513	\$ 67,864
Students	7,962	11,595
Student loans, net	43,865	42,150
	<u>\$ 127,340</u>	<u>\$ 121,609</u>
Allowances for doubtful accounts:		
Accounts receivable	\$ 5,881	\$ 6,739
Loans receivable	\$ 1,745	\$ 1,730

**NOTE B
 Pledges
 Receivable**

Unconditional pledges are expected to be realized in the following periods:

	<u>2005</u>	<u>2004</u>
In one year or less	\$ 24,298	\$ 27,000
Between one year and five years	36,341	27,033
More than five years	15,120	25,721
	<u>75,759</u>	<u>79,754</u>
Less: Discount of \$6,127 and allowance of \$6,395	(12,522)	
Less: Discount of \$8,052 and allowance of \$6,500		(14,552)
	<u>\$ 63,237</u>	<u>\$ 65,202</u>

Pledges receivable have been made for the following purposes:

	<u>2005</u>	<u>2004</u>
Department programs and activities	\$ 20,096	\$ 22,731
Endowments for scholarships and department programs and activities	18,442	17,710
Building construction	24,699	24,761
	<u>\$ 63,237</u>	<u>\$ 65,202</u>

Uncollectible pledges totaling \$11,951 (2005) and \$754 (2004) are included in University Services expense.

NOTE C
Investments

Investments (except funds held in trust by others) are as follows:

	2005	
	Fair Market	
	Value	Cost
Short-term investments	\$ 57,575	\$ 57,575
Domestic stocks	219,983	166,749
International securities	225,977	179,668
Bonds		
• U.S. Government	124,085	125,297
• Corporate	126,722	123,847
Mutual funds	124,673	114,854
Limited partnerships and other	503,220	439,286
Equity real estate	37,713	34,750
Total	<u>\$ 1,419,948</u>	<u>\$ 1,242,026</u>
	2004	
	Fair Market	
	Value	Cost
Short-term investments	\$ 68,495	\$ 68,495
Domestic stocks	329,674	274,215
International securities	196,318	165,595
Bonds		
• U.S. Government	146,969	151,305
• Corporate	209,750	203,004
Mutual funds	69,178	66,807
Limited partnerships and other	340,576	306,277
Equity real estate	39,051	38,891
Total	<u>\$ 1,400,011</u>	<u>\$ 1,274,589</u>

Included in the University's cash and investments are **unexpended bond proceeds**. These funds are temporarily held by trustees under the bond indenture for future capital expenditures. The proceeds are invested in cash, U.S government and corporate bonds and mutual funds. The fair value of these assets totaled \$144,530 (2005) and \$231,744 (2004).

The University's **spending policy** determines the amount of endowment income to be used as operating revenue and distributed for spending during the year. Distributions in excess or deficit of amounts actually earned are transferred to or from the endowment pool, honoring any donor restrictions. The fiscal 2005 endowment and similar funds distribution of \$1.98 per unit totaled \$57,682, of which \$44,248 was accumulated realized gains. For fiscal 2004, the distribution of \$1.98 per unit totaled \$56,731, of which \$43,630 was accumulated realized gains.

NOTE C
Investments
(continued)

Certain endowment and similar fund assets are pooled for efficient investment purposes. The unit market value for each pool is used to account for **pooled transactions**. The unit market values are \$39.80 (2005) and \$36.91 (2004).

As a result of **market declines**, the fair market values of certain donor-restricted endowments fell below the level required by donor stipulations or law by \$322 (2005) and \$1,665 (2004). These unrealized losses have been recorded as reductions in unrestricted net assets. Future market gains will be used to restore this deficiency.

Investments in stocks, bonds, mutual funds, and other investments are exposed to a variety of uncertainties, including interest rate, market fluctuation, and credit risks. Due to the **level of risk** associated with certain investments, the value of these investments could change. Such changes could materially affect the amounts reported in the financial statements.

Investment strategies employed by outside managers incorporate the use of financial instruments with off-balance sheet risk. These financial instruments include international investment funds with underlying equity interests as well as forward and futures contracts that are subject to foreign currency translation gains and losses. Management does not anticipate that losses, if any, resulting from its market or credit risks would materially affect the financial position of the University.

The University is obligated under certain limited partnerships and similar agreements to provide future funding for further investment. The University had **unfunded commitments** of approximately \$196,787 (2005) and \$100,249 (2004) that are likely to be called in the future.

The University has a **securities lending** agency agreement for the purpose of lending securities held or beneficially owned by the University. Under this agreement, the University's agent receives collateral in the form of cash or U.S. government securities in exchange for loaning securities to approved borrowers. The agent invests these funds on behalf of the University until the securities are returned. The amount of collateral required for securities traded principally in the United States is equal to 102% of the market value of the securities borrowed. For securities traded principally outside the United States, the amount of collateral required is 105%. The fair value of securities on loan is \$50,578 (2005) and \$71,919 (2004). The fair value of collateral received is \$52,530 (2005) and \$74,039 (2004).

**NOTE D
 Property,
 Plant,
 Equipment,
 and Books**

Property, plant, equipment, and library 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:

	<u>2005</u>	<u>2004</u>
Land and land improvements	\$ 36,539	\$ 37,022
Building and building improvements	766,646	754,575
Equipment and software	141,421	136,197
Library books	29,688	28,638
Construction-in-progress	207,289	93,091
	<u>1,181,583</u>	<u>1,049,523</u>
Less: accumulated depreciation	<u>(410,677)</u>	<u>(385,929)</u>
	<u>\$ 770,906</u>	<u>\$ 663,594</u>

The above assets include \$389,851 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 financial statements is the obligation for related bonds issued by the OHEFC.

NOTE E
Bonds and
Notes Payable

Bonds and notes payable are as follows:

	Interest	Maturity	2005	2004
Ohio Higher Education				
Facilities Commission				
revenue bonds and notes:				
Series 1988	7.85 - 7.90%	2009-2013	\$ 19,868	\$ 18,391
Series 1990	6.50 - 7.15%	2005-2020	12,128	12,156
Series 1992	-n/a-	2004	-	1,020
Series 1994	6.00 - 6.25%	2014-2018	20,000	20,000
Series 1997	4.70 - 6.25%	2005-2018	12,795	15,285
Series 1997	5.00 - 5.50%	2005-2017	20,030	22,235
Series 1997	6.25%	2005-2014	8,920	9,775
Series 2001	Variable	2005-2022	18,755	18,875
Series 2002	Variable	2023-2031	64,875	64,875
Series 2002	5.00 - 5.13%	2019-2022	35,125	35,125
Series 2004	2.00 - 5.00%	2005-2034	107,950	107,950
Series 2004	Variable	2008-2044	177,825	177,825
United States government				
housing bonds:				
Series 1966	3.00 - 3.50%	2005-2016	1,415	1,435
Series 1971	3.00%	2005-2016	1,335	1,545
Ohio Board of Regents	-n/a-	2006	213	425
Ohio Higher Education				
Facilities Commission				
commercial paper	-Various-	-Various-	63,000	63,000
Bank line of credit	LIBOR + .30%	2007	30,000	-
			<u>\$594,234</u>	<u>\$569,917</u>

The 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 tax-exempt commercial paper program in February 2000 to provide construction funds for several approved capital projects and to refinance earlier projects. The program authorizes the University to issue up to \$63,000 for as long as 30 years. The amount outstanding under this program as of June 30 is \$63,000, with maturities not exceeding 270 days from the issuance date. Interest rates for this program averaged 1.71% (2005) and .97% (2004).

In March 2004, the University issued facility revenue bonds in the amount of \$285,775 through the OHEFC. The proceeds from this issue have been used to build, renovate and furnish student residence halls, laboratories, classrooms and other campus facilities and to purchase the Wolstein Research Building from University Hospitals of Cleveland. Interest rates on the Series 2004A debt are fixed, while rates on the Series 2004B debts are variable. The University has entered into three master swap agreements with financial institutions, which effectively fixes the interest rates for the variable rate debt at 2.46% until March 2009 for \$60,000 of this series and 1.91% until March 2007 for \$40,000 of this series. See Note J.

In November 2004, the University opened a \$50,000 line of credit with a

NOTE E
Bonds and
Notes Payable
(continued)

financial institution to finance working capital. The amount outstanding at June 30 totaled \$30,000 (2005).

Principal payment requirements for bonds, notes, and capital lease obligations for the next five years, excluding commercial paper, are approximately as follows:

2006 —	\$8,714
2007 —	\$8,969
2008 —	\$8,948
2009 —	\$7,994
2010 —	\$6,047

Interest payments for fiscal year 2005, including payments for variable rate debt, were \$20,427. Interest paid under interest rate swap agreements during fiscal 2005 totaled \$2,408. See Note J.

