



BROWN UNIVERSITY

Independent Auditors' Reports as Required by Uniform Guidance
and *Government Auditing Standards* and Related Information

Year ended June 30, 2019

BROWN UNIVERSITY

Independent Auditors' Reports as Required by Uniform Guidance
and *Government Auditing Standards* and Related Information

Year ended June 30, 2019

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KPMG LLP
One Financial Plaza, Suite 2300
Providence, RI 02903

Independent Auditors' Report

The President and Corporation
Brown University:

Report on the Financial Statements

We have audited the accompanying financial statements of Brown University (the University), which comprise the balance sheets as of June 30, 2019 and 2018, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to 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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Brown University as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.



Emphasis of Matter

As discussed in Note 1(p) to the financial statements, in 2019 Brown University adopted Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2019 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. The purpose of that report is solely 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 effectiveness of Brown University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

KPMG LLP

October 28, 2019

BROWN UNIVERSITY

Balance Sheets

June 30, 2019 and 2018

(Dollars in thousands)

Assets	2019	2018
Cash and cash equivalents	\$ 208,926	243,241
Accounts receivable and other assets	76,262	62,500
Contributions receivable, net	277,443	217,634
Notes receivable, net	23,928	28,306
Funds held in trust by others	62,886	94,443
Investments	4,368,716	4,021,114
Land, buildings and equipment, net	1,191,132	1,124,728
Total assets	\$ <u>6,209,293</u>	<u>5,791,966</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 89,562	106,288
Liabilities associated with investments	24,423	60,128
Student deposits and grant advances	74,286	65,655
Other long-term obligations	98,176	83,914
Retirement obligations	61,618	19,829
Bonds, loans and notes payable	787,709	819,661
Total liabilities	<u>1,135,774</u>	<u>1,155,475</u>
Net assets:		
Without donor restrictions	1,125,901	1,078,110
With donor restrictions	3,947,618	3,558,381
Total net assets	<u>5,073,519</u>	<u>4,636,491</u>
Total liabilities and net assets	\$ <u>6,209,293</u>	<u>5,791,966</u>

See accompanying notes to financial statements.

BROWN UNIVERSITY

Statement of Activities

Year ended June 30, 2019

(Dollars in thousands)

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Operating revenues:			
Net tuition and fees	\$ 372,951	—	372,951
Grants and contracts	200,909	—	200,909
Contributions	60,726	31,518	92,244
Endowment return appropriated	150,574	3,283	153,857
Sales and services of auxiliary enterprises	102,712	—	102,712
Other income	44,891	—	44,891
Net assets released from restrictions	19,802	(19,802)	—
Total operating revenues	<u>952,565</u>	<u>14,999</u>	<u>967,564</u>
Operating expenses:			
Salaries and wages	402,639	—	402,639
Employee benefits	114,255	—	114,255
Graduate student support	81,749	—	81,749
Purchased services	99,154	—	99,154
Supplies and general	152,084	—	152,084
Utilities	35,665	—	35,665
Interest	24,438	—	24,438
Depreciation	82,942	—	82,942
Operating expenses	<u>992,926</u>	<u>—</u>	<u>992,926</u>
Change in net assets from operating activities	<u>(40,361)</u>	<u>14,999</u>	<u>(25,362)</u>
Nonoperating activities:			
Contributions	7,358	191,986	199,344
Net investment return	90,809	358,370	449,179
Endowment return appropriated	(25,048)	(128,809)	(153,857)
Other changes, net	(32,091)	(185)	(32,276)
Net assets released from restrictions	47,124	(47,124)	—
Change in net assets from nonoperating activities	<u>88,152</u>	<u>374,238</u>	<u>462,390</u>
Change in net assets	47,791	389,237	437,028
Net assets, beginning of year	<u>1,078,110</u>	<u>3,558,381</u>	<u>4,636,491</u>
Net assets, end of year	\$ <u><u>1,125,901</u></u>	<u><u>3,947,618</u></u>	<u><u>5,073,519</u></u>

See accompanying notes to financial statements.

BROWN UNIVERSITY

Statement of Activities

Year ended June 30, 2018

(Dollars in thousands)

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Operating revenues:			
Net tuition and fees	\$ 353,314	—	353,314
Grants and contracts	190,230	—	190,230
Contributions	65,238	47,250	112,488
Endowment return appropriated	149,064	2,577	151,641
Sales and services of auxiliary enterprises	100,036	—	100,036
Other income	43,975	—	43,975
Net assets released from restrictions	15,654	(15,654)	—
Total operating revenues	<u>917,511</u>	<u>34,173</u>	<u>951,684</u>
Operating expenses:			
Salaries and wages	376,515	—	376,515
Employee benefits	108,990	—	108,990
Graduate student support	75,640	—	75,640
Purchased services	107,452	—	107,452
Supplies and general	141,806	—	141,806
Utilities	31,153	—	31,153
Interest	27,491	—	27,491
Depreciation	78,176	—	78,176
Operating expenses	<u>947,223</u>	<u>—</u>	<u>947,223</u>
Change in net assets from operating activities	<u>(29,712)</u>	<u>34,173</u>	<u>4,461</u>
Nonoperating activities:			
Contributions	1,231	168,049	169,280
Net investment return	92,604	343,102	435,706
Endowment return appropriated	(25,283)	(126,358)	(151,641)
Other changes, net	(5,613)	(2,416)	(8,029)
Net assets released from restrictions	79,433	(79,433)	—
Change in net assets from nonoperating activities	<u>142,372</u>	<u>302,944</u>	<u>445,316</u>
Change in net assets	112,660	337,117	449,777
Net assets, beginning of year (as restated)	<u>965,450</u>	<u>3,221,264</u>	<u>4,186,714</u>
Net assets, end of year	<u>\$ 1,078,110</u>	<u>3,558,381</u>	<u>4,636,491</u>

See accompanying notes to financial statements.

BROWN UNIVERSITY

Statements of Cash Flows

Years ended June 30, 2019 and 2018

(Dollars in thousands)

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ 437,028	449,777
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Net realized and unrealized gains on investments	(467,714)	(421,118)
Depreciation	82,942	78,176
Amortization of bond premium	(4,717)	(4,663)
Gain on KARING transaction	—	(13,748)
Loss from disposals of land, building and equipment	336	1,422
Change in funded status of pension obligation	14,336	(6,533)
Change in fair value of interest rate swap liabilities	13,503	(9,125)
Change in asset retirement obligation	843	282
Change in estimate of split-interest obligations	1,967	242
Contributions restricted for plant and endowment	(128,917)	(126,462)
Change in accounts receivable and other assets	(13,762)	(3,138)
Change in accounts payable and accrued liabilities	(10,185)	34,086
Change in contributions receivable, net	(59,809)	(59,410)
Change in other operating liabilities, net	9,134	(4,840)
Net cash used in operating activities	<u>(125,015)</u>	<u>(85,052)</u>
Cash flows from investing activities:		
Additions to land, buildings and equipment	(156,223)	(92,142)
Purchases of investments	(1,801,696)	(1,988,267)
Sales and redemptions of investments	1,890,149	2,046,854
Notes repaid by students and others, net	4,378	725
Change in funds held in trust by others, excluding swap collateral	37,557	(63,013)
Net cash used in investing activities	<u>(25,835)</u>	<u>(95,843)</u>
Cash flows from financing activities:		
Contributions restricted for plant and endowment	128,917	126,462
Proceeds from sale of restricted gifts of securities	23,407	20,907
Payments under split-interest obligations	(2,554)	(2,209)
Payments on long-term debt	(102,235)	(96,495)
Proceeds from issuance of debt, including premium	75,000	160,657
Cash collateral posted under swap agreements	(9,500)	(1,200)
Cash collateral returned under swap agreements	3,500	5,300
Advance from line of credit	32,000	55,000
Payment of advance from line of credit	(32,000)	(55,000)
Net cash provided by financing activities	<u>116,535</u>	<u>213,422</u>
Change in cash and cash equivalents	(34,315)	32,527
Cash and cash equivalents, beginning of year	<u>243,241</u>	<u>210,714</u>
Cash and cash equivalents, end of year	\$ <u><u>208,926</u></u>	<u><u>243,241</u></u>

See accompanying notes to financial statements.

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Notes to Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

(1) Summary of Significant Accounting Policies

(a) Organization

Brown University (the University or Corporation) is a private, not-for-profit, nonsectarian, co-educational institution of higher education with approximately 6,670 undergraduate students and 3,000 graduate and medical students. Established in 1764, Brown University offers educational programs for undergraduates in liberal arts and engineering, professional training for students pursuing a career in medicine, and graduate education and training in the arts and sciences, engineering and medicine.

(b) Basis of Presentation and Tax Status

The accompanying financial statements are presented on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP) and present balances and transactions according to the existence or absence of donor-imposed restrictions.

The John Nicholas Brown Center for the Study of American Civilization; Farview Incorporated, a real estate holding company; KARING, a Rhode Island not-for-profit corporation that holds certain property of the Warren Alpert Medical School; and certain entities established by the University's investment office that holds certain investment funds, are all separate legal entities that are consolidated in the financial statements. Brown University and these consolidated entities are collectively referred to herein as the University. All significant inter-entity transactions and balances have been eliminated. In 2019, KARING and Farview Incorporated were dissolved and all of the assets and liabilities were assumed by the University.

The University is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code, as amended, and is generally exempt from income taxes. The University assesses uncertain tax positions and determined that there are no such positions that have a material effect on the financial statements.

On December 22, 2017, the Tax Cuts and Jobs Act (the "Act") was enacted. The Act impacts the University in several ways, including the addition of excise taxes on executive compensation and new rules for calculating unrelated business taxable income. We do not believe it is material to the financial statements.

(c) Classification of Net Assets

Net assets, revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions into two classes of net assets. Accordingly, net assets of the University are classified and reported as follows:

- *Without donor restrictions* – Net assets that are not subject to donor-imposed stipulations.
- *With donor restrictions* – Net assets subject to donor-imposed stipulations that are more specific than broad limits resulting from a not-for-profit's nature, environment in which it operates and incorporating documents. Some donors impose restrictions that are temporary in nature for example, stipulating that resources be used only after a specific date, for particular programs or services, or to acquire buildings and equipment. Other donors impose restrictions that are

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June 30, 2019 and 2018

(Dollars in thousands)

perpetual in nature, for example, donor-restricted endowment funds stipulating that resources be maintained in perpetuity.

Revenues are reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investment are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. The University is incorporated in and subject to the laws of Rhode Island, which contain the provisions outlined in the Uniform Prudent Management of Institutional Funds Act (UPMIFA). Under UPMIFA, the net assets of a donor-restricted endowment funds may be appropriated for expenditure by the Corporation of the University in accordance with the standard of prudence prescribed by UPMIFA.

(d) Fair Value Measurements

Investments, funds held in trust by others, and interest rate swaps are reported at fair value in the University's financial statements. Fair value represents the price that would be received upon the sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants as of the measurement date. The University uses a three-tiered hierarchy to categorize those assets and liabilities based on the valuation methodologies employed. The hierarchy is defined as follows:

- Level 1 – Valuation based on quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities;
- Level 2 – Valuations based on inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Valuation based on unobservable inputs used in situations in which little or no market data is available.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. The University utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. Transfers between categories occur when there is an event that changes the inputs used to measure the fair value of an asset or liability. Transfers between fair value categories are recognized at the end of the reporting period.

Investments measured at net asset value as a practical expedient to estimate fair value are not categorized in the fair value hierarchy.