Certain borrowing agreements require the University to maintain reserves as additional collateral against its borrowings. These agreements also require that the University comply with certain covenants. The University is in compliance with these provisions.

NOTE F
Fair Value of
Investments

The University's financial instruments consist principally of cash, temporary investments, accounts and pledges receivable, loans receivable, and long-term investments, as well as obligations under bonds and notes payable. Cash and temporary investments, pledges receivable, investments and other assets are recorded at approximate fair value.

Loans receivable are amounts due from students primarily under federally sponsored programs. Since notes receivable under federal student loan programs are not saleable and can be assigned only to the U.S. government or its designee, it is not practical to determine their fair value.

The fair value of the University's bonds and notes payable is approximately \$580,539 (2005) and \$584,778 (2004). These values were estimated utilizing the discounted future cash outflows at rates for similar debt.

**NOTE G
 Retirement
 Plans**

The University has both defined benefit and defined contribution pension plans for its employees. The funded status of the University's **defined benefit plan** is as follows:

	2005	2004
Benefit obligation at June 30	\$ 91,584	\$ 71,874
Fair value of plan assets at June 30	61,291	49,121
Funded status	<u>\$ (30,293)</u>	<u>\$ (22,753)</u>
Accrued benefit expenses recognized in the balance sheet	\$ 4,896	\$ 11,015
Accumulated benefit obligation	\$ 90,999	\$ 70,675

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

	2005	2004
Equity securities	67.00%	65.00%
Fixed income securities	17.00%	34.00%
Real estate	16.00%	0.00%
Cash and cash equivalents	0.00%	1.00%
Total	<u>100.00%</u>	<u>100.00%</u>

The **investment objective** for the defined benefit plan is to maximize total return with tolerance for slightly above average risk. The University's previous asset allocation strategy favored equities, with a target allocation of approximately 65% equity securities and 35% fixed income securities. In an effort to diversify the plan portfolio, the University has established a new asset allocation strategy of approximately 80% to a widely diversified group of equity-oriented investments and 20% to fixed income securities. The new target allocation is approximately 66% equity-oriented securities, 16% real estate and 18% fixed income securities, including cash. Due to market conditions, the target allocation is not always desirable and asset allocations will fluctuate among the acceptable ranges.

It is management's intent to give the investment managers flexibility within the overall guidelines with respect to investment decisions and their timing. However, certain investments require specific review and approval by management. Management is also informed of significant modifications of any previously approved investment or anticipated use of derivatives to execute investment strategies.

The **expected long-term rate of return** 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, which projected future returns based on current equity valuations rather than 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.

NOTE G
Retirement
Plans
 (continued)

The University is required to recognize an additional minimum pension liability. Net amounts recognized in the University's balance sheet are as follows:

	<u>2005</u>	<u>2004</u>
Accrued benefit liability	\$ (29,707)	\$ (21,554)
Intangible asset	2,493	2,960
Accumulated non-operating income	22,318	7,579
Net amount recognized	<u>\$ (4,896)</u>	<u>\$ (11,015)</u>

Current pension-related charges to non-operating income are as follows:

	<u>2005</u>	<u>2004</u>
Accumulated non-operating income, beginning of year	\$ 7,579	\$ 11,663
Accumulated non-operating income, end of year	<u>22,318</u>	<u>7,579</u>
Current charge (credit) to non-operating income	<u>\$ 14,739</u>	<u>\$ (4,084)</u>

The weighted-average assumptions used to determine the University's obligation under the defined benefit plan at June 30 are as follows:

	<u>2005</u>	<u>2004</u>
Discount rate	5.25%	6.25%
Rate of compensation increase	4.50%	4.50%
Census date	7/1/04	7/1/03

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

2006 —	\$2,781
2007 —	\$2,407
2008 —	\$3,157
2009 —	\$3,759
2010 —	\$3,683

Amounts expected to be paid between 2010 and 2014 total \$25,288. The University's **estimated contribution** for the defined benefit plan in fiscal 2006 is \$7,641. This amount may decrease based on the results of the July 1, 2005 actuarial valuation.

NOTE G
Retirement
Plans
(continued)

Benefit plan costs for the defined benefit and defined contribution plans are as follows:

	<u>2005</u>	<u>2004</u>
Defined benefit plan		
Benefit cost	\$ 4,064	\$ 3,976
Employer contributions	10,183	3,175
Benefits paid	2,150	2,141
Defined contribution plan		
Employer contributions	18,550	17,799

The weighted-average assumptions used to determine net periodic benefit cost for the defined benefit plan are as follows:

	<u>2005</u>	<u>2004</u>
Discount rate	6.25%	5.75%
Expected return on plan assets	8.50%	8.50%
Rate of compensation increase	4.50%	4.50%

NOTE H
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 December 2002, the Boards of University Hospitals Health System and the University approved a new fifty year partnership between the School of Medicine and University Hospitals of Cleveland (UHC). This agreement will significantly strengthen the historical relationship between the entities by developing a joint strategic plan for certain research initiatives.

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 \$68,382 (2005) and \$24,110 (2004).

The University is self-insured for 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.

**NOTE I
 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 amount purchased during fiscal 2005 was \$12,964. No obligation associated with this agreement is recorded in the accompanying financial statements.

**NOTE J
 Derivatives
 and Other
 Financial
 Instruments**

The University makes limited use of interest rate swap agreements to manage interest rate risk associated with variable rate debt. Under interest rate swap agreements, the University and its counterparty agree to exchange the difference between the fixed rate and variable rate interest amounts calculated by reference to specified notional principal amounts during the agreement period. Operations are charged the variable rate interest; 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.

Information related to the long-term interest rate swap agreements to which the University is a party, including the associated OHEFC borrowing where applicable and the asset (liability) recognized in the balance sheet are as follows:

Date of Agreement	OHEFC Borrowing	Notional Amount	Effective Rate	Maturity Date	2005	2004
February 2001	Series 2001	\$ 18,875	4.34%	2022	\$ (1,745)	\$ (936)
May 2002	Series 2002	15,000	4.43%	2022	(2,366)	(1,113)
September 2002	Series 2002	15,000	3.60%	2022	(871)	369
October 2003	Series 2004	35,000	3.81%	2034	(3,577)	520
March 2004	Series 2004	60,000	2.46%	2009	1,216	1,634
March 2004	Series 2004	20,000	1.92%	2007	333	349
March 2004	Series 2004	20,000	1.92%	2007	335	337
June 2005	-n/a-	75,000	4.05%	2037	(674)	-

The University selected the combination of variable rate bond issues and long-term interest rate swap agreements to obtain fixed rate financing at the lowest available cost at the time of the transaction. Changes in the fair value of derivative instruments are recorded in non-operating revenues and expenses as investment and other income.

NOTE K
Subsequent
Event

On August 25, 2005 the University purchased the Triangle property for \$28,595. The property, located at the intersection of Mayfield and Euclid Avenues, consists of two residential apartment buildings, two commercial structures and a parking garage. The buildings were purchased from Associated Estates Realty Corporation. The University also purchased approximately four acres of land on which the buildings are located from University Circle Incorporated.

The University formed Triangle Residential LP, in which Case is the sole limited partner, to purchase and operate the apartment buildings, parking garage and one of the commercial structures. The remaining commercial structure will be owned and operated directly by the University. The University plans to operate the properties pending finalization of plans to develop the area into "College Town," an extended residential and retail complex.