(e) Statements of Activities

The statements of activities separately report changes in net assets from operating and nonoperating activities. Operating activities consist principally of revenues and expenses related to ongoing educational and research programs, including endowment return appropriated by the Corporation to support those programs. Nonoperating activities consist of net investment return, an offset for endowment return appropriated for operating activities, changes in fair values of interest rate swaps, change in pension plan and other long-term obligations, contributions for long-term purposes, net assets released from donor restrictions for property placed in service, and other activities not in direct support of annual operations.

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Notes to Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

Under ASC Topic 606, revenue from contracts with customers is recognized when control of the promised goods or services is transferred in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services (i.e., the transaction price). Revenues are derived from various source, as follows:

- Revenue from student education, residence, and dining services is determined based on published rates and is billed and reflected net of reductions from institutional student aid, which may be funded by endowment funds or other institutional resources. Such revenue is recognized as the services are provided over the academic year, which generally aligns with the University's fiscal year. Aid in excess of a student's tuition and fees is reflected as a reduction of residence and dining charges. Disbursements made directly to students for living costs or other purposes are reported as an expense. Payments for student services are generally received prior to the commencement of each academic term and are reported as student deposits to the extent services will be rendered in the following fiscal year.

The composition of student tuition and fee revenue was as follows for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Undergraduate	\$ 394,857	377,994
Graduate and masters programs	168,555	154,249
Other	<u>18,499</u>	<u>18,520</u>
Tuition and fees	581,911	550,763
Less university scholarships	<u>(208,960)</u>	<u>(197,449)</u>
Net tuition and fees	\$ <u><u>372,951</u></u>	<u><u>353,314</u></u>

Sales and services of auxiliary enterprises revenues are recognized when goods or services are provided to customers. Auxiliary enterprises revenue consisted of the following for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Residence, dining and health services	\$ 82,344	79,225
Bookstore, rental and other auxiliary income	<u>20,368</u>	<u>20,811</u>
Total	\$ <u><u>102,712</u></u>	<u><u>100,036</u></u>

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(Dollars in thousands)

- Contributions, including unconditional promises from donors reported as contributions receivable, are recognized at fair value in the period received and are classified based upon the existence or absence of donor-imposed restrictions. Expirations of donor-imposed restrictions are reported as net assets released from restrictions. Contributions which impose donor restrictions that are met in the same fiscal year they are received are reported as increases in net assets without donor restrictions. Bequest intentions and conditional promises are not recorded in the University's financial statements.
- Grants and contracts awarded by federal and other sponsors, which generally are considered nonexchange transactions restricted by sponsors for certain purposes, are recognized as revenue when qualifying expenditures are incurred and conditions under the agreements are met. The University has elected the simultaneous release policy available under ASU 2018-08, which allows a not-for-profit organization to recognize a restricted contribution directly in net assets without donor restrictions if the restriction is met in the same period that the revenue is recognized. Total revenue from grants and contracts recognized in net assets without donor restrictions was \$200,909 and \$190,230 for the years ended June 30, 2019 and 2018, respectively. Payments received from sponsors in advance of conditions being met are reported as deferred revenue, which totaled \$23,150 and \$19,944 as of June 30, 2019 and 2018, respectively. Conditional awards from federal sponsors outstanding as of June 30, 2019 were \$402,345.
- Dividends, interest and realized and unrealized gains (losses) on investments are reported as increases (decreases) in (1) net assets with donor restrictions if the terms of the contributions require them to be added to principal or if the terms of the related contributions impose restrictions on their availability or use; or (2) net assets without donor restrictions in all other cases. Investment return attributable to donor-restricted endowment funds is reported as net assets with donor restrictions to the extent not appropriated and spent.

Expenses are reported as decreases in net assets without donor restrictions.

(f) Cash Equivalents

For purposes of the statements of cash flows, cash equivalents, except for those held by investment managers, consist of money market funds and investments with original maturities of three months or less and are carried at cost, which approximates fair value.

(g) Accounts Receivable and Other Assets and Notes Receivable

Accounts receivable and other assets include amounts due from students, reimbursements due from sponsors of externally funded research, accrued income on investments, inventory and prepaid expenses. Notes and accounts receivable are presented net of an allowance for uncollectible amounts.

(h) Land, Buildings and Equipment

Land, buildings and equipment are stated at cost of acquisition or construction (including capitalized interest) or, to the extent received as a gift, at estimated fair value at the time of receipt, and are presented net of accumulated depreciation. All other expenditures for maintenance and repairs are charged to operating activities as incurred.

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Notes to Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

Depreciation is calculated using the straight-line method with estimated useful lives of 30-to-40 years for buildings, 20-to-30 years for building improvements, and 3-to-15 years for equipment, depending upon asset class. Depreciation on buildings that support research efforts are componentized and depreciated over useful lives ranging from 15-40 years.

(i) Fund Held in Trust by Others

Funds held in trust by others represent funds that are held and administered by outside trustees, including perpetual trusts established by donors of \$28,887 and \$28,827 at June 30, 2019 and 2018, respectively. The University receives all or a specified portion of the return on the underlying assets of most of the trusts, which is primarily restricted for scholarships. Most of these trust interests are classified in Level 3 in the fair value hierarchy. Other trustee funds of \$33,999 and \$65,616 at June 30, 2019 and 2018, respectively, represent debt proceeds to be utilized for construction projects or otherwise required to be held as collateral or in reserve in accordance with debt or interest rate swap agreements. These are classified in Level 1 in the fair value hierarchy because the underlying securities held by the trustee are based on quoted market prices.

(j) Federal Student Loan Advances

The University holds certain amounts advanced by the U.S. government under the Federal Perkins Loan Program and the Health Professions Student Loan Program (the Programs). Under federal law, the authority for schools to make new loans under the Programs ended on September 30, 2017, and final distributions to student were permitted through June 30, 2018.

(k) Collections

The University's collections include works of art, historical treasures, and artifacts that are maintained in the University's libraries and museums. These collections are protected and preserved for education and research purposes. The collections are not recognized as assets in the financial statements of the University.

(l) Derivatives

The University uses derivatives for both debt and investment-related purposes. Interest-rate swaps, as described in note 7 (c), are initially used to manage interest-rate risk by fixing the rate on associated variable-rate debt issuances. In addition, certain of the University's investment strategies utilize various derivative financial instruments for a number of investment purposes, including hedging or altering exposure to certain asset classes and cost-effectively adding exposures to portions of the portfolio. Positions are expected to create gains or losses which, when combined with the applicable portion of the total investment portfolio, provide an expected result. Among the derivative instruments that may be entered from time to time include total return swaps to manage exposures in equity markets, foreign currency forward contracts to manage currency exposures in the portfolio. The University has established policies and procedures to monitor and manage risks related to these instruments. In connection with its investment derivative activities, the University generally maintains master netting agreements and collateral agreements with its counterparties. The agreements provide the University the right, in the event of default by the counterparty, to net a counterparty's rights and obligations under the agreement and to liquidate and offset collateral against any net amount owed by the counterparty.

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Notes to Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

(m) Liabilities Associated with Investments

The University may, from time to time, incur liabilities associated with its investments portfolio as a result of securities sold short or other transactions. In order to terminate a short position, the University must acquire and deliver to the lender a security identical to the one it borrowed and sold short, and a realized gain or loss is recognized for the difference between the short sale proceeds and the cost of the identical security acquired. Liabilities reported on the balance sheets at June 30, 2019 and 2018 include \$21,581 and \$54,068, respectively, representing the fair value of identical securities that must be acquired to settle obligations to the lender. The liabilities would be classified as Level 1 in the fair value hierarchy given that they are measured based on quoted market prices. In addition, liabilities associated with investments include the fair value swaps of \$2,842 and \$6,060 entered into in fiscal 2019 and 2018, respectively.

(n) Other Long-Term Obligations

Other long-term obligations consisted of the following for the years ended June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Federal student loan advances	\$ 20,378	19,875
Split interest obligations	16,432	17,019
Asset retirement obligations	16,107	15,263
Interest-rate swap liabilities	<u>45,259</u>	<u>31,757</u>
Total	<u>\$ 98,176</u>	<u>83,914</u>

(o) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

(p) Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. The University retrospectively adopted ASU 2016-14 in fiscal year 2019. The standard is intended principally to improve the net asset classification requirements and the information presented in the financial statements and notes about liquidity and financial performance. The primary changes affecting the University include: presentation of two classes of net assets versus the previously required three; recognition of underwater endowment funds as a reduction in net assets with donor restrictions versus unrestricted net assets as previously required; enhanced disclosures for board designated amounts, composition of net assets without donor restrictions, and liquidity; and disclosure of expenses by both their natural and functional classification in a matrix format. As a result of adopting this standard, certain prior year amounts have been reclassified.

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Notes to Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

Net asset reclassifications as of July 1, 2017 driven by the adoption of ASU 2016-14 in 2018 are as follows:

Net assets classifications	ASU 2016-14 Classifications		
	Without donor restrictions	With donor restrictions	Total net assets
As previously presented:			
Unrestricted	\$ 964,088	—	964,088
Temporarily restricted	—	1,708,549	1,708,549
Permanently restricted	—	1,514,077	1,514,077
	964,088	3,222,626	4,186,714
Reclassifications to implement ASU 2016-14:			
Underwater endowments	1,362	(1,362)	—
Net assets, as reclassified	\$ 965,450	3,221,264	4,186,714

Net asset reclassifications as of July 1, 2018 driven by the adoption of ASU 2016-14 in 2018 are as follows:

Net assets classifications	ASU 2016-14 Classifications		
	Without donor restrictions	With donor restrictions	Total net assets
As previously presented:			
Unrestricted	\$ 1,077,926	—	1,077,926
Temporarily restricted	—	1,934,290	1,934,290
Permanently restricted	—	1,624,275	1,624,275
	1,077,926	3,558,565	4,636,491
Reclassifications to implement ASU 2016-14:			
Underwater endowments	184	(184)	—
Net assets, as reclassified	\$ 1,078,110	3,558,381	4,636,491

ASU 2014-09, *Revenue from Contracts with Customers*, was issued by the FASB in May 2014 and is intended to improve the financial reporting requirements for revenue from contracts with customers. The ASU establishes a five-step model and application guidance for determining the timing and amount of revenue recognition. The related application guidance in the ASU replaces most existing revenue recognition guidance in GAAP. The ASU became effective for the University for the year ended June 30, 2019. The University's adoption of the ASU did not materially change the timing or amount of revenue recognized by the University. However, the ASU requires that tuition, fees and auxiliary student revenues be presented in the statement of activities at the transaction price, i.e., net of any institutional student aid. Previously, such revenues were presented gross, i.e., at published rates,

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Notes to Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

followed by a reduction for institutional student aid. Accordingly, the University's 2018 statement of activities has been revised to conform to the 2019 presentation.

ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, was issued by the FASB in June 2018. The new ASU is intended to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonexchange transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange transactions subject to other guidance and (2) determining whether a contribution is conditional. The ASU clarifies that a contribution is conditional if the agreement includes one or more barriers that must be overcome for the recipient to be entitled to the assets transferred and a right of return for the transferred assets or a right of release of the promisor's obligation to transfer assets. The ASU became effective for the University for the year ended June 30, 2019. The University's adoption of the ASU on a modified prospective basis did not have a material effect on its financial statements.

(q) Reclassifications

Certain 2018 financial information has been reclassified to conform to the 2019 presentation.

(2) Liquidity and Availability

Financial assets available for general expenditures within one year of June 30 are as follows:

	<u>2019</u>
Financial assets:	
Cash and cash equivalents	\$ 208,926
Accounts receivable, net	48,579
Pledge payments available for operations	13,159
Working capital investments	274,148
Fiscal 2020 endowment income appropriated	<u>159,985</u>
Total financial assets available within one year	704,797
Liquidity resources:	
Taxable commercial paper	125,000
Bank line of credit	<u>50,000</u>
Total financial assets and liquidity resources available within one year	<u>\$ 879,797</u>

BROWN UNIVERSITY

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The University manages its financial assets to be available as its operating expenditures, liabilities and others obligations come due. In addition, the University invests cash in excess of daily requirement in short-term investments or fixed income securities. To supplement working capital, the University has a line of credit and a commercial paper program. In July 2019, the line of credit agreement was renewed for \$50,000. In July 2019, the amount available through the University's taxable commercial paper programs was amended to \$125,000.

Additionally, the University has corporation-designated endowments of \$571,146 as of June 30, 2019. Although the University does not intend to spend from its corporation-designated endowment funds, other than amounts appropriated for general expenditure, as part of its annual budget approval and appropriation process, amounts from its corporation-designated endowment funds could be made available if necessary. However, both the corporation-designated funds and donor-restricted endowment funds contain investments with liquidity constraints, of which \$2,012,653 can be liquidated on a daily to quarterly basis (refer to note 4 for disclosures about investments).

(3) Contributions Receivable

The University's contributions receivable are recognized net of discounts at rates commensurate with the risks involved and after allowance for uncollectibles are reported at net realizable value, which approximates fair value. Contributions receivable were as follows at June 30:

	<u>2019</u>	<u>2018</u>
Contributions expected to be received in:		
Less than one year	\$ 64,882	50,066
Between one and five years	142,615	111,168
More than five years	<u>148,532</u>	<u>131,082</u>
Gross contributions receivable	356,029	292,316
Unamortized discount (at rates ranging from 0.7% to 4.8%) and allowance for uncollectibles	<u>(78,586)</u>	<u>(74,682)</u>
Contributions receivable, net	<u>\$ 277,443</u>	<u>217,634</u>

At June 30, 2019, the University had conditional promises to give of \$223,180. These conditional promises to give are not recognized as assets or revenue in the financial statements.

BROWN UNIVERSITY

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(4) Investments

Investment Strategy

In addition to traditional stocks and fixed-income securities, the University may also hold shares or units in institutional funds as well as in alternative investment funds involving hedged, private equity and real asset strategies. Hedged strategies involve funds whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. Funds with hedged strategies generally hold securities or other financial instruments for which a ready market exists and may include stocks, bonds, put or call options, swaps, currency hedges and other instruments, and are valued accordingly. Private equity funds employ buyout and venture capital strategies and may focus on investments in turn-around situations. Real asset funds generally hold interests in public real estate investment trusts (REITs), commercial properties or commodities, or oil and gas, generally through commingled funds. Private equity and real asset strategies therefore often require the estimation of fair values by fund managers in the absence of readily determinable market values.

Investments also include assets related to donor annuities, pooled income funds, and charitable remainder trusts. Certain of these funds are held in trust by the University for one or more beneficiaries who are generally paid lifetime income, after which the principal is made available to the University in accordance with donor restrictions, if any. The assets are reported at fair value and related liabilities, which are reported as split-interest obligations, represent the present value of estimated future payments to beneficiaries.

Basis of Reporting

Investments are reported at estimated fair value. If an investment is held directly by the University and an active market where quoted prices exists, the market price of an identical security is used to report fair value. Fair values for shares in registered mutual funds are based on published share prices. The University's interests in alternative investment funds are generally reported at the net asset value (NAV) reported by the fund managers and assessed as reasonable by the University, which is used as a practical expedient to estimate the fair value of the University's interest therein, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. At June 30, 2019 and 2018, the University had no plans or intentions to sell investments at amounts different from NAV.

Because of the inherent uncertainties of valuation, these estimated fair values may differ significantly from values that would have been used had a ready market existed, and the differences could be material. Such valuations are determined by fund managers and generally consider variables such as operating results, comparable earnings multiples, projected cash flows, recent sales prices, and other pertinent information, and may reflect discounts for the illiquid nature of certain investments held.

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The following tables summarize the University's investments by strategy type as of June 30, 2019 and 2018:

	Investments measured at NAV	2019 Investments classified in the fair value hierarchy			Total
		Level 1	Level 2	Level 3	
Investments:					
Equities:					
Domestic	\$ 120,151	140,655	28,936	106,176	395,918
Global	593,084	84,012	—	—	677,096
Fixed income:					
Domestic	154,091	10,428	33,838	17,571	215,928
Global	34,134	—	48,064	50	82,248
Hedged strategies:					
General arbitrage	478,939	61	—	732	479,732
Distressed	1,209	—	—	—	1,209
Global	924,336	171,035	—	—	1,095,371
Private equity:					
Buy-out	615,697	—	—	9,788	625,485
Venture	473,081	—	—	18,343	491,424
Real assets:					
Real estate	44,657	3,265	—	40,346	88,268
Commodities, oil and gas	—	28,154	16,058	23,980	68,192
Cash and cash equivalents	—	147,845	—	—	147,845
Total	\$ 3,439,379	585,455	126,896	216,986	4,368,716

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2018					
Investments classified in the fair value hierarchy					
Investments measured at NAV	Level 1	Level 2	Level 3	Total	
Investments:					
Equities:					
Domestic	\$ 192,076	76,521	42,679	18,080	329,356
Global	732,526	97,509	—	—	830,035
Fixed income:					
Domestic	58,903	8,553	57,122	14,996	139,574
Global	—	—	28,748	52	28,800
Hedged strategies:					
General arbitrage	425,325	9,837	—	850	436,012
Distressed	2,159	—	—	—	2,159
Global	794,793	92,224	—	—	887,017
Private equity:					
Buy-out	497,620	—	—	8,216	505,836
Venture	379,125	—	—	12,958	392,083
Real assets:					
Real estate	25,755	710	—	26,001	52,466
Commodities, oil and gas	70	25,546	—	36,490	62,106
Cash and cash equivalents	—	355,670	—	—	355,670
Total	<u>\$ 3,108,352</u>	<u>666,570</u>	<u>128,549</u>	<u>117,643</u>	<u>4,021,114</u>

Registered mutual funds and directly held equity securities are classified in Level 1 of the fair value hierarchy. Investments classified in Level 2 and 3 consist of directly held investments that have valuations based on inputs other than quoted prices.

Certain funds contain “rolling” lock-up provisions. Under such provisions, tranches of the investment are available for redemption once every two to five years, if the University makes a redemption request prior to the next available withdrawal date in accordance with the notification terms of the agreement. Private equity and real assets are held in funds that have initial terms of ten to twelve years with extensions of one to three years, and have an average remaining life of approximately four to seven years.

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The following tables present activities for the years ended June 30, 2019 and 2018 for the University's investments classified in Level 3:

Level 3 roll forward	2019					Total
	Equities	Fixed income	Private equity	Real assets	Hedged strategies	
Fair value as of June 30, 2018	\$ 18,080	15,048	21,174	62,491	850	117,643
Acquisitions	38,618	5,350	1,828	16,541	—	62,337
Dispositions	(2,551)	(5,585)	—	(5,906)	—	(14,042)
Net realized and unrealized gains (losses)	52,029	2,808	5,129	(8,800)	(118)	51,048
Fair value at June 30, 2019	\$ 106,176	17,621	28,131	64,326	732	216,986

Level 3 roll forward	2018					Total
	Equities	Fixed income	Private equity	Real assets	Hedged strategies	
Fair value as of June 30, 2017	\$ 12,528	17,742	13,385	77,056	1,000	121,711
Acquisitions	—	8,400	3,822	—	—	12,222
Dispositions	(276)	(13,872)	—	(14,505)	—	(28,653)
Net realized and unrealized gains (losses)	5,828	2,778	3,967	(60)	(150)	12,363
Fair value at June 30, 2018	\$ 18,080	15,048	21,174	62,491	850	117,643

There were no transfers between Levels 1 and 2 and no transfers between Levels 2 and 3 in 2019 and 2018, respectively.

Total investment return is included in the statements of activities as follows for the years ended June 30:

	2019	2018
Operating:		
Endowment return appropriated	\$ 153,857	151,641
Included in other income	15,258	12,610
Nonoperating activities:		
Net investment return	449,179	435,706
Endowment return appropriated	(153,857)	(151,641)
Total return	\$ 464,437	448,316

Total investment management and advisory expenses, including internal costs, were \$13,131 and \$13,276 for the years ended June 30, 2019 and 2018, respectively, and have been netted against the total return.

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(a) Liquidity

Investment liquidity as of June 30, 2019 and 2018 is aggregated below based on redemption or sale ability:

	2019						
	Daily	Monthly	Quarterly	Semi- annually to annually	Subject to rolling lock-ups	Illiquid	Total
Equities	\$ 326,063	95,784	319,849	103,789	27,302	200,227	1,073,014
Fixed income	92,330	—	63,803	—	9,743	132,300	298,176
Hedged strategies	102,061	134,373	683,068	178,328	465,266	13,216	1,576,312
Private equity	—	—	—	—	17,675	1,099,234	1,116,909
Real assets	47,477	—	—	—	—	108,983	156,460
Cash and cash equivalents	147,845	—	—	—	—	—	147,845
Total	<u>\$ 715,776</u>	<u>230,157</u>	<u>1,066,720</u>	<u>282,117</u>	<u>519,986</u>	<u>1,553,960</u>	<u>4,368,716</u>

	2018						
	Daily	Monthly	Quarterly	Semi- annually to annually	Subject to rolling lock-ups	Illiquid	Total
Equities	\$ 289,256	198,888	474,124	92,609	36,177	68,337	1,159,391
Fixed income	91,397	—	—	—	12,971	64,006	168,374
Hedged strategies	43,145	101,899	561,652	183,821	411,403	23,268	1,325,188
Private equity	—	—	—	—	—	897,919	897,919
Real assets	26,256	—	—	—	—	88,316	114,572
Cash and cash equivalents	355,670	—	—	—	—	—	355,670
Total	<u>\$ 805,724</u>	<u>300,787</u>	<u>1,035,776</u>	<u>276,430</u>	<u>460,551</u>	<u>1,141,846</u>	<u>4,021,114</u>

Investments with daily liquidity generally do not require advance notice prior to withdrawal. Investments with monthly, quarterly, semi-annual, and annual redemption frequency typically require notice periods, ranging from 5 to 180 days, at June 30, 2019 and 2018.

(b) Commitments

Private equity and real asset investments are generally made through limited partnerships. Under the terms of these agreements, the University is obligated to remit additional funding periodically as capital or liquidity calls are exercised by the manager. These partnerships have a limited existence, generally ten years, and such agreements may provide for annual extensions for the purpose of disposing portfolio positions and returning capital to investors. However, depending on market conditions, the inability to execute the fund's strategy, and other factors, a manager may extend the terms of a fund beyond its originally anticipated existence or may wind the fund down prematurely. As a result, the timing and amount of future capital or liquidity calls expected to be exercised in any particular future year is uncertain. The aggregate amount of unfunded commitments associated with private equity and real assets as of June 30, 2019 was \$625,164 and \$84,216, respectively.