**CASE WESTERN RESERVE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

for the year ended June 30, 2005

<u>FEDERAL GRANTOR/PROGRAM TITLE</u>	<u>Catalog of</u> <u>Federal Pass Through</u> <u>Domestic Entity</u> <u>Assistance Identifying</u>		<u>Expenditures</u>
	<u>Number</u>	<u>Number</u>	
Research and Development and Research Training Program			
Research and Development - University			
Department of Agriculture			
Direct Programs			
Agricultural Research_Basic and Applied Research	10.001		\$ 42
Grants for Agricultural Research_Competitive Research	10.206		114,220
Pass Through Programs			
University of Southern Mississippi	10.206	USM-0221705147-A10	1,226
University of Wisconsin - Madison	10.206	P631536	2,391
			<u>3,617</u>
Department of Agriculture Subtotal			<u>117,879</u>
Department of Commerce			
Direct Programs			
Research and Evaluation Program	11.522		26,980
Pass Through Programs			
Integrated Fuel Cell Technology	11	INTEGRATED FUEL CELL	54,579
Integrated Fuel Cell Technology	11	INTEGRATED FUEL CELL	76,641
			<u>131,220</u>
University of New Hampshire	11.419	02-609	20
Glennan Microsystems Initiative	11.609	1015	5,235
T/J Technologies	11.612	70NANB1H3055	15,004
Ohio Aerospace Institute	11.612	R-300-100187-40101	130,793
Ohio Aerospace Institute	11.612	R-300-100187-40101	60,733
			<u>206,530</u>
Department of Commerce Subtotal			<u>369,985</u>
Department of Defense			
Direct Programs			
Other Department of Defense Programs	12		540,020
Basic and Applied Scientific Research	12.300		609,569
Military Medical Research and Development	12.420		592,071
Basic Scientific Research	12.431		2,006,711
Basic, Applied and Advanced Research in Science	12.630		142,042
Department of Defense Research	12.800		700,645
Research & Technology Development	12.910		77,060
Pass Through Programs			
University of California, Berkeley	12	4714-10417	274,701

**CASE WESTERN RESERVE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

for the year ended June 30, 2005

<u>FEDERAL GRANTOR/PROGRAM TITLE</u>	<u>Catalog of</u>		<u>Expenditures</u>
	<u>Federal</u>	<u>Pass Through</u>	
	<u>Domestic</u>	<u>Entity</u>	
	<u>Assistance</u>	<u>Identifying</u>	
	<u>Number</u>	<u>Number</u>	
California Institute of Technology	12	6A-1051558	901
Foster-Miller	12	SUB1-00222	16,631
Foster-Miller	12	DAFD.040247.000.090	32,311
Makel Engineering	12	FA910104C0004	9,344
Makel Engineering	12	PO-R04178	7,621
Ohio Aerospace Institute	12	OAI	10,653
Physical Sciences	12	30985-1414	2,932
University of Dayton	12	RSC04007	57,838
Utility Development Corporation	12	FA9550-04-C-0054	38,941
			<hr style="width: 100%; border: 0.5px solid black;"/>
			451,873
Sierra Lobo	12.300	SLI-0902-003	(1,947)
University of California, Berkeley	12.300	KK3115	26,909
University of Texas at Austin	12.300	UTA04-546	48,806
University of Washington	12.300	429159	185,629
CREE Incorporated	12.300	02-006	37,503
Honeywell	12.300	DAAD19-01-2-0010	21,882
Honeywell	12.300	DAAD19-01-2-0010	23,146
			<hr style="width: 100%; border: 0.5px solid black;"/>
			341,928
University of Michigan	12.420	F010101	15,094
California Institute of Technology	12.431	1036224	9,240
Corporation for National Research Initiative	12.431	MDA972-03-1-0022	168
Timken Company	12.431	SA3627	81,884
Timken Company	12.431	SA3627	209,504
Timken Company	12.431	SA3627	137,665
			<hr style="width: 100%; border: 0.5px solid black;"/>
			438,461
Advanced Technology Institute	12.800	20010764	35,289
Oregon State University	12.910	RF020A-B	126,135
Boeing Company	12.910	Z10715	119,277
Georgia Institute of Technology	12.910	E-19-Z18-G1	35,277
Georgia Institute of Technology	12.910	E-19-Z18-G1	34,188
			<hr style="width: 100%; border: 0.5px solid black;"/>
			314,877
			<hr style="width: 100%; border: 0.5px solid black;"/>
Department of Defense Subtotal			6,265,640
			<hr style="width: 100%; border: 0.5px solid black;"/>
Department of Housing and Urban Development			
Direct Programs			
Environmental Health Watch	14	OHLHH0069-99	52,621
			<hr style="width: 100%; border: 0.5px solid black;"/>
Department of Housing and Urban Development Subtotal			52,621
			<hr style="width: 100%; border: 0.5px solid black;"/>

**CASE WESTERN RESERVE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

for the year ended June 30, 2005

<u>FEDERAL GRANTOR/PROGRAM TITLE</u>	Catalog of Federal Pass Through Domestic Entity Assistance Identifying		<u>Expenditures</u>
	<u>Number</u>	<u>Number</u>	
Department of the Interior Geological Survey			
Direct Programs			
U.S. Geological Survey Research and Data Acquisition	15.808		1,045
Department of the Interior Geological Survey Subtotal			1,045
 Agency for International Development			
Pass Through Programs			
National Council for Eurasian and Easter	19	818-9	355
Association Liaison Office	19	ASSOC. LIAISON OFFIC	2,102
Association Liaison Office	19	ASSOC. LIAISON OFFIC	21,074
Agency for International Development Subtotal			23,531
 Department of Justice			
Direct Programs	16		435,606
Pass Through Programs			
Cuyahoga County Board of Commissioners	16.523	CE0400408-01/2003-JB	10,636
Shaker Heights Health Department	16.729	2001-JN-FX-0115	2,823
Bellefaire Jewish Children's Bureau	16.729	2001-JN-FX-0090	2,089
Department of Justice Subtotal			451,154
 Department of Transportation			
Pass Through Programs			
National Academy of Sciences	20	HSR-40	4,590
National Academy of Sciences	20	HSR-40	19,125
National Research Council	20	NCHRP-112	5,274
			28,989
Ohio Department of Transportation	20.205	20591	18,858
Department of Transportation Subtotal			47,847

**CASE WESTERN RESERVE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

for the year ended June 30, 2005

<u>FEDERAL GRANTOR/PROGRAM TITLE</u>	Catalog of Federal Pass Through Domestic Entity Assistance Identifying		<u>Expenditures</u>
	<u>Number</u>	<u>Number</u>	
National Aeronautics and Space Administration			
Direct Programs			
Aerospace Education Services Program	43.001		464,882
Technology Transfer	43.002		3,542,753
Pass Through Programs			
Ohio State University Research Foundation	43	745432	376,456
Jet Propulsion Laboratory	43.002	1266548	2,205
Jet Propulsion Laboratory	43.002	1239487	158,897
Makel Engineering Inc.	43.002	PO-R04180	18,774
National Space Biomedical Research Institution	43.002	NPF00206	137,626
National Space Biomedical Research Institution	43.002	NA00208	30,209
Universities Space Research Association	43.002	04520-01	1,924,448
Virginia Commonwealth University	43.002	529302/P622252	13,203
			<u>2,285,362</u>
National Aeronautics and Space Administration Subtotal			<u>6,669,453</u>
 National Endowment for the Arts			
Direct Programs			
Promotion of the Humanities-Collaborative Research	45.161		841
National Endowment for the Arts			<u>841</u>
 National Science Foundation			
Direct Programs			
Engineering Grants	47.041		1,085,621
Mathematical & Physical Sciences	47.049		2,643,225
Geosciences	47.050		48,038
Computer and Information Science & Engineering	47.070		1,354,373
Biological Sciences	47.074		1,651,190
Social, Behavioral and Economic Sciences	47.075		573,534
Education and Human Resources	47.076		63,285
Polar Programs	47.078		68,931
Other NSF Programs	47		192,028
Pass Through Programs			
Faraday Technology, Inc.	47	DMI0450179	27,996
John Carroll University	47	DUE-0309771	18,192

**CASE WESTERN RESERVE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

for the year ended June 30, 2005

<u>FEDERAL GRANTOR/PROGRAM TITLE</u>	<u>Catalog of</u>		<u>Expenditures</u>
	<u>Federal</u>	<u>Pass Through</u>	
	<u>Domestic</u>	<u>Entity</u>	
	<u>Assistance</u>	<u>Identifying</u>	
	<u>Number</u>	<u>Number</u>	
			46,188
University of Virginia	47.041	GA10484-121950	36,616
University of Virginia	47.041	GA10484-121950	26,037
Sensor Development Corporation	47.041	DMI-0319303	6,637
			<hr/> 69,290
University of California, Berkeley	47.049	KK4123	53,056
University of California, Berkeley	47.049	SA2700-21235PG	544,323
University of California, Berkeley	47.049	008231-001	(324)
			<hr/> 597,055
Southern California Earthquake Center	47.050	083263	11,302
University of California	47.070	SA4182-23640PG	79,368
University of Oregon	47.076	204991C	13,296
University of California, Berkeley	47.078	SA3862-22394PG	43,872
University of Chicago	47.078	23132-B	167,706
			<hr/> 211,578
			<hr/> 8,708,302
 Department of Veteran Affairs			
Direct Programs			
Other Department of Veterans's Affairs Programs	64		172,120
			<hr/> 172,120
 Department of Veteran Affairs Subtotal			
			<hr/> 172,120
 Environmental Protection Agency			
Direct Programs			
Environmental Education Grants	66.500		292,770
Other EPA Programs	66		240,843
			<hr/> 533,613
 Environmental Protection Agency Subtotal			
			<hr/> 533,613
 Department of Energy			
Direct Programs			
Department of Energy	81		2,046,681
Used Energy-Related Laboratory Equipment Grants	81.022		240,187
Energy-Related Inventions	81.036		201,553
Office of Energy Research Financial Assistance Program	81.049		230,172