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(c) Investment Derivatives

The University's investment-related derivative positions, categorized by primary underlying risk, are as follows as of June 30, 2019 and 2018:

	2019		Unrealized gain (loss)
	Long notional	Short notional	
Instrument type:			
Total return swaps	\$ 139,154	(146,528)	7,993
Futures and options	110,618	(14,828)	3,048
Foreign currency forwards	13,246	—	139
Total	<u>\$ 263,018</u>	<u>(161,356)</u>	<u>11,180</u>

	2018		Unrealized gain (loss)
	Long notional	Short notional	
Instrument type:			
Total return swaps	\$ 298,590	(45,195)	2,242
Futures and options	7,612	(39,772)	(3,547)
Total	<u>\$ 306,202</u>	<u>(84,967)</u>	<u>(1,305)</u>

Contracts in a net asset position are included in investments on the balance sheets, and contracts in a net liability position are included in liabilities associated with investments on the balance sheets and are as follows as of June 30, 2019 and 2018:

	2019	2018
Instrument type included in investments:		
Total return swaps	\$ 10,835	6,798
Foreign currency forwards	139	—
Futures and options	3,781	8,737
Instrument type included in liabilities associated with investments:		
Total return swaps	\$ 2,842	6,038
Futures and options	—	124

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(5) Endowment

The University's endowment consists of approximately 3,100 individual funds established for a variety of purposes, including both donor-restricted endowment funds and funds designated by the Corporation to function as endowments. Net assets associated with the endowment are classified and reported based upon the existence or absence of donor-imposed restrictions.

Endowment net assets consist of the following at June 30, 2019:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Donor-restricted endowment funds:			
Historical gift value	\$ —	1,591,827	1,591,827
Appreciation	—	1,752,139	1,752,139
Corporation-designated endowment funds	<u>571,146</u>	<u>61,582</u>	<u>632,728</u>
Total endowment net assets	\$ <u><u>571,146</u></u>	<u><u>3,405,548</u></u>	<u><u>3,976,694</u></u>

Endowment net assets consist of the following at June 30, 2018:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Donor-restricted endowment funds:			
Historical gift value	\$ —	1,496,235	1,496,235
Appreciation	—	1,521,737	1,521,737
Corporation-designated endowment funds	<u>526,150</u>	<u>59,726</u>	<u>585,876</u>
Total endowment net assets	\$ <u><u>526,150</u></u>	<u><u>3,077,698</u></u>	<u><u>3,603,848</u></u>

Changes in endowment net assets for the year ended June 30, 2019 are as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2018	\$ 526,150	3,077,698	3,603,848
Investment return, net	68,784	359,355	428,139
Endowment return appropriated	(25,048)	(128,809)	(153,857)
Contributions	143	91,625	91,768
Reclassifications and other changes	<u>1,117</u>	<u>5,679</u>	<u>6,796</u>
Endowment net assets, June 30, 2019	\$ <u><u>571,146</u></u>	<u><u>3,405,548</u></u>	<u><u>3,976,694</u></u>

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Changes in endowment net assets for the year ended June 30, 2018 are as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2017	\$ 483,590	2,761,941	3,245,531
Investment return, net	68,043	342,894	410,937
Endowment return appropriated	(25,283)	(126,358)	(151,641)
Contributions	200	98,303	98,503
Reclassifications and other changes	(400)	918	518
Endowment net assets, June 30, 2018	<u>\$ 526,150</u>	<u>3,077,698</u>	<u>3,603,848</u>

(a) Interpretation of Relevant Laws

In accordance with UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the University and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the University
- The investment policies of the University

(b) Funds with Deficiencies

From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the fund's historic dollar value. Deficiencies of this nature are reported in net assets with donor restrictions. As of June 30, 2018, funds with original gift value of \$8,088 were underwater by \$184. There were no donor-restricted endowment funds underwater at June 30, 2019.

(c) Return Objectives and Risk Parameters

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets, including both donor-restricted and designated funds. The long-term investment return objective is formulated to maintain purchasing power after accounting for both inflation and spending. The Corporation has set a long-term return goal at 5.5% above the higher education price index. Actual returns in any given year or period of years may vary from this amount.

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(d) Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The University targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

(e) Spending Policy and How the Investment Objectives Relate to Spending Policy

The University invests its endowment funds and allocates the related return for expenditure in accordance with the total return concept. The endowment utilization is determined in accordance with the policy adopted by the Corporation. This policy fixes the spending range between 4.5% and 5.5% of the average fair value of applicable endowments over the prior twelve quarters, with the objective being to hold the spending rate to no more than a 5% average over time. Applicable endowments include Corporation-designated and donor-restricted endowment funds.

(6) Land, Buildings and Equipment

Land, buildings and equipment include the following at June 30:

	<u>2019</u>	<u>2018</u>
Land	\$ 89,215	85,882
Buildings	745,592	729,944
Improvements	1,156,824	1,085,518
Equipment	226,821	215,517
Intangible assets	364	2,633
Construction in progress	<u>93,013</u>	<u>68,390</u>
	2,311,829	2,187,884
Accumulated depreciation	<u>(1,120,697)</u>	<u>(1,063,156)</u>
Land, buildings and equipment, net	<u>\$ 1,191,132</u>	<u>1,124,728</u>

Outstanding commitments on uncompleted construction contracts total \$44,462 at June 30, 2019.

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(7) Bonds, Loans and Notes Payable

The University has entered into various agreements primarily for the purpose of financing the acquisition, renovation, and improvement of its facilities. The bonds, loans and notes payable outstanding for these purposes are as follows:

Name of issue	Interest rate(s)	Type of rate	Final maturity	Balance at June 30	
				2019	2018
Rhode Island Health and Education Building Corporation (RIHEBC)					
Facilities Revenue Bonds:					
Series 2003B	1.90%	Variable	2044	\$ 40,165	40,680
Series 2005A	1.85%	Variable	2035	85,500	85,500
Series 2009	5.00%	Fixed	2040	70,795	70,795
Series 2011	2.50%–5.00%	Fixed	2033	41,390	46,160
Series 2012	5.00%	Fixed	2023	118,240	118,240
Series 2013	4.00%–5.00%	Fixed	2044	127,070	129,925
Series 2015	2.33%	Variable	2046	41,560	42,755
Series 2017A	4.00%–5.00%	Fixed	2048	141,125	141,125
Brown University Taxable Bonds:					
Series 2009	4.57%	Fixed	2020	—	45,000
Commercial bank term loans:					
Fiscal year 2016 issuance	2.37%	Variable	2019	—	47,800
Fiscal year 2019 issuance	2.65%	Variable	2022	75,000	—
Promissory note	noninterest bearing	N/A	2030	3,100	3,200
Total bonds, loans and notes payable before premium				743,945	771,180
Unamortized premium				43,764	48,481
Total bonds, loans and notes payable				\$ 787,709	819,661

(a) Tax Exempt Bonds

The University's tax-exempt debt, primarily Facilities Revenue Bonds, is issued through RIHEBC, a state agency serving as a conduit issuer of tax exempt debt. The University is required under certain of its financing agreements with RIHEBC to appropriate funds from operating and other net assets for payment of principal and interest and for maintenance of the related properties. The Revenue Bonds currently outstanding were issued primarily to finance new and ongoing capital projects, student housing, academic, research and administrative buildings, and infrastructure.

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In July 2017, the University issued through RIHEBC tax-exempt bonds with a total par value of \$141,125 at interest rates range of 4.00% to 5.00%, maturing in 2048. The bonds were sold at a premium of \$19,532, resulting in effective yield of 3.25%. The proceeds were used to refinance \$84,460 of Series 2007 tax-exempt bonds, with remaining proceeds to be used for capital projects.

(b) Taxable Bonds and Other Debt

In July 2018, the University borrowed \$75,000 through a commercial bank term loan at a variable rate of one-month LIBOR plus 25 basis points, maturing in 2022. The proceeds were used to repay a maturing \$47,800 commercial bank loan, and the remaining proceeds were used to pay down \$27,200 of the Series 2009 Taxable Bond. University capital was used to retire the remaining 2009 Taxable Bond. The transaction resulted in a make whole redemption expense of \$1,005, which is included in other changes on the 2019 statement of activities.

The University has a \$50,000 Taxable Commercial Paper Program that allows for the issuance of Standard Commercial Paper Notes, Series A, and Extendible Commercial Paper Notes, Series B. These unsecured, taxable promissory notes can be issued in various amounts with maturities no greater than 270 days. At June 30, 2019 and 2018, there were no outstanding notes.

In July 2019, the Taxable Commercial Paper Program was amended to increase the maximum amount of taxable promissory notes to \$125,000 and to terminate the extendible feature of the notes.

Principal payments of bonds, notes and loans payable as of June 30, 2019 for each of the succeeding five fiscal years ending June 30 and thereafter are as follows:

Fiscal year:		
2020	\$	11,795
2021		9,775
2022		136,765
2023		70,100
2024		10,165
Thereafter		<u>505,345</u>
Total	\$	<u>743,945</u>

At June 30, 2019 and 2018, the University had a \$125,000 line of credit, which matured in July 2019 and July 2018, respectively. The line of credit was subsequently reduced to \$50,000 and renewed in July 2019. As of June 30, 2019, the full amount of \$125,000 was available at a rate of one month LIBOR plus 40 basis points.

The University has two stand-by bond purchase agreements with financial institutions totaling approximately \$126,000 in the event that the Series 2003B and Series 2005A bonds cannot be remarketed. The \$85,500 agreement matures November 2020 and the \$40,614 agreement matures January 2020. There were no amounts outstanding at June 30, 2019 and 2018, under these agreements, nor has either agreement ever been called upon.

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The University provided self-liquidity for its taxable commercial paper program at June 30, 2019 and 2018.

During fiscal 2011, the University entered into an agreement with third-party investors to effectively avail itself of certain Federal New Market Tax Credit (NMTC) incentives. By enabling these third parties to capture the NMTC benefits associated with the acquisition and construction of the University's new medical school facility, the University was able to reduce its all-in cost of the facility. Under the arrangement, the University loaned \$58,501 to Providence Richmond Street Investment Fund, LLC (LLC) capitalized by the investors. The LLC in turn provided capital to various community development entities, which then collectively issued \$72,249 of loans to KARING, a special-purpose, wholly owned 501(c) (3) not-for-profit entity consolidated by the University. KARING owns the facility and leased it back to the University during the seven-year period required for the NMTC structure to be effective. As part of the unwind of the NMTC transaction, the University bought the sole member interest in the LLC on October 31, 2017. The sole member interest included a \$72,249 note receivable from KARING. The transaction resulted in a gain of \$13,748, which is reflected in other changes on the statement of activities in fiscal 2018.

(c) Interest Rate Swaps

At June 30, 2019 and 2018, the University had two interest-rate swap agreements in place to effectively convert a portion of its variable-rate debt to fixed rates until maturity of the associated bonds. The notional amounts for the JPMorgan swap and the \$85,500 Goldman Sachs swap match the par amounts of the bonds and amortize at the same rate as the associated debt.

As of June 30, the following interest-rate swap agreements were outstanding:

Counterparty	Associated debt	Expiration date	June 30, 2019		Fair value of liability at June 30	
			remaining notional value	Swap fixed rate	2019	2018
JP Morgan	Series 2003B	9/1/2043	\$ 40,165	3.732 %	\$ (14,459)	(11,043)
Goldman Sachs	Series 2005A	5/1/2035	85,500	3.979	(28,459)	(19,008)
Goldman Sachs	None	9/1/2032	13,532	3.891	(2,341)	(1,706)
					\$ (45,259)	(31,757)

The variable rate on the two Goldman Sachs swaps is based on the USD-BMA Municipal Swap Index. The variable rate on the JPMorgan swap is based on 67% of one-month LIBOR-BBA. The Goldman Sachs swaps require posting of collateral by either party at thresholds based on their respective credit ratings. Cash collateral must be posted by the University if the aggregate mark-to-market liability payable by the University exceeds \$25,000. The JPMorgan swap stipulates that if the University meets a minimum credit rating there are no collateral posting requirements. At June 30, 2019, the collateral posting requirement was \$5,800; however, \$6,000 was on deposit as collateral to ensure continuing collateral coverage.

BROWN UNIVERSITY

Notes to Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

Interest rate volatility, remaining outstanding notional value and time to maturity will affect each swap's fair value at subsequent reporting dates. To the extent the University holds a swap through its expiration date, the swap's fair value will reach zero. Because the swap fair values are based predominantly on observable inputs corroborated by market data, they are classified in Level 2 in the GAAP fair value hierarchy.

(8) Retirement Benefits

The University participates in two contributory retirement plans. The expense to the University, representing its contributions to the accounts of faculty and staff, was \$28,775 and \$26,288 for the years ended June 30, 2019 and 2018, respectively.

The University also has a non-qualified deferred compensation plan under IRC 457(b) that is offered to a select group of employees. Assets are held by a custodian on behalf of the University and are restricted for payments to participants and beneficiaries. At June 30, 2019, total assets held by the University were \$27,453 and included in investments on the balance sheet. A corresponding liability is included in retirement obligations.

The Brown University Food Services and Plant Operations Employees' Pension Plan is a qualified, noncontributory defined benefit plan which provides pensions for certain full-time weekly paid employees. The policy of the University is to fund pension costs in accordance with the Employee Retirement Income Security Act of 1974, as amended.

Information regarding the defined benefit pension plan for the years ended June 30 is as follows:

	<u>2019</u>	<u>2018</u>
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	\$ 99,758	100,398
Service cost	3,965	4,185
Interest cost	4,016	3,741
Benefits paid	(2,695)	(2,478)
Actuarial gain	<u>11,749</u>	<u>(6,088)</u>
Projected benefit obligation at end of year	<u>\$ 116,793</u>	<u>99,758</u>

The projected benefit obligation was determined using the following assumptions as of June 30:

	<u>2019</u>	<u>2018</u>
Discount rate	3.41 %	4.09 %
Rate of compensation increase	3.00	3.00

BROWN UNIVERSITY
Notes to Financial Statements
June 30, 2019 and 2018
(Dollars in thousands)

The following is a summary of activity under the plan for the years ended June 30:

	2019	2018
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ 79,929	74,036
Actual return on plan assets	2,894	5,871
Contributions	2,500	2,500
Benefits paid	(2,695)	(2,478)
Fair value of plan assets at end of year	82,628	79,929
Projected benefit obligation at end of year	(116,793)	(99,758)
Funded status included in retirement obligations	(34,165)	(19,829)
	2019	2018
Net periodic pension cost:		
Service cost	\$ 3,965	4,185
Interest cost	4,016	3,741
Expected return on assets	(5,192)	(4,819)
Amortization of unrecognized loss and prior service cost	325	958
Net periodic pension cost	\$ 3,114	4,065

Net periodic pension cost was determined using the following assumptions for the years ended June 30:

	2019	2018
Discount rate	4.09 %	3.79 %
Rate of compensation increase	3.00	3.00
Expected long-term rate of return	6.50	6.50

The expected rate of return on plan assets was derived based upon assumptions of inflation, real returns, anticipated value added by the investment manager and expected asset class allocations.

Net periodic pension cost is reflected in operating activities on the statements of activities. As of June 30, 2019 and 2018, items not yet recognized as components of net periodic pension cost are unrecognized prior service cost of \$948 and \$873, respectively, and a net unrecognized actuarial loss of \$26,209 and \$12,562, respectively. These changes affecting the funded status of the plan are included in other changes, net in nonoperating activities in the statements of activities.

BROWN UNIVERSITY

Notes to Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

The plan assets at June 30, 2019 and 2018 consist of variable annuity investments with various equity and fixed income focuses, which are classified as Level 1 in the GAAP fair value hierarchy.

The investment strategy for the Plan takes into account several factors consistent with the characteristics of an employee pension plan. As such, the strategy recognizes a long-term time horizon where a substantial allocation to equities is appropriate and will help to maximize returns; broad diversification in order to increase return and reduce risk; and investment in institutional retirement annuities that serves to reduce administrative costs.

The actual asset allocation for the pension plan as of June 30, 2019 and 2018, and the weighted average asset targeted allocation are as follows:

	Target	Actual	
		2019	2018
Equity funds	75 %	77 %	77 %
Fixed income funds	25	23	23
Total	100 %	100 %	100 %

The University's estimated contribution for 2020 is \$2,500.

Estimated future benefit payments as of June 30, 2019 are as follows:

Fiscal year:	
2020	\$ 3,542
2021	3,746
2022	4,008
2023	4,308
2024	4,606
2025–2029	28,088

BROWN UNIVERSITY
Notes to Financial Statements
June 30, 2019 and 2018
(Dollars in thousands)

(9) Net Assets

The University's net assets as of June 30 are as follows:

	2019	2018
Without donor restrictions:		
Corporation-designated endowment funds	\$ 571,146	526,150
Investment in plant, net	311,364	264,271
University operations	243,391	287,689
Total without donor restrictions	1,125,901	1,078,110
With donor restrictions:		
Donor-restricted endowment funds:		
Scholarships and student support	1,140,230	1,029,072
Departmental and programatic support	694,021	637,981
Professorships	875,488	761,085
General use	268,566	249,930
Instruction and lecturships	233,643	222,492
Fellowships	193,600	177,138
	3,405,548	3,077,698
Contributions receivable	277,443	217,634
Donor restricted for programs	142,525	122,754
Split-interest net assets	54,092	52,007
Investment in plant, net	68,010	88,288
Total with donor restrictions	3,947,618	3,558,381
	\$ 5,073,519	4,636,491

(10) Functional Classification of Expenses

The statements of activities present expenses by natural classification. The University also summarizes its operating expenses by functional classification. Functional categories are reported after allocating, on a square footage basis, expenses for operation and maintenance of plant, interest on indebtedness, and depreciation.

BROWN UNIVERSITY
Notes to Financial Statements
June 30, 2019 and 2018
(Dollars in thousands)

Operating expenses by nature and function are summarized as follows for the fiscal year ended June 30, 2019:

	2019					Total	2018
	Instruction and departmental research	Sponsored programs	Academic and student support	Auxiliary services	Institutional support		
Salaries and wages	\$ 179,382	52,270	80,093	30,919	59,975	402,639	376,515
Employee benefits	51,213	15,755	22,858	8,527	15,902	114,255	108,990
Graduate student support	7,629	14,999	59,121	—	—	81,749	75,640
Purchased services	28,881	33,667	10,862	11,139	14,605	99,154	107,452
Supplies and general	37,615	19,393	68,554	14,118	12,404	152,084	141,806
Utilities	8,650	2,468	6,947	12,102	5,498	35,665	31,153
Interest	7,692	2,366	4,989	8,006	1,385	24,438	27,491
Depreciation	26,268	8,078	17,036	27,338	4,222	82,942	78,176
	<u>\$ 347,330</u>	<u>148,996</u>	<u>270,460</u>	<u>112,149</u>	<u>113,991</u>	<u>992,926</u>	<u>947,223</u>

Operating expenses by nature and function are summarized as follows for the fiscal year ended June 30, 2018:

	2018					Total	2017
	Instruction and departmental research	Sponsored programs	Academic and student support	Auxiliary services	Institutional support		
Salaries and wages	\$ 167,846	49,713	74,540	30,647	53,769	376,515	357,895
Employee benefits	48,162	15,143	22,329	8,407	14,949	108,990	104,795
Graduate student support	6,485	13,969	55,186	—	—	75,640	68,385
Purchased services	36,783	31,366	14,003	13,142	12,158	107,452	89,835
Supplies and general	39,309	18,752	58,504	18,476	6,765	141,806	131,123
Utilities	7,691	2,203	6,463	10,633	4,163	31,153	26,733
Interest	7,961	2,449	5,163	8,286	3,632	27,491	29,291
Depreciation	24,758	7,615	16,057	25,767	3,979	78,176	73,843
	<u>\$ 338,995</u>	<u>141,210</u>	<u>252,245</u>	<u>115,358</u>	<u>99,415</u>	<u>947,223</u>	<u>881,900</u>

(11) Commitments and Contingencies

All funds expended in conjunction with government grants and contracts are subject to audit by governmental agencies. In the opinion of management, any potential liability resulting from these audits will not have a material effect on the University's financial position.

The University is a defendant in various legal actions arising in the normal course of its operations. Although the final outcome of such actions cannot currently be determined, the University believes that the ultimate unrecognized liability, if any, will not have a material effect on the University's financial position.

BROWN UNIVERSITY

Notes to Financial Statements

June 30, 2019 and 2018

(Dollars in thousands)

(12) Related-Party Transactions

Members of the Corporation and senior management may, from time to time, be associated either directly or indirectly with companies doing business with the University. The University has a written conflict of interest policy that requires annual reporting by each Corporation member and University senior management. When such relationships exist, measures are taken to mitigate any actual or perceived conflict, including requiring that such transactions be conducted at arms' length, based on terms that are fair and reasonable to and in the best interest of the University.

Effective July 1, 2017, the University, along with The Neurology Foundation, Inc.; University Emergency Medicine Foundation; University Medicine Foundation; University Surgical Associates, Inc.; Brown Urology, Inc.; and Brown Dermatology, Inc. (collectively the Foundations), joined to create the nonprofit Brown Physicians, Inc. (BPI). BPI is an affiliated clinical practice that will enhance the partnership between the Foundations and the Warren Alpert Medical School. Under the formation and support agreement, the University is obligated to pay BPI \$25,000 over a 10-year period. In 2019, the University paid \$2,500 to BPI, with the remaining \$17,500 included in accounts payable and accrued liabilities at June 30, 2019. In addition, the University authorized a line of credit agreement with BPI, up to \$30,000. There was no amount outstanding under the line of credit at June 30, 2019.

(13) Supplemental Disclosure of Cash Flow Information

Following is information intended to supplement the statements of cash flows for the years ended June 30:

	<u>2019</u>	<u>2018</u>
Cash paid for interest, including recurring swap settlements, net of capitalized interest of \$2,981 and \$1,682	\$ 29,834	29,597
Noncash investing activities:		
(Decrease) increase in accounts payable for land, buildings and equipment	\$ (6,541)	12,441
Decrease in payables for purchases of investments	(35,705)	(97,826)

(14) Subsequent Events

In July 2019, the University issued through RIHEBC tax-exempt bonds with a total par value of \$54,560 at an interest rate of 5.0%, maturing in 2030. The bonds were sold at a premium of \$16,496, resulting in an effective yield of 1.73%. The proceeds were used to refinance \$70,795 of Series 2009 tax-exempt bonds.

The University considers events or transactions that occur after the balance sheet date, but before the financial statements are issued, to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. These financial statements were issued October 28, 2019, and subsequent events have been evaluated through that date.