**CASE WESTERN RESERVE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

for the year ended June 30, 2005

<u>FEDERAL GRANTOR/PROGRAM TITLE</u>	<u>Catalog of</u> <u>Federal Pass Through</u> <u>Domestic Entity</u> <u>Assistance Identifying</u>		<u>Expenditures</u>
	<u>Number</u>	<u>Number</u>	
Conservation Research and Development	81.086		87,791
Pass Through Programs			
3M Company	81	0001105039	70,549
3M Company	81	0001105039	53,684
3M Company	81	0001105039	37,493
3M Company	81	0000945522	64,608
Advanced Technology Institute	81	20050521	4,699
Advanced Technology Institute	81	ATI	112,199
Advanced Technology Institute	81	ATI	72,500
Advanced Technology Institute	81	ATI	86,263
Battelle Memorial Institute	81	4000017402	33,320
Brookhaven National Laboratory	81	67739	512
Brookhaven National Laboratory	81	82506	18,066
De Nora North America, Inc	81	ETEK DENORA	114,793
DuPont Fuel Cells	81	DE-FC04-02AL67606	66,196
Lawrence Livermore National Laboratories	81	B529229	922
Lawrence Livermore National Laboratories	81	B529216	14,085
Los Alamos National Laboratories	81	07026-001-04 3F	404,992
Los Alamos National Laboratories	81	25703-001-02	12,714
Los Alamos National Laboratories	81	55661-001-02 37	(82,617)
Los Alamos National Laboratories	81	21204-001-05	51,789
National Renewable Energy Lab	81	XDJ-3-30630-33	47,971
Ohio University	81	UT 12784	5,737
Swagelok Company	81	SWAGELOK	583,452
T/J Technologies	81	DEFG0204ER84088	47,094
University of South Carolina	81	04-0955	28,978
			<hr/>
			1,849,999
University of Michigan	81.049	F007537	126,388
			<hr/>
Department of Energy Subtotal			4,782,771
			<hr/>
Department of Education			
Direct Programs			
Special Education Research and Innovation to Improve	84.324		319,770
			<hr/>
Department of Education Subtotal			319,770
			<hr/>
Department of Health & Human Services			

**CASE WESTERN RESERVE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

for the year ended June 30, 2005

<u>FEDERAL GRANTOR/PROGRAM TITLE</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Pass Through Entity Identifying Number</u>	<u>Expenditures</u>
Direct Programs			
Food and Drug Administration- Research	93.103		248,191
Maternal & Child Health Federal Consolidated Programs	93.110		399,283
Biological Response to Environmental Health Hazards	93.113		(82)
Applied Toxicological Research and Testing	93.114		477,400
Project Grant & Cooperative Agreements for TB Control Programs	93.116		4,478,968
Oral Diseases & Disorder Research	93.121		2,739,776
Grants to Increase Organ Donations	93.134		407,303
Human Genome Research	93.172		1,115,305
Research Related to Deafness & Communications Disorders	93.173		1,160,231
Research and Training in Alternative Medicine	93.213		341,063
Research on Healthcare Costs, Quality and Outcomes	93.226		966,416
National Center on Sleep Disorders Research	93.233		1,388,025
Mental Health Research Grants	93.242		5,855,696
Alcohol Research Programs	93.273		1,675,930
Drug Abuse Research Programs	93.279		2,165,462
Mental Health Research Career/Scientist Development Award	93.281		427,539
Centers for Disease Control and Prevention	93.283		2,908,813
Biomedical Imaging Research	93.286		1,907,783
National Heart and Lung Research	93.287		324,296
Comparative Medicine Program	93.306		321,908
Clinical Research	93.333		2,204,771
Nursing Research	93.361		1,741,876
Biomedical Technology	93.371		728,368
Research Infrastructure	93.389		1,620,303
Cancer Cause & Prevention Research	93.393		1,665,949
Cancer Detection and Diagnosis Research	93.394		2,209,628
Cancer Treatment Research	93.395		7,947,914
Cancer Biology Research	93.396		2,423,860
Cancer Centers Support Grants	93.397		5,186,458
Cancer Research Manpower	93.398		1,625,032
Cancer Control	93.399		1,837,885
Job Opportunities and Basic Skills Training	93.561		23,843
Cell Biology and Biophysics Research	93.821		4,524,733
Heart & Vascular Diseases Research	93.837		11,711,598
Lung Diseases Research	93.838		12,897,156
Blood Diseases & Resources Research	93.839		2,106,643
Arthritis, Musculoskeletal, & Skin Diseases Research	93.846		5,298,440
Diabetes, Endocrinology & Metabolism Research	93.847		12,694,569
Digestive Diseases & Nutrition Research	93.848		3,744,072

**CASE WESTERN RESERVE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

for the year ended June 30, 2005

<u>FEDERAL GRANTOR/PROGRAM TITLE</u>	<u>Catalog of Federal Domestic Assistance</u> <u>Number</u>	<u>Pass Through Entity Identifying Number</u>	<u>Expenditures</u>
Kidney Disease, Urology & Hematology Research	93.849		6,343,686
Clinical Research Related to Neurological Disorders	93.853		5,949,810
Biological Basis Research in Neurosciences	93.854		5,205,262
Allergy, Immunology & Transplantation Research	93.855		1,806,712
Microbiology & Infectious Diseases Research	93.856		15,388,794
Pharmacology, Physiology, and Biological Chemistry Research	93.859		3,002,845
Genetics and Developmental Biology Research	93.862		4,377,305
Population Research	93.864		1,536,440
Centers for Research for Mothers and Children	93.865		5,748,751
Aging Research	93.866		8,323,918
Vision Research	93.867		4,835,415
Project Grants for Non-Acute Care Intermediate and Long-Term Care Facilities for Patients with AIDS	93.887		293,908
Center for Medical Rehabilitation Research	93.929		501,149
Senior International Fellowships	93.989		610,809
Pass Through Programs			
Alliance of Community Health Plans	93	200-95-0953-049	40,594
Alliance of Community Health Plans	93	200-95-0953-049	658
Boston University	93	CA91958	11,742
Catholic Healthcare Partners	93	CHP	13,165
Cleveland Clinic Lerner College of Medicine	93	EB-002718-03	9,559
Johns Hopkins University	93	8308-80100-3	61,593
Organix Inc.	93	1 R43 DK065322	37,808
Organix Inc.	93	1 R43 DK065322	33,385
Seattle Institute of Cardiac Research	93	1 U01 HL67972-01	13,200
Tristan Technologies, Inc.	93	1R43DK066736-01	25,151
Visiting Nurse Service of New York	93	VNSNY	1,393
Wayne State University	93	WSU03035-A1	107,552
SAIC-Frederick, Inc.	93	23XS087A	128,709
			<hr style="width: 100%; border: 0.5px solid black;"/>
			484,509
Jewish Community Federation of Cleveland	93.048	90AM2610	34,886
Hemophilia Foundation of Michigan	93.110	6H30MC 00015-15	17,548
Hemophilia Foundation of Michigan	93.110	6H30MC 00015-15	(851)
			<hr style="width: 100%; border: 0.5px solid black;"/>
			16,697
University of Pennsylvania	93.113	537908	2,546
Children's Hospital Research Foundation	93.115	CHMC 030	64,919
Cleveland Clinic Foundation	93.121	974188820602	101,736
Cleveland Clinic Foundation	93.121	974188820602	10,533
			<hr style="width: 100%; border: 0.5px solid black;"/>
			112,269
University of Pittsburgh	93.134	108079-1	59,847