BROWN UNIVERSITY
 Supplementary Schedule of Expenditures of Federal Awards
 Year ended June 30, 2019

Federal grantor/pass-through grantor/program or cluster title	Federal CFDA number	Direct award or pass-through entity identifying number	Passed through to subrecipients	Total federal expenditures
Research and Development Cluster:				
Corporation for National and Community Service: Providence VA Medical Center	94.000	Vietnam Era Vets	\$ —	20,740
Corporation for National and Community Service total			—	20,740
Department of Commerce				
University of Rhode Island	11.417	0007089/051518	—	23,008
Climate and Atmospheric Research	11.431	Direct	—	186,371
Science, Technology, Business and/or Education Outreach	11.620	Direct	—	76,660
Department of Commerce total			—	286,039
Department of Defense:				
Department of Defense – Other research	12.000	Direct	96,900	494,865
Columbia University	12.000	2(GG008732)	—	128,826
Imaging Systems Technology	12.000	IST-6126	—	124,369
Systems and Technology Research	12.000	2018-0047	—	106,609
Tufts University	12.000	AR0002	—	129,169
Women and Infants Hospital	12.000	9607	—	31,032
Subtotal			96,900	1,014,870
Basic and Applied Scientific Research				
Boston University	12.300	Direct	2,353,704	6,900,756
Cornell University	12.300	4500002205	—	301,221
Johns Hopkins University	12.300	81825-10893	—	258,743
ReliaCoat Technologies, LLC	12.300	2003341862	—	28,254
Stevens Institute of Technology	12.300	GR5220056	—	140,466
Tufts University	12.300	2102747-01	—	175,888
University of California, Berkeley	12.300	ONR278	—	268,945
University of Colorado, Boulder	12.300	00009340	—	114,530
University of Rhode Island	12.300	1553984	—	174,419
University of Wisconsin, Madison	12.300	0005719/08242016	—	51,514
University of Wisconsin, Madison	12.300	825K311	—	168,730
University of Wisconsin, Madison	12.300	817K692	—	445,764
University of Wisconsin, Madison	12.300	831K235	—	42,647
Subtotal			2,353,704	9,071,877
Military Medical Research and Development				
Duke University Medical Center	12.420	Direct	84,369	660,063
Massachusetts General Hospital	12.420	3130852	—	3,264
Rhode Island Hospital	12.420	232994	—	35,942
Yale University	12.420	701-7137164	—	7,821
Yale University	12.420	C16-J2326 (J00246)	—	19,218
Yale University	12.420	C16J12287 (J00244)	—	26,001
Subtotal			84,369	752,309
Basic Scientific Research				
General Dynamics Land Systems	12.431	Direct	1,488,833	3,337,646
	12.431	PO #40282276	—	67,356
Subtotal			1,488,833	3,405,002
Basic, Applied, and Advanced Research in Science and Engineering				
University of Utah	12.630	Direct	—	27,581
	12.630	10028801-BROWN-APP	—	307,283
Subtotal			—	334,864

BROWN UNIVERSITY
 Supplementary Schedule of Expenditures of Federal Awards
 Year ended June 30, 2019

Federal grantor/pass-through grantor/program or cluster title	Federal CFDA number	Direct award or pass-through entity identifying number	Passed through to subrecipients	Total federal expenditures
Air Force Defense Research Sciences Program	12.800	Direct	\$ 121,828	933,686
University of California, San Diego	12.800	110116034	—	158,545
Electronics of the Future, Inc.	12.800	STTR-1/Brown	—	14,010
Subtotal			<u>121,828</u>	<u>1,106,241</u>
Mathematical Sciences Grants	12.901	Direct	—	59,517
Research and Technology Development	12.910	Direct	583,322	2,938,954
Charles River Analytics, Inc.	12.910	SC1623302	—	235,311
Raytheon ITSS	12.910	W911NF19C0008	—	4,954
University of California, San Diego	12.910	104628989	—	209,419
University of Pennsylvania	12.910	574468	—	170,840
Yale University	12.910	C17P12597 (P00407)	—	51,829
Subtotal			<u>583,322</u>	<u>3,611,307</u>
Department of Defense total			<u>4,728,956</u>	<u>19,355,987</u>
Department of Education:				
Education Research, Development and Dissemination	84.305A	Direct	—	297,494
Evaluation of State Education Programs and Policies	84.305E	Direct	352,370	627,088
English Language Acquisition State Grants	84.365Z	Direct	—	412,060
Department of Education total			<u>352,370</u>	<u>1,336,642</u>
Department of Energy:				
Department of Energy – Other Research	81.000	Direct	—	481,347
Fermi National Accelerator Laboratory	81.000	PO 573783	—	40,599
Fermi National Accelerator Laboratory	81.000	PO629713	—	155,608
Fermi National Accelerator Laboratory	81.000	PO635300	—	965
Fermi National Accelerator Laboratory	81.000	PO635983	—	(78,512)
Fermi National Accelerator Laboratory	81.000	652923	—	13,341
Fermi National Accelerator Laboratory	81.000	648835	—	541,299
Fermi National Accelerator Laboratory	81.000	656186	—	9,431
Honeywell Federal Manufacturing & Technologies LLC	81.000	N000250685	—	228,007
Lawrence Livermore National Laboratory	81.000	B630141	—	60,000
Los Alamos National Laboratory	81.000	Basic 419093, Sub 420101	—	182,790
Oak Ridge National Laboratory	81.000	4000126928	—	82,933
Pacific Northwest National Laboratory	81.000	433306	—	60,993
Sandia National Laboratories	81.000	1926728	—	81,937
The Regents of the University of California	81.000	738270	—	22,647
The Regents of the University of California – LBNL	81.000	7265413	—	352,040
Subtotal			<u>—</u>	<u>2,235,425</u>
Office of Science Financial Assistance Program	81.049	Direct	364,414	3,421,578
Oak Ridge National Laboratory	81.049	4000161336	—	120,842
ReliaCoat Technologies, LLC	81.049	N/A	—	68,000
Subtotal			<u>364,414</u>	<u>3,610,420</u>
University Coal Research	81.057	Direct	—	281
General Motors Corporation	81.087	4300501631	—	151,579
Brookhaven National Laboratory	83.000	325180	—	145,705
Department of Energy total			<u>364,414</u>	<u>6,143,410</u>

BROWN UNIVERSITY
 Supplementary Schedule of Expenditures of Federal Awards
 Year ended June 30, 2019

Federal grantor/pass-through grantor/program or cluster title	Federal CFDA number	Direct award or pass-through entity identifying number	Passed through to subrecipients	Total federal expenditures
Department of Health and Human Services:				
Department of Health and Human Services – Other research	93.000	Direct	\$ 675,599	3,418,649
Dartmouth College	93.000	R997	—	88,667
Lynntech, Inc.	93.000	Lynntech	—	2,176
National Academy of Sciences	93.000	200010318 – O000027424	—	73,112
Rand Corporation	93.000	9920130017	—	(1)
Rhode Island Hospital	93.000	7137389SB	—	84,723
Subtotal			675,599	3,667,326
University of Pittsburgh	93.007	9012110 (129306-2)	—	(28)
State of Rhode Island Department of Health	93.070	2018-2019 Agreement – PO3423017	—	29,948
Family Smoking Prevention and Tobacco Control Act Regulatory Research	93.077	Direct	7,003	492,910
University of Vermont	93.077	31678SUB51463	—	66,436
University of Vermont	93.077	32359SUB52490	—	250,463
University of Oklahoma	93.077	RS20181272-01	—	7,310
Wake Forest University	93.077	WFUHS 119438	—	39,777
Wake Forest University	93.077	WFUHS119379	—	302,844
Subtotal			7,003	1,159,740
President and Fellows of Harvard College	93.084	116532-5097266	—	22,382
Model State-supported Area Health Education Centers	93.107	Direct	143,246	223,883
Maternal and Child Health Federal Consolidated Programs	93.110	Direct	—	112,931
Environmental Health	93.113	Direct	585,478	2,927,037
Boston University	93.113	4500002243	—	51,710
Johns Hopkins University	93.113	2004166016	—	8,059
President an Fellows of Harvard College – SPH	93.113	112190-5104406	—	77,688
President an Fellows of Harvard College – SPH	93.113	113130-5105236	—	17,269
University of Cincinnati	93.113	011150-002	—	32,956
University of Southern California	93.113	80000762 / P.O. #50504945	—	68,808
Subtotal			585,478	3,183,527
Boston Medical Center	93.136	7038 – PO#11649045 – Activity #0478404	—	19,362
Lifespan, Inc.	93.136	7137033	—	5,100
Rhode Island Hospital	93.136	7137153	—	11,564
State of Rhode Island Department of Health	93.136	2018-2019 Agreement – PO3423017	—	16,934
Subtotal			—	52,960
NIEHS Superfund Hazardous Substances Basic Research and Education	93.143	Direct	96,097	2,394,061
Human Genome Research	93.172	Direct	—	229,286
Research Related to Deafness and Communication Disorders	93.173	Direct	—	1,565,898
Massachusetts General Hospital	93.173	221242	—	1,140
Stanford University	93.173	60951264-116469	—	43,842
University of Massachusetts Medical Center	93.173	WA00454568/OSP2017013	—	(3,766)
Subtotal			—	1,607,114
Research and Training in Complementary and Integrative Health	93.213	Direct	568,123	1,307,684
Duke University	93.213	203-7980	—	12,018
Yale University	93.213	GR106113)CON-80001756)	—	1,019
Subtotal			568,123	1,320,721

BROWN UNIVERSITY
 Supplementary Schedule of Expenditures of Federal Awards
 Year ended June 30, 2019

Federal grantor/pass-through grantor/program or cluster title	Federal CFDA number	Direct award or pass-through entity identifying number	Passed through to subrecipients	Total federal expenditures
National Research Service Awards Health Services Research Training	93.225	Direct	\$ —	322,665
Research on Healthcare Costs, Quality and Outcomes	93.226	Direct	—	2,103,950
University of Massachusetts Medical Center	93.226	OSP27392-02 – PO # WA00826359	—	10,166
Beth Israel Deaconess Medical Center	93.226	01061109	—	11,634
Subtotal			—	2,125,750
Mental Health Research Grants	93.242	Direct	2,490,073	10,595,798
Bradley Hospital	93.242	712-7477	—	13,744
Bradley Hospital	93.242	7127518	—	8,487
Bradley Hospital	93.242	7127519	—	52,146
Bradley Hospital	93.242	712-7528	—	76,988
Bradley Hospital	93.242	712-7551	—	64,390
Brigham & Women's Hospital	93.242	118193	—	35,650
Butler Hospital	93.242	9232-8328	—	4,372
Butler Hospital	93.242	9234-8328	—	79,374
Butler Hospital	93.242	9272-8328	—	5,397
Butler Hospital	93.242	5001421-MOITRA	—	50,712
Columbia University	93.242	139567	—	32,412
Massachusetts General Hospital	93.242	224840	—	117,828
Michigan State University	93.242	RC105383-Brown	—	752,004
Michigan State University	93.242	RC108970BU	—	1,991
MindSciences, Inc	93.242	1R41MH118130-01	—	37,466
Miriam Hospital	93.242	7147045OG	—	31,969
Miriam Hospital	93.242	7147068AN	—	259,756
Northeastern University	93.242	500304	—	23,885
Princeton University	93.242	SUB0000226	—	130,682
Regents of the University of Michigan	93.242	SUBK00008747	—	45,936
Rhode Island Hospital	93.242	701-5554	—	5,429
Rhode Island Hospital	93.242	701-7137066	—	17,172
Rhode Island Hospital	93.242	701-7137293	—	69,109
Rhode Island Hospital	93.242	7137063	—	24,023
Rhode Island Hospital	93.242	7137207	—	43,014
Rhode Island Hospital	93.242	7137412	—	18,504
Rhode Island Hospital	93.242	7137413	—	24,502
Stanford University	93.242	61623543-127696	—	73,463
University of Cape Town	93.242	IRMA26935	—	45,857
University of Cape Town	93.242	IRMA31344	—	11,421
University of California, Berkeley	93.242	00009418	—	112,624
University of Colorado, Boulder	93.242	1556815	—	8,800
University of North Carolina, Chapel Hill	93.242	5113262	—	10,195
Hunter College	93.242	CM00001185-01	—	72,186
University of Maryland, Baltimore	93.242	8639-SR00002907	—	96,745
Subtotal			2,490,073	13,054,031
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	Direct	237,961	1,252,086
State of Rhode Island Department of Behavioral Healthcare, Developmental Disabilities and Hospitals	93.243	SPF-PFS	—	54,470
University of Rhode Island	93.243	6172/022217	—	29,923
University of Rhode Island	93.243	5132-071415	—	26,234
University of Rhode Island	93.243	7096/07092018	—	28,157
Subtotal			237,961	1,390,870