**CASE WESTERN RESERVE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

for the year ended June 30, 2005

<u>FEDERAL GRANTOR/PROGRAM TITLE</u>	<u>Catalog of</u> <u>Federal Pass Through</u> <u>Domestic Entity</u> <u>Assistance Identifying</u>		<u>Expenditures</u>
	<u>Number</u>	<u>Number</u>	
Cleveland Clinic Lerner College of Medicine	93.137	D52MP02105-01	6,021
Howard University	93.172	1 P41 HG02677-01	18,856
Boston University	93.172	6203-5	110,746
			<hr/> 129,602
Georgia Institute of Technology	93.173	E-17-6C9-G3	11,618
Cleveland Clinic Foundation	93.226	CCF - HS015076	15,000
Indiana University	93.226	290-02-0008	115,891
Northwestern University	93.226	0600 370 FE75 465	6,681
			<hr/> 137,572
Stanford University	93.233	PY-2343	16,457
CME Development Group	93.242	MH073197-01	35,796
Duke University	93.242	118685 SITE 14	1,600
Duke University	93.242	GCID#100528	63,620
University of Arizona	93.242	V976131	134,683
University of Massachusetts Boston	93.242	MH055278-07	8,267
University of Mississippi	93.242	MH63187	125,930
University of North Carolina	93.242	N01MH90001	114,366
University of Wisconsin - Madison	93.242	K043444	54,020
Virginia Commonwealth University	93.242	524890/PO P583964	27,432
Yale University School of Medicine	93.242	MH066645-02	4,024
Yale University School of Medicine	93.242	MH60250-03	95
			<hr/> 569,833
Yale New Haven Hospital	93.252	G92 OA00134	19,952
Research Foundation of State University	93.279	247230	61,486
Yale University School of Medicine	93.279	DKP1079151	19,568
			<hr/> 81,054
Association of American Medical Colleges	93.283	U36/CCU319276	67,147
Association of American Medical Colleges	93.283	MM-0122-02/02	140,507
Association of American Medical Colleges	93.283	U36/CCU319276	47,574
Hemophilia Foundation of Michigan	93.283	U27/CCU513182-08	8,906
			<hr/> 264,134
University of Connecticut	93.361	251202	(60)
University of Connecticut Health Center	93.361	469305	21,430
			<hr/> 21,370
Massachusetts Institute of Technology	93.371	5710001819	19,718
Ohio State University Research Foundation	93.390	60003197	(84,983)
University of Cincinnati	93.390	P021-040-K106-1119	322
			<hr/> (84,661)
American College of Radiology	93.393	AMER COLL OF RADIOLO	2,903
University of California, Irvine	93.393	CA88164	120,778
			<hr/> 120,778

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		123,681
Ohio State University Research Foundation	93.394 746327	114,293
Attenoun, L.L.C.	93.395 CA-110224-01	72,076
Aventis Pharmaceuticals	93.395 GIA #11189	1,645
Bowling Green State University	93.395 CA91027-03	48,117
Cleveland Clinic Lerner College of Medicine	93.395 CA-083267-07	70,420
Frontier Science Technology Research Foundation	93.395 CWR211-01	159
National Childhood Cancer Foundation	93.395 T2K0405	8
National Childhood Cancer Foundation	93.395 9617	109
National Childhood Cancer Foundation	93.395 98543-1113	3,954
SAIC-Frederick, Inc.	93.395 22XS124A	108,151
SAIC-Frederick, Inc.	93.395 23XS037A	370
SAIC-Frederick, Inc.	93.395 24XS011	597
SAIC-Frederick, Inc.	93.395 24XS046	11,092
University of Medicine & Dentistry of New Jersey	93.395 CA-95739-01	(567)
Virginia Commonwealth University	93.395 520368/PO P638976	14,514
Wayne State University	93.395 WSU05014	72,132
National Childhood Cancer Foundation	93.395 T2K0405	(134)
		<hr/> 402,643
Oncology Nursing Society	93.398 1R25CA93426	29,322
National Surgical Adjuvant Breast	93.399 PFED19-IRE-01	40,497
National Surgical Adjuvant Breast	93.399 TFED32-#728	(15,505)
National Surgical Adjuvant Breast	93.399 TIND-728	15,448
National Surgical Adjuvant Breast	93.399 PIND-IRE-01	50,066
Southwest Oncology Group	93.399 CA37429	22,701
		<hr/> 113,207
Carta Proteomics, Inc.	93.821 GM064318	38,070
University of Miami	93.821 GM055796	33,250
University of Miami	93.821 GM055796	(7,000)
		<hr/> 64,320
Biomec, Inc.	93.837 HL65815-02	67,149
Cleveland Clinic Foundation	93.837 R01 HL69094-03	47,993
Cleveland Clinic Lerner College of Medicine	93.837 095330511101	9,220
Constella Group Inc.	93.837 328310003	1,007
Emory University	93.837 HL63666-04	17,644
Massachusetts Institute of Technology	93.837 5710001455	35,367
Northern California Institute for Research	93.837 2 FRAM 767-01	48,778
University of Pittsburgh	93.837 108715-2	156,538
Wayne State University	93.837 WSU 03066-A1	39,133
		<hr/> 422,829

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Aastrom Biosciences, Inc.	93.838 HL74681-01	15,299
Arteriocyte, Inc.	93.838 HL-080856-01	6,456
Children's Hospital of Philadelphia	93.838 HL-62514-03	52,037
Duke University	93.838 58	29,249
Duke University	93.838 ESCAPE - 21	2,997
Synaptic Pharmaceutical Corp	93.838 SYNAPSE	24,472
University of North Carolina	93.838 5-51638	266,173
University of Pennsylvania	93.838 00481-05-05	58,721
		<hr/> 455,404
Medical College of Georgia	93.839 05-10745C1	36,601
Medical College of Georgia	93.839 MCG-STOP II-000967-0	4,900
ViaCell Inc.	93.839 HL074555-01	25,703
		<hr/> 67,204
Aastrom Biosciences, Inc.	93.846 1 R43 AR049633-01	(35)
Dartmouth College	93.846 5-30890.5725	278
Drexel University	93.846 232120	39,315
Duke University	93.846 APPLE SITE 16	13,746
University of Chicago	93.846 26682	(372)
University of Utah	93.846 9809032FA	10,958
University of Utah	93.846 9809032F	5,559
		<hr/> 69,449
Children's Hospital and Regional Medical	93.847 HR.7659.109004.007	52,964
George Washington University	93.847 T2K0506	714,991
University of Medicine & Dentistry of New Jersey	93.847 55369	(28)
Vanderbilt University	93.847 VUMC31179-R	108,540
		<hr/> 876,467
Rhode Island Hospital	93.848 7694-02	20,383
University of Pennsylvania	93.848 542788	4,359
		<hr/> 24,742
Columbia University	93.849 DK57209	431,788
Children's Hospital and Regional Medical	93.853 CHMC 380	33,376
Children's Hospital Research Foundation	93.853 CHMC #345	117,933
Cleveland Medical Devices, Inc.	93.853 NS044465602	35,335
University of Chicago	93.853 24469	36,688
University of South Florida	93.853 6112-162-LO-C	89,967
University of Washington	93.853 WU-04-43	5,677
Washington University	93.853 WU-03-91	2,192
Washington University	93.853 WU-04-142	24,059
		<hr/> 345,227
Cleveland Medical Devices, Inc.	93.854 NS-41118	23,850

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University of Alaska, Anchorage	93.854 UAF 01-0017	190,275
		<hr/> 214,125
Cleveland Clinic Lerner College of Medicine	93.855 075360150601	191,114
Massachusetts Institute of Technology	93.855 5710000979	55,150
Oklahoma Medical Research Foundation	93.855 AI2471713	44,650
		<hr/> 290,914
Family Health International	93.856 N01-HD-0-3310-502-2	890,176
Rush Presbyterian - St. Luke's Medical Center	93.856 AI055793-03	772,286
Social & Scientific Systems, Inc.	93.856 #204IC003	(38,197)
Social & Scientific Systems, Inc.	93.856 SOCIAL N SCIENTIFIC	7,034
Social & Scientific Systems, Inc.	93.856 #204IC003	350,937
Social & Scientific Systems, Inc.	93.856 AACTG.27.5149.01	1,951
SynVAX, Inc	93.856 AI-58439-01	3,322
University of California, Irvine	93.856 3572SC	128,014
University of Minnesota	93.856 SILCAAT	2,849
University of Washington	93.856 986628	160,893
University of Washington	93.856 860515	48,300
University of Wisconsin - Madison	93.856 J033342	447,798
Washington University	93.856 WU-05-53	72,717
		<hr/> 2,848,080
Washington University	93.858 WU-05-54	105,341
Washington University	93.858 WU-05-57	204,706
Washington University	93.858 WU-05-59	100,518
Henry Ford Health System	93.858 HL60263-05	44,518
		<hr/> 455,083
Mayo Clinic- Rochester	93.859 U01GM61388-06	89,904
Tephia, Inc.	93.859 GM64863-02	9,731
		<hr/> 99,635
Johns Hopkins University	93.865 8009-35493-0	6,606
Northwestern University	93.865 0600 370 E361 910	(7,452)
Northwestern University	93.865 0600 370 E361 910	56,116
Pennsylvania State University	93.865 2620-CWRU-DHHS-6167	107,636
Pennsylvania State University	93.865 2253-CWRU-DHHS-8075	149,812
University of Alabama, Birmingham	93.865 ATN045A	12,788
		<hr/> 325,506
Boston University	93.866 MC-431538-DJW	48,988
Boston University	93.866 GC159610NGC	145,322
Cleveland Clinic Foundation	93.866 AG16613-03	3,012
Rainforest Nutritionals, Inc.	93.866 AG024773-01	8,220
University of Michigan	93.866 F001611	90,899

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University of Virginia	93.866 GC10857-117544	41,535
University of Washington	93.866 874531	34,943
University of Washington	93.866 874531	(3)
		<hr/> 372,916
Biomec, Inc.	93.867 BIOMECC, INC.	22
Cleveland Clinic Lerner College of Medicine	93.867 1 R01 EY013516-01	46,015
Duke University	93.867 02-SC-NIH-1053	14,830
Jaeb Center for Health Research	93.867 EY12358-06	44,970
Jaeb Center for Health Research	93.867 DRCR - SITE 4051	34
Ohio State University Research Foundation	93.867 745413	13,412
University of California, Irvine	93.867 10205850-003	81,446
University of Southern California	93.867 H31502	102,696
		<hr/> 303,425
Cleveland Clinic Foundation	93.879 1 R01 LM008154-01	5,774
Cleveland Clinic Lerner College of Medicine	93.879 LM008154-02	22,935
		<hr/> 28,709
Children's Research Institute	93.929 HD-39834-02	381,952
NeuroControl Corporation	93.929 HD45103-01	39,899
University of Illinois	93.929 020263/E0001026	1,336
		<hr/> 423,187
Family Health International	93.939 N01-AI-35173-323	2,914
Stanford University	93.959 3601-A	8,372
		<hr/> 186,308,993
Department of Health & Human Services Subtotal		186,308,993
		<hr/>
Subtotal Research and Development - University		214,825,565
		<hr/>
Research and Development - Cleveland Clinic Lerner College of Medicine		
Department of Health & Human Services		
Direct Programs		
Oral Diseases & Disorder Research	93.121	346,439
Research Related to Deafness and Communication Disorders	93.173	142,938
Research and Training in Alternative Medicine	93.213	123,720
Alcohol Research Programs	93.273	290,212
Centers for Disease Control and Prevention	93.283	88,868
Biomedical Imaging Research	93.286	320,239
Research Infrastructure	93.389	2,868,433
Academic Research Enhancement Award	93.391	82
Cancer Cause & Prevention Research	93.393	2,411,663
Cancer Treatment Research	93.395	5,255,532

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	<u>Number</u>	<u>Number</u>	
Cancer Biology Research	93.396		5,958,377
Cancer Research Manpower	93.398		130,790
Cell Biology and Biophysics Research	93.821		816,320
Heart & Vascular Diseases Research	93.837		15,706,253
Lung Diseases Research	93.838		2,325,838
Blood Diseases & Resources Research	93.839		4,834,392
Arthritis, Musculoskeletal, & Skin Diseases Research	93.846		2,776,096
Diabetes, Endocrinology and Metabolism Research	93.847		173,462
Digestive Diseases & Nutrition Research	93.848		880,575
Kidney Disease, Urology & Hematology Research	93.849		3,931,205
Clinical Research Related to Neurological Disorders	93.853		5,333,338
Biological Basis Research in Neurosciences	93.854		159,984
Allergy, Immunology & Transplantation Research	93.855		2,572,934
Microbiology and Infectious Diseases Research	93.856		994,038
Pharmacology, Physiology, and Biological Chemistry Research	93.859		1,834,217
Genetics and Developmental Biology Research	93.862		690,754
Population Research	93.864		291,588
Centers for Research for Mothers and Children	93.865		572,937
Aging Research	93.866		578,410
Vision Research	93.867		1,443,748
Residency Training and Advanced Education in the General Practice of Dentistry	93.879		248,033
Senior International Fellowships	93.989		81,884
Center for Medical Rehabilitation Research	93.929		239,227
Other HHS Programs	93		347,459
Pass Through Programs			
NDI Medical	93	1 R43 AG 22292-	93
Immune Tolerance Network	93	AI 15416-02	128,428
Immune Tolerance Network	93	AI 15416-1	3,276
University of California-San Francisco	93	AI 15416-01	192,263
Nanonprobes, Inc.	93	1 R43 CA111182-	3,582
Progenics	93	2 R44 CA091746-	46,273
University of Texas	93	CM 05126	259,287
University of Texas	93	N01 CN 095040	208,342
Fox Chase Cancer center	93	CN 95037	2,853
			<hr/>
			844,397
Johns Hopkins University	93.103	AR 92240	232,602
Biomedic, Inc.	93.173	DC 04741-03	22,489
Massachusetts Eye and Ear	93.173	U01 DC006296-01	51,411
Washington University	93.173	U01 DC004681-02	551
			<hr/>

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	<u>Federal</u>	<u>Pass Through</u>	
	<u>Domestic</u>	<u>Entity</u>	
	<u>Assistance</u>	<u>Identifying</u>	
	<u>Number</u>	<u>Number</u>	
			74,451
University of Michigan	93.286	EB 002285-01	59,788
Boston University	93.389	5 U54 R019497-0	128,350
University of California-San Francisco	93.393	CA 88164-04	297,877
Nanonprobes, Inc.	93.394	CA 44971	17,160
Nanonprobes, Inc.	93.394	CA 83618-03	128,272
			<hr/> 145,432
CBL	93.395	1 R41 CA110400-	63,922
CTRC Research	93.395	CA 04919-46	81,695
Gynecology Oncology Group	93.395	CA 27469	125,696
Massachusetts General Hospital	93.395	CA 84203-4	158,150
Nanonprobes, Inc.	93.395	1 R01 CA93871-0	147,865
National Childhood Cancer Foundation	93.395	U10 CA98543-02	12,878
Southwest Oncology Group-Cancer Therapy And Research Foundation	93.395	5 U10 CA32102-0	29,755
Southwest Oncology Group-Cancer Therapy And Research Foundation	93.395	CA 32102	21,965
			<hr/> 641,926
University Of Pittsburgh	93.396	CA 57840-10	29,409
Southwest Oncology Group-Cancer Therapy And Research Foundation	93.399	CA 37429-19	146,675
University Of Colorado	93.399	2 R01 CA068099-	22,600
Washington University	93.399	CA 068124-09	(3)
			<hr/> 169,272
Cornell University	93.837	5 P01 HL046403-	17,216
Cornell University	93.837	HL 67839-3	267,327
Foster Miller	93.837	1 R44 HL075894-	35,563
PMI Industries	93.837	HL079687-01	9
St. Elizabeth Medical Center	93.837	5 P01 HL66957-0	32,665
University Of Pittsburgh	93.837	HL 075038	15,392
Volcano Corp	93.837	HL64686	32,977
Volcano Corp	93.837	HL69094	86,627
Washington University	93.837	1 R01 HL074283-	22,727
			<hr/> 510,503
Space Hardware Optimization Technology, Inc.	93.839	1 R43 HL074606-	25,000
Children's Hospital	93.846	AR 049735	6,758
Johns Hopkins University	93.846	1 R01 AR051874-	9,897
University Of Alabama	93.846	AR 47799-01	15,549
			<hr/> 32,204
University Of Pennsylvania	93.848	5 R01 DK059961-	45,288
New England Medical Center	93.849	DK 53869-05	29,879
Duke University	93.853	NS 40894	91,950
Georgia Tech	93.853	7 R01 NS043486-	32,195

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	<u>Number</u>	<u>Number</u>	
Mayo Foundation	93.853	NS 42759	98,172
			<hr/> 222,317
Ohio State University	93.855	AI 56318	23,044
Washington University	93.856	5 U54 AI57160-0	3,409
Foster Miller	93.865	HL 72610-01	51,857
NDI Medical	93.866	1 R43 AG 21851-	2,784
Emory University	93.867	1 U10 EY013272-	811
University Of Southern California	93.867	7 R01 EY013516-	35,937
University Of Wisconsin	93.867	EY 14351	5,678
			<hr/> 42,426
			<hr/> 68,382,200
Department of Health & Human Services Subtotal			
Subtotal Research and Development - Cleveland Clinic Lerner College of Medicine			<hr/> 68,382,200
Research Training Grants			
Department of Defense			
Direct Programs			
Military Medical Research and Development	12.420		25,434
			<hr/> 25,434
Department of Defense Subtotal			<hr/> 25,434
Department of Housing and Urban Development			
Direct Programs			
Other Department of Housing and Urban Development	14		291,528
			<hr/> 291,528
Department of Housing and Urban Development Subtotal			<hr/> 291,528
Department of State			
Pass Through Programs			
National Research Council	20.205	20588	10,127
			<hr/> 10,127
Department of State Subtotal			<hr/> 10,127
National Aeronautics and Space Administration			
Direct Programs			
Technology Transfer	43.002		59,546
			<hr/> 59,546