BROWN UNIVERSITY

Supplementary Schedule of Expenditures of Federal Awards

Year ended June 30, 2019

Federal grantor/pass-through grantor/program or cluster title	Federal CFDA number	Direct award or pass-through entity identifying number	Passed through to subrecipients	Total federal expenditures
Health Systems Strengthening and HIV/AIDS Prevention, Care and Treatment Under the President's Emergency Plan for AID	93.266	Direct	\$ —	30,411
Adult Viral Hepatitis Prevention and Control	93.270	Direct	(2,737)	25,046
Alcohol Research Programs	93.273	Direct	750,100	7,164,062
Boston Children's Hospital	93.273	GENFD0001297183	—	15,772
Bradley Hospital	93.273	712-7525	—	92,556
Butler Hospital	93.273	9132-8328	—	29,991
Lehigh University	93.273	543781-78003	—	12,596
Miriam Hospital	93.273	710-9192	—	40,577
Miami University	93.273	G02250	—	(9)
Northeastern University	93.273	500597-78050	—	238,598
Ohio University	93.273	UT19397	—	(224)
Public Health Institute	93.273	1021169	—	(61)
Research Foundation of CUNY at Brooklyn College	93.273	CM00001836-00	—	30,451
Rhode Island Hospital	93.273	7017137290-1	—	74,776
University of Florida	93.273	UFDSP00012297	—	20,430
University of New Mexico	93.273	028328-87T6	—	1,374
University of Missouri, Columbia	93.273	C00064471-1	—	16,652
University of Rhode Island	93.273	112012-003452	—	223,668
University of Southern California	93.273	103132179	—	57,971
University of Washington	93.273	UWSC9451	—	481
Subtotal			<u>750,100</u>	<u>8,019,661</u>
Drug Abuse and Addiction Research Programs	93.279	Direct	1,237,581	4,541,028
Brigham & Women's Hospital	93.279	119349	—	42,326
Emory University	93.279	T856876	—	27,728
Emory University	93.279	T994721	—	15,133
Johns Hopkins University	93.279	2004025742	—	55,267
Kent State University	93.279	403030-BU	—	62,097
Miriam Hospital	93.279	710-7147067	—	27,499
Miriam Hospital	93.279	710-9152	—	78,496
Miriam Hospital	93.279	710-9993	—	17,714
Miriam Hospital	93.279	710-7147113	—	41,745
Miriam Hospital	93.279	7147056	—	114,278
Miriam Hospital	93.279	7147060BM	—	35,338
Miriam Hospital	93.279	7147098BM	—	39,198
Public Health Institute	93.279	00414	—	61,921
Rutgers University	93.279	0679 – PO#936325	—	17,640
Truth Initiative	93.279	7016-Brown	—	87,766
University of British Columbia	93.279	20R22505 / 1UO1DA0299996	—	10,978
University of British Columbia	93.279	20R48670	—	10,029
University of California, Davis	93.279	A18-0560-S001	—	9,570
University of California, San Diego	93.279	68677681 – MP Inv #S9001269	—	(16)
University of California, San Francisco	93.279	9064sc	—	33,119
University of California, San Francisco	93.279	9081sc	—	5,285
University of Kansas Medical Center Research Institute Inc.	93.279	ZAN00050	—	47,618
University of Texas, Austin	93.279	UTA18-000152	—	15,261
Yale University	93.279	GR105610 (CON-80001690)	—	14,946
Subtotal			<u>1,237,581</u>	<u>5,411,964</u>

BROWN UNIVERSITY

Supplementary Schedule of Expenditures of Federal Awards

Year ended June 30, 2019

Federal grantor/pass-through grantor/program or cluster title	Federal CFDA number	Direct award or pass-through entity identifying number	Passed through to subrecipients	Total federal expenditures
Mental Health Research Career/Scientist Development Awards	93.281	Direct	\$ —	(23)
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286	Direct	462,111	878,670
State of Rhode Island Department of Health	93.296	2018-2019 Agreement – PO3423017	—	23,969
Minority Health and Health Disparities Research	93.307	Direct	21,327	345,325
University of Iowa	93.307	W001002272 – PO# 1001863154	—	35,428
Subtotal			<u>21,327</u>	<u>380,753</u>
Trans-NIH Research Support	93.310	Direct	—	51,545
Memorial Hospital	93.310	5001311-Braun	—	72,343
Women and Infants Hospital	93.310	9525	—	22,703
Women and Infants Hospital	93.310	5001451-Braun	—	73,869
Women and Infants Hospital	93.310	5001441	—	20,379
Westat, Inc.	93.310	6366-S02	—	43,292
Subtotal			<u>—</u>	<u>284,131</u>
Dana-Farber Cancer Institute	93.353	1204001	—	23,629
State of Rhode Island Department of Health	93.354	3614854-1	—	22,638
Nursing Research	93.361	Direct	758,887	1,270,146
Butler Hospital	93.361	9074-8328	—	18,063
Butler Hospital	93.361	9241-8328	—	12,232
Butler Hospital	93.361	9452-8328	—	16,206
Johns Hopkins University	93.361	2004240764	—	6,407
Rhode Island Hospital	93.361	701-5500-RI	—	70,126
University of California, Davis	93.361	201222943-02	—	13,204
Subtotal			<u>758,887</u>	<u>1,406,384</u>
National and State Tobacco Control Program	93.387	Direct	—	(9,465)
National Center for Research Resources	93.389	Direct	1,963,275	2,801,305
Cancer Cause and Prevention Research	93.393	Direct	154,129	598,633
Columbia University	93.393	4 (GG011708)	—	(4,080)
Massachusetts General Hospital	93.393	232008	—	79,379
Northeastern Illinois University	93.393	15-069YR3-SUB01	—	3,205
Northwestern University	93.393	60038259BU	—	37,275
Tufts University	93.393	100805-00001	—	130,761
University of California, San Diego	93.393	93597220	—	353,903
University of California, San Francisco	93.393	10234sc	—	193,579
University of Florida	93.393	UFDSP00012157	—	28,143
University of Rhode Island	93.393	000620-092417	—	14,042
Subtotal			<u>154,129</u>	<u>1,434,840</u>
Cancer Detection and Diagnosis Research	93.394	Direct	117,956	968,626
American College of Radiology	93.394	1,670	—	121,750
The Regents of the University of California	93.394	1562GTA939	—	7,829
University of Massachusetts, Worcester	93.394	WA00522513/OSP2016160	—	14,881
Subtotal			<u>117,956</u>	<u>1,113,086</u>

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Federal grantor/pass-through grantor/program or cluster title	Federal CFDA number	Direct award or pass-through entity identifying number	Passed through to subrecipients	Total federal expenditures
Dana-Farber Cancer Institute	93.395	1203505	\$ —	62,020
Dana-Farber Cancer Institute	93.395	1227204	—	1,065,438
Dana-Farber Cancer Institute	93.395	1227206	—	379,571
ECOG-ACRIN Medical Research Foundation, Inc	93.395	1UG1CA189828-01-BRWB1	—	215,413
ECOG-ACRIN Medical Research Foundation, Inc	93.395	1UG1CA189828-01-BRWN2	—	238,952
ECOG-ACRIN Medical Research Foundation, Inc	93.395	5UG1CA189828-03-BRWN4	—	1,020,417
ECOG-ACRIN Medical Research Foundation, Inc	93.395	U10CA180820-02BRWN1	—	15,086
State University of New York-Environmental Science and Forestry	93.395	R701964	—	(975)
Subtotal			—	2,995,922
Cancer Biology Research	93.396	Direct	—	275,578
Indiana University – Bloomington	93.397	IN-4687581-BU	—	6,624
Indiana University – Bloomington	93.397	IN4687590BU	—	28,220
Northeastern Illinois University	93.397	15-069YR4-SUB-01	—	19,212
Subtotal			—	54,056
Cancer Research Manpower	93.398	Direct	44,509	526,106
PPHF National Public Health Improvement Initiative	93.507	Direct	—	5,850
University of Rhode Island	93.624	0005994 / 12022016 – 3491930	—	25,382
Care New England	93.650	100001-1	—	67,231
Dartmouth College	93.701	645	—	(1)
ABT Associates, Inc.	93.779	47360	—	48,858
Leading Age South Carolina	93.779	CMP Fund	—	10,779
Subtotal			—	59,637
University of Missouri – Kansas City	93.788	0081641/00061663	—	282,788
Cardiovascular Diseases Research	93.837	Direct	1,691,267	3,099,130
Butler Hospital	93.837	9273-8328	—	8,587
Miriam Hospital	93.837	710-7147009	—	78,942
Mount Sinai School of Medicine	93.837	0255-8173-4609	—	16,981
New York University School of Medicine	93.837	19-A0-00-1002499	—	51,952
Ocean State Research Institute	93.837	122202	—	84,326
Rhode Island Hospital	93.837	701-7137112	—	289
Rhode Island Hospital	93.837	701-7137449	—	59,372
University of Connecticut	93.837	133693	—	165,285
University of Pittsburgh	93.837	0054665 (129258-2)	—	75,775
University of Rhode Island	93.837	0006829/110818 – P.O. #144830	—	35,818
Yale University	93.837	C14A11773(A10672)	—	127,436
Yale University	93.837	GR100608 (CON-80001019)	—	225,819
Yale University	93.837	GR104259 (CON-80001412)	—	115,542
Subtotal			1,691,267	4,145,254
Lung Diseases Research	93.838	Direct	16,135	621,352
Johns Hopkins University	93.838	2003709236	—	221,551
Rhode Island Hospital	93.838	701-7137089	—	224,532
Rhode Island Hospital	93.838	701-7137305	—	104,538
Weill Cornell Medical College	93.838	16111808-02	—	(26,216)
Yale University	93.838	M15A12057(CON-8000343)	—	19,273
Subtotal			16,135	1,165,030