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	<u>Number</u>	<u>Number</u>	
National Aeronautics and Space Administration Subtotal			59,546
National Science Foundation			
Direct Programs			
Education and Human Resources	47.076		820,794
Mathematical and Physical Sciences and Engineering	47.049		4,527
Pass Through Programs			
City of Cleveland Board of Education	47	47-076	290,646
National Science Foundation Subtotal			1,115,967
Department of Energy			
Pass Through Programs			
University of Pittsburgh	81	400960-12	4,319
Department of Energy subtotal			4,319
Department of Education			
Direct Programs			
Graduate Assistance in Areas of National Need	84.200		366,440
Special Education Personnel Preparation to Improve Services	84.325		261,849
Pass Through Programs			
Children's Hospital Medical Center	84.324	H324RO10014	79,011
Department of Education Subtotal			707,300
Department of Health & Human Services			
Direct Programs			
Maternal and Child Health Federal Consolidated Programs	93.110		160,060
Nurse Anesthetist Traineeships	93.124		17,657
Special international Postdoctoral Research Program	93.154		933,481
Grants for Faculty Training Projects in Geriatric Medicine and Dentistry	93.156		189,219
Biological Research Related to Deafness and Communicative Disorders	93.173		3,462
Nursing Workforce Diversity	93.178		16,785

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	<u>Number</u>	<u>Number</u>	
National Research Service Awards Health Services Research	93.225		201,693
Advanced Education Nursing Grant Program	93.247		179,810
Mental Health National Research Service Awards for Research Training	93.282		230,412
Centers for Disease Control and Prevention Investigations	93.286		37,947
Professional Nurse Traineeship	93.358		120,731
Basic Nurse Education and Practice Grants	93.359		236,130
Nursing Research	93.361		149,306
Cancer Treatment Research	93.395		486,694
Cancer Biology Research	93.396		58,531
Cancer Research Manpower	93.398		491,575
Cancer Control	93.399		465,411
Refugee and Entrant Assistance Voluntary Agency Programs	93.567		186,948
Biophysics and Physiological Sciences	93.821		1,985,553
Heart and Vascular Diseases Research	93.837		512,463
Lung Diseases Research	93.838		925,358
Blood Diseases and Resources Research	93.839		386,870
Arthritis, Musculoskeletal and Skin Diseases Research	93.846		426,431
Diabetes, Endocrinology and Metabolism Research	93.847		762,609
Digestive Diseases and Nutrition Research	93.848		196,073
Kidney Diseases, Neurology, Hematology Research	93.849		158,215
Extramural Research Programs in the Neurosciences	93.853		43,118
Allergy, Immunology, and Transplantation Research	93.855		190,789
Microbiology and Infectious Diseases Research	93.856		270,098
Pharmacology, Physiology, and Biological Chemistry Research	93.859		184,577
Genetics and Developmental Biology Research	93.862		300,883
Center for Research for Mothers and Children	93.865		768,549
Aging Research	93.866		532,765
Vision Research	93.867		249,763
Minority Access to Research Careers	93.880		18,333
Grants for Residency Training in General Internal	93.884		396,347
Resource and Manpower Development in the Environmental	93.894		36,824
Grants for Faculty Development in Family Medicine	93.895		(281)
Grants for Predoctoral Training in Family Medicine	93.896		22,634
Center for Medical Rehabilitation Research	93.929		226,054
Fogarty International Research Collaboration Award	93.934		244,244
Grants for Geriatric Education Centers	93.969		294,848
Grants for Establishment of Departments of Family Medicine	93.984		77,469
Senior International Fellowships	93.989		371,491
Pass through programs			
Ohio State University Research Foundation	93.181	745793	7,628

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Substance Abuse Initiative of Greater Cleveland	93.230 SP09768-03	53,959
Department of Health & Human Services Subtotal		13,809,516
Corporation for National Service		
Pass Through Programs		
Tulane University Medical Center	94 TUL-166-03/04	7,536
Bonner (C. & B.) Foundation	94.005 BONNER FOUNDATION	555
Corporation for National Service Subtotal		8,091
Subtotal Research Training Grants		16,031,828
Total Research and Development and Research Training Program		230,857,393
Student Financial Aid Program		
Department of Education		
Direct Programs		
Federal Supplemental Educational Opportunity Grants	84.007	1,029,679
Federal Work Study Program	84.033	2,182,920
Federal Perkins Loan Program	84.038	109,311
Federal Pell Grant Program	84.063	1,539,278
Department of Education Subtotal		4,861,188
Total Student Financial Aid Program		4,861,188
TRIO Program		
Department of Education		
Direct Programs		
TRIO Talent Search	84.044	243,250
TRIO Upward Bound	84.047	567,547
Department of Education Subtotal		810,797

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

for the year ended June 30, 2005

<u>FEDERAL GRANTOR/PROGRAM TITLE</u>	Catalog of Federal Domestic Assistance <u>Number</u>	Pass Through Entity Identifying <u>Number</u>	<u>Expenditures</u>
Total TRIO Program			<u>810,797</u>
Other Federal Assistance			
Department of Housing and Urban Development			
Direct Programs			
Community Development Block Grants/Economic Development	14.246		<u>95,343</u>
Department of Housing and Urban Development Subtotal			<u>95,343</u>
National Science Foundation			
Direct Programs			
Engineering Grants	47.041		12,979
Biological Sciences	47.074		4,522
Education and Human Resources	47.076		2,653
Social, Behavioral, and Economic Sciences	47		<u>814,388</u>
National Science Foundation Subtotal			<u>834,542</u>
Department of Veteran Affairs			
Direct Programs			
Other Department of Veterans's Affairs Programs	64		<u>46,467</u>
Department of Veteran Affairs Subtotal			<u>46,467</u>
Department of Education			
Direct Programs			
National Institute of Handicapped Research	84.133		<u>129,917</u>
Department of Education Subtotal			<u>129,917</u>
Department of Health & Human Services			
Direct Programs			
Rural Telemedicine Grants	93.211		516,121
Mental Health Research Grants	93.242		10
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243		317,480

**CASE WESTERN RESERVE UNIVERSITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

for the year ended June 30, 2005

<u>FEDERAL GRANTOR/PROGRAM TITLE</u>	Catalog of Federal Pass Through Domestic Entity Assistance Identifying		<u>Expenditures</u>
	<u>Number</u>	<u>Number</u>	
Discovery and Applied Research	93.286		11,843
Digestive Diseases and Nutrition Research	93.848		10,000
Kidney Diseases, Urology and Hematology Research	93.849		12,000
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853		25,000
Microbiology and Infectious Diseases Research	93.856		14,380
Residency Training and Advanced Education in the General Practice of Dentistry	93.879		11,192
Pass Through Programs			
Booz Allen Hamilton, Inc.	93.393	79950CBS10	6,368
National Collegiate Athletic Association	93.570	NATL COLLEGIATE ATHL	14,884
National Youth Sports Corporation	93.570	02-128	1,828
National Youth Sports Corporation	93.570	03-128	7,229
National Youth Sports Corporation	93.570	04-1028	70,865
National Youth Sports Corporation	93.570	05-1021	2,235
			97,041
Department of Health & Human Services Subtotal			1,021,435
Corporation for National Service			
Purdue University	94.005	642-0837-4	27,023
Corporation for National Service	94.006	03AFH-K728-05-A134	97,660
Corporation for National Service Subtotal			124,683
Total Other Federal Assistance			2,252,387
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 307,163,965

CASE WESTERN RESERVE UNIVERSITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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.

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 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 \$20,453,983 was passed through to subgrantee organizations from the University and \$1,925,243 from the CCLCM for the year ended June 30, 2005. No funds were 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.

3. Indirect Costs:

The University recovers indirect costs by means of final indirect 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, 2004 to June 30, 2005 for on-campus research and for the CCLCM is 53% of modified total direct costs. The base rates for off-campus research for the same period vary depending upon the location of the research. The base rates for research at University Hospitals of Cleveland and Cleveland MetroHealth Medical Center for the same period are 51% and 51.5%, respectively. The base rate for all other off-campus research for the same period is 29%. The negotiated predetermined indirect cost rates were finalized based on an agreement dated June 1, 2005.

CASE WESTERN RESERVE UNIVERSITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued

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, 2005:

	CFDA Numbers	Advances	Outstanding Balances
Perkins Loan Program	84.038	\$ 5,578,607	\$ 17,818,842
Nursing Student Loan Program	93.364	\$ 70,950	\$ 353,904
Health Professional Student Loan Program/PCL	93.342	\$ 522,500	\$ 2,933,530
Loan for Disadvantaged Students	93.342	\$ -	\$ 149,730

The Perkins Loan administrative cost allowance totalled \$109,311 for the year ended June 30, 2005.

5. Federal Family Education Loan Program:

During the year ended June 30, 2005, the University received 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 Numbers	Amounts
Federal Family Education Loan Program	84.032	\$ 59,321,005

6. Housing and Urban Development (HUD) Mortgage Bonds:

During the year ended June 30, 2005, the University made principal and interest payments of \$230,000 and \$91,200 respectively on HUD mortgage bonds. HUD mortgage bonds payable at June 30, 2005 amounted to \$2,750,000.

**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, 2005, and have issued our report thereon dated October 12, 2005. 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 in order to determine our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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 grants agreements,

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

We noted certain other matters that we reported to management of the University in a separate letter dated September 30, 2005.

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

PricewaterhouseCoopers LLP

October 12, 2005

**Report of Independent Auditors on Compliance
with Requirements Applicable to 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:

Compliance

We have audited the compliance of Case Western Reserve University and its affiliated entities (the University) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. 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 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, the University complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005. However, the results of our auditing procedures disclosed an instance of non-compliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 05-1.

Internal Control Over Compliance

The management of the University is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the University's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

PricewaterhouseCoopers LLP

March 31, 2006

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CASE WESTERN RESERVE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

for the year ended June 30, 2005

Section I - Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:

Internal control over financial reporting:

Material weakness(es) identified?	___	yes	<u>X</u>	no
Reportable condition(s) identified that are not considered to be material weaknesses?	___	yes	<u>X</u>	reported
Noncompliance material to financial statements noted?	___	yes	<u>X</u>	no

Federal Awards:

Internal control over major programs:

Material weakness(es) identified?	___	yes	<u>X</u>	no
Reportable condition(s) identified that are not considered to be material weaknesses?	___	yes	<u>X</u>	reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	<u>X</u>	yes	___	no
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Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
Various	Research and Development and Research Training

Dollar threshold used to distinguish between type A and type B programs:	\$3,000,000
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Auditee qualified as low-risk auditee?	<u>X</u>	yes	___	no
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CASE WESTERN RESERVE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued

for the year ended June 30, 2005

Section II - Financial Statement Findings

No current year findings.

CASE WESTERN RESERVE UNIVERSITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued

for the year ended June 30, 2005

Section III - Federal Award Findings and Questioned Costs

Finding #05-1: Annual Certification of Cost Share Amounts Not Performed

Information on the federal program/Condition/Context

The annual cost sharing certification required for a National Science Foundation grant, CFDA Number 47.076, Award Number DGE-9972747 for the year ended July 31, 2005, in which the total amount of cost sharing exceeded \$500,000 for the entire grant period, was not completed timely. The certification was filed in January 2006 after PricewaterhouseCoopers LLP brought it to the attention of management.

Criteria or specific requirement

The National Science Foundation Grants policy manual states annual certifications for awards with cost sharing requirements of \$500,000 or more must be completed.

Cause/Effect

The University should have submitted a cost sharing certificate for two projects in fiscal year 2004-2005. There was only one project requiring a certificate for fiscal year 2003-2004. As this additional project met the filing threshold for fiscal 2005, the University filed a cost share certificate for the project. However, due to an administrative oversight, the University assumed that the project for which it filed was the same project identified in the prior year's audit. Therefore, a certificate was not filed for the prior year's project. By not fulfilling certification requirements, future funding could be limited.

Recommendation

Establish internal controls so future reports are tracked and filed on time.

Views of responsible officials and planned corrective actions

The Office of Sponsored Program Administration and the Controller's Office will work together to identify and keep track of affected projects and submit the required certifications in the future on time. Responsible Person: Paul Frey. Deadline: December 31, 2006.

CASE WESTERN RESERVE UNIVERSITY
PRIOR YEAR FINDINGS

for the year ended June 30, 2005

Section I - Summary of Prior Year Findings

Finding #04-1: Timely Submission of Interest Earned on Advances

Audit Finding

Interest earned on advances from two Department of Defense grants, CFDA Numbers 12.420 and 12.431, during fiscal year 2004 in the amount of \$2,715 and \$2,582, respectively, was not remitted to the Federal agency.

Status

The University addressed this finding through the implementation of the corrective action as included in the prior year report. This was not noted in the current year as a finding again.

Finding #04-2: Annual Certification of Cost Share Amounts Not Performed

Audit Finding

The annual cost sharing certification required for a National Science Foundation grant, CFDA Number 47.076, in which the total amount of cost sharing exceeded \$500,000 for the entire grant period, was not completed.

Status

See current year finding #05-1.

CASE WESTERN RESERVE UNIVERSITY
PRIOR YEAR FINDINGS, Continued

for the year ended June 30, 2005

Section I - Summary of Prior Year Findings, Continued

Finding #04-3: Incorrect Indirect Cost Rate Charged

Audit Finding

For a Department of Health & Human Services grant, CFDA Number 93.398, an indirect cost rate in excess of what was awarded by the granting agency was found to be charged on one of 30 grants selected for testing. The approved rate was 8% and 20% was inadvertently charged resulting in \$8,235 being overcharged to the grant.

Status

The University addressed this finding through the implementation of the corrective action as included in the prior year report. This was not noted in the current year as a finding again.

Finding #04-4: Timely Filing of Financial Status Reports

Audit Finding

The final financial status report (FSR) for a Department of Health & Human Services grant, CFDA Number 93.847, due 90 days after the grant end date was not submitted to the awarding agency. This was one exception noted out of 30 grants selected for testing.

Status

The University addressed this finding through the implementation of the corrective action as included in the prior year report. This was not noted in the current year as a finding again.

CASE WESTERN RESERVE UNIVERSITY
PRIOR YEAR FINDINGS, Continued

for the year ended June 30, 2005

Section I - Summary of Prior Year Findings, Continued

Finding #04-5: Improper Accounting for Equipment Disposals

Audit Finding

A total of eight pieces of equipment reported as lost were tested and two pieces of equipment reported as transferred were tested. Of these, all eight pieces reported as lost were identified as active and in use. No documentation could be found related to one of the pieces of equipment reported as transferred. The equipment tested related to Department of Health & Human Services and National Science Foundation grants, CFDA Numbers 93.837, 93.103, 93.855, 93.838, 93.856 and 47.075

Status

The University addressed this finding through the implementation of the corrective action as included in the prior year report. This was not noted in the current year as a finding again.

Finding #04-6: Discrepancy in Effort Reported to Sponsor and Effort Certification Reports

Audit Finding

For one CCLCM grant, which was from the National Heart, Lung, and Blood Institute, CFDA Number 93.839, out of 25 CCLCM grants tested, a level of effort of 40% was required based on the filed Progress Report for the principal investigator. However, the principal investigator reported 25% on the Staff Effort Report.

Status

The University addressed this finding through the implementation of the corrective action as included in the prior year report. This was not noted in the current year as a finding again.

CASE WESTERN RESERVE UNIVERSITY
PRIOR YEAR FINDINGS, Continued

for the year ended June 30, 2005

Section I - Summary of Prior Year Findings, Continued

Finding #04-7: Missing Signatures and Signature Date Discrepancies on Staff Effort Reports

Audit Finding

During the testing, PwC noted that nine of the Staff Effort Reports tested for 25 of the CCLCM grants were signed prior to the end of the reporting period including: two from the National Cancer Institute: CFDA Numbers 93.393 and 93.396; three from the National Heart, Lung, and Blood Institute: CFDA Numbers 93.837, 93.837 and 93.839; two from the National Institute of General Medical Sciences: CFDA Number 93.859 and 93.862; one from the National Institute on Alcohol Abuse and Alcoholism: CFDA Number 93.273; and one from the National Center for Research Resources: CFDA Number 93.389. In addition, the principal investigator did not sign the Staff Effort Reports for two grants from the National Cancer Institute, both CFDA Number 93.396.

Status

The University addressed this finding through the implementation of the corrective action as included in the prior year report. This was not noted in the current year as a finding again.