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Federal grantor/pass-through grantor/program or cluster title	Federal CFDA number	Direct award or pass-through entity identifying number	Passed through to subrecipients	Total federal expenditures
Blood Diseases and Resources Research	93.839	Direct	\$ 390,803	461,053
Arthritis, Musculoskeletal and Skin Diseases Research	93.846	Direct	201,475	1,200,426
Lifespan, Inc.	93.846	7017137231	—	48,330
Subtotal			201,475	1,248,756
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847	Direct	116,535	1,740,418
Miriam Hospital	93.847	710-9176	—	1,004
Rhode Island Hospital	93.847	7017137407	—	69,722
University of California, Irvine	93.847	2018-3543	—	25,171
University of California, San Diego	93.847	100511936 – PTE 5R01DK106157 – PO S9001907 – PED1898	—	6,975
University of California, San Diego	93.847	100512083 – PO S9001908 – PED6332	—	6,908
University of California, San Diego	93.847	100512437 – PO S9001901 – PED5291	—	6,472
University of Massachusetts, Amherst	93.847	16-009296 E00	—	22,862
Subtotal			116,535	1,879,532
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	Direct	574,988	4,661,122
Baylor College of Medicine	93.853	7000000370	—	302,751
Baylor College of Medicine	93.853	7000000738	—	66,904
Baylor College of Medicine	93.853	7,000,000,765	—	34,035
Baylor College of Medicine	93.853	7000000738	—	2,452
Central Michigan University	93.853	F63541	—	235,489
Gray Matter Research	93.853	N/A	—	2,153
Massachusetts General Hospital	93.853	2015D009117	—	503,239
Massachusetts General Hospital	93.853	227057	—	220,343
Massachusetts General Hospital	93.853	230484-Thengone	—	16,741
President and Fellows of Harvard College – HMS	93.853	148635.5033651.0506	—	(1)
Rhode Island Hospital	93.853	701-7137201	—	169,107
Rhode Island Hospital	93.853	7017137409SJ	—	5,961
Rhode Island Hospital	93.853	7017137409DB	—	119,658
Subtotal			574,988	6,339,954
Allergy and Infectious Diseases Research	93.855	Direct	874,568	6,896,570
Case Western Reserve University	93.855	RES512770	—	63,697
Indiana University – Bloomington	93.855	IN4688928BRWN	—	17,724
Indiana University – Indianapolis	93.855	IN4681945BU	—	59,370
Johns Hopkins University	93.855	2004103391	—	43,380
Miriam Hospital	93.855	7109155-CK	—	(27)
Miriam Hospital	93.855	7109156-Wray	—	1
Miriam Hospital	93.855	7109155KB	—	21,488
Miriam Hospital	93.855	7109159-JH	—	1,147
Miriam Hospital	93.855	7147085JH	—	127,311
Miriam Hospital	93.855	7147101JWH	—	31,641
Miriam Hospital	93.855	7147103JH	—	118,541
Miriam Hospital	93.855	7147105CK	—	72,030
Miriam Hospital	93.855	7147101W	—	26,764
Miriam Hospital	93.855	7147102DO	—	26,601
Rhode Island Hospital	93.855	7017137175-3	—	28,062
Rhode Island Hospital	93.855	701-7137275	—	32,880
Temple University	93.855	263655-BROWN	—	21,786
The Regents of the University of California – Merced	93.855	E251GUB334	—	52,802
University of Alabama, Birmingham	93.855	000516607-002	—	9,584

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Federal grantor/pass-through grantor/program or cluster title	Federal CFDA number	Direct award or pass-through entity identifying number	Passed through to subrecipients	Total federal expenditures
University of California, San Francisco	93.855	9507sc	\$ —	176,737
University of California, San Francisco	93.855	10968sc	—	16,294
University of North Carolina, Chapel Hill	93.855	5112553	—	27,068
University of North Carolina, Chapel Hill	93.855	5112615	—	107,035
University of Rhode Island	93.855	0006818-08162018 – PO#000141488	—	17,165
Subtotal			874,568	7,995,651
Biomedical Research and Research Training	93.859	Direct	681,302	11,877,053
Emory University	93.859	T648004	—	171,886
Celdara Medical, LLC	93.859	Celdara Medical 2018/2019	—	11,281
Lifespan Center for Cancer Research Development	93.859	701-7137398	—	50,656
Lifespan Center for Cancer Research Development	93.859	701-7137403	—	8,615
Maine Medical Center Research Institute	93.859	LIAW-111001-1	—	20,164
Maine Medical Center Research Institute	93.859	LIAW-111001-1A	—	4,796
Miriam Hospital	93.859	7147128PB	—	305,714
Ocean State Research Institute	93.859	312207	—	2,018
Ocean State Research Institute	93.859	312208 (243112)	—	(933)
Ocean State Research Institute	93.859	312240-6503	—	286,480
Ocean State Research Institute	93.859	312240-6504	—	305,519
Ocean State Research Institute	93.859	312240-6500	—	200,111
Ocean State Research Institute	93.859	312240-6510	—	25,821
Ocean State Research Institute	93.859	312240-6501	—	327,183
Ocean State Research Institute	93.859	312240-6511	—	5,528
Rhode Island Hospital	93.859	701-7137077-8985	—	20,220
Rhode Island Hospital	93.859	7017137296	—	172,549
Rhode Island Hospital	93.859	7017137300	—	276,036
Rhode Island Hospital	93.859	7017137301	—	190,865
Rhode Island Hospital	93.859	7017137313	—	93,990
Rhode Island Hospital	93.859	701-7137356	—	71,697
Rhode Island Hospital	93.859	701-7137358	—	96,090
Rhode Island Hospital	93.859	7137385BM	—	97,271
Rhode Island Hospital	93.859	7137384TT	—	5,094
Rhode Island Hospital	93.859	7137418JWH	—	25,167
University of Rhode Island	93.859	0005697/060216	—	45,217
University of Rhode Island	93.859	0005697/060316	—	24,151
University of Rhode Island	93.859	0006359/091217	—	34,704
University of Rhode Island	93.859	0006359/100517	—	4,517
University of Rhode Island	93.859	0005697/112516	—	(1)
University of Rhode Island	93.859	Advance	—	19,847
University of Vermont	93.859	31681SUB51329	—	1,688
Women and Infants Hospital	93.859	9719	—	20,147
Women and Infants Hospital	93.859	9721	—	20,134
Subtotal			681,302	14,821,275
Child Health and Human Development Extramural Research	93.865	Direct	899,198	3,020,584
Bradley Hospital	93.865	7127549	—	15,240
Butler Hospital	93.865	9221-8328	—	16,272
Butler Hospital	93.865	9276-8328	—	10,793
Indiana University – Bloomington	93.865	IN4688378BU	—	114,297
Miriam Hospital	93.865	710-9115	—	24,690
Northern Arizona University	93.865	1003926-02	—	5,144
Pennsylvania State University	93.865	5918-BU-DHHS-4158	—	17,018

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Federal grantor/pass-through grantor/program or cluster title	Federal CFDA number	Direct award or pass-through entity identifying number	Passed through to subrecipients	Total federal expenditures
Princeton University	93.865	SUB000089	\$ —	59,386
Regents of the University of Michigan	93.865	3003772127	—	3,759
Research Triangle Institute	93.865	2-312-0215374-65459L	—	33,065
Rhode Island Hospital	93.865	7017137220-RI	—	3,225
Rhode Island Hospital	93.865	7017137362-1	—	18,191
Tulane University	93.865	TUL-HSC-554778-16/17	—	8,659
Tulane University	93.865	TUL-HSC-555504-17/18	—	11,634
Tulane University	93.865	TUL-HSC-556515-18/19	—	63,107
University of North Carolina, Chapel Hill	93.865	5105605	—	(7,715)
University of North Carolina, Chapel Hill	93.865	5110643	—	111,862
University of Rhode Island	93.865	04052012/0002985	—	6,227
University of Rhode Island	93.865	3488/121712	—	210
Women and Infants Hospital	93.865	9435	—	11,366
Yale University	93.865	GR104750(CON-80001511)	—	17,805
Subtotal			899,198	3,564,819
Aging Research	93.866	Direct	3,978,633	13,774,792
Albert Einstein College of Medicine	93.866	311214	—	45,527
Brigham & Women's Hospital	93.866	120138	—	14,536
California Pacific Medical Center Research Institute	93.866	2803227-S191	—	(3,206)
Duke University	93.866	A03-1237	—	463
Hebrew SeniorLife	93.866	10.10.90063	—	160,003
Hebrew SeniorLife	93.866	10.10.91531	—	52,117
Hebrew SeniorLife	93.866	90068	—	75,600
Hebrew SeniorLife	93.866	90082	—	7,492
Hebrew SeniorLife	93.866	90083	—	25,917
Hebrew SeniorLife	93.866	90084	—	18,646
Hebrew SeniorLife	93.866	92331	—	16,627
Hebrew SeniorLife	93.866	92371	—	58,698
Hebrew SeniorLife	93.866	9371	—	6,157
Indiana University – Bloomington	93.866	IN4683234BRWN	—	31,738
Indiana University – Bloomington	93.866	IN4683237BRWN	—	96,028
Johns Hopkins University	93.866	2002364817	—	11,144
Massachusetts General Hospital	93.866	232815	—	84,463
NemaMetrix Inc.	93.866	NemaMetrix	—	66,877
Regents of the University of Michigan	93.866	3004822522	—	43,492
Regents of the University of Michigan	93.866	3004832691	—	43,492
Regents of the University of Minnesota	93.866	P007096953	—	11,396
University of South Florida – Tampa	93.866	1229-1107-00-A	—	113,960
University of Utah College of Nursing	93.866	10044839-01 – PO #U000156299	—	17,327
University of Washington	93.866	UWSC9787	—	41,534
University of Wisconsin, Madison	93.866	697K745	—	5,627
Yale University	93.866	GR104962(CON-80001575)	—	33,438
Subtotal			3,978,633	14,853,885
Vision Research	93.867	Direct	—	2,162,499
Johns Hopkins University	93.867	2003947802	—	109,326
Subtotal			—	2,271,825

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Federal grantor/pass-through grantor/program or cluster title	Federal CFDA number	Direct award or pass-through entity identifying number	Passed through to subrecipients	Total federal expenditures
Medical Library Assistance	93.879	Direct	\$ 18,204	18,292
Northeastern University	93.879	500495-78052 – P.O. P1802611	—	40,445
Subtotal			<u>18,204</u>	<u>58,737</u>
State of Rhode Island Department of Health	93.910	2018-2019 Agreement – PO3423017	—	64,225
International Research and Research Training	93.989	Direct	101,410	438,485
State of Rhode Island Department of Health	93.994	2018-2019 Agreement – PO3423017	—	172,404
State of Rhode Island Department of Health	93.994	3423017	—	234,140
Subtotal			<u>—</u>	<u>406,544</u>
Department of Health and Human Services total			<u>19,855,236</u>	<u>116,751,740</u>
Department of Housing and Urban Development				
General Research and Technology Activity	14.506	Direct	—	3,651
National Center for Healthy Housing	14.902	NCHH-19-1332	—	14,140
Department of Housing and Urban Development total			<u>—</u>	<u>17,791</u>
Department of the Interior				
University of Southern California	15.807	104658382	—	40,000
Natural Resource Stewardship	15.944	Direct	—	61,175
Department of the Interior total			<u>—</u>	<u>101,175</u>
Department of Transportation				
Giner, Inc.	20.000	402372	—	11,006
Department of Transportation total			<u>—</u>	<u>11,006</u>
Department of Veterans Affairs:				
Department of Veterans Affairs – Other Research	64.000	Direct	—	233,048
Providence VA Medical Center	64.000	VA241-15-D-0097 (TO #22 Q Liu) PO 650D84011	—	21,241
Providence VA Medical Center	64.000	VA241-15-D-0097 (TO#23 Silva) PO 650D84017	—	7,500
Providence VA Medical Center	64.000	650D83016	—	41,299
Providence VA Medical Center	64.000	IPA-Beth Travers	—	25,365
Providence VA Medical Center	64.000	VA241-15-D-0097 / PO 650D84023	—	63,280
Providence VA Medical Center	64.000	COIN CIN 13-419 – Jutkowitz (2) – P.O. 650 D93006	—	22,452
Providence VA Medical Center	64.000	IPA-Aaron Gregoire	—	20,902
Providence VA Medical Center	64.000	IIR 17 – 192 – PO 650D93008	—	10,132
Providence VA Medical Center	64.000	650D83054	—	36,912
Providence VA Medical Center	64.000	VA241-15-D-0097 / PO 650D94002	—	56,984
Providence VA Medical Center	64.000	650D84024	—	20,783
Providence VA Medical Center	64.000	650D93027	—	686
Canandaigua VA Medical Center	64.000	GECDAC IPA Makineni 10-1-18	—	25,354
Department of Veterans Affairs – VA Boston Health Care System	64.000	36C24119N0595 / PO 650D94005	—	12,694
Department of Veterans Affairs total			<u>—</u>	<u>598,632</u>
Environmental Protection Agency:				
P3 Award: National Student Design Competition for Sustainability	66.516	Direct	—	205
Environmental Protection Agency total			<u>—</u>	<u>205</u>

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National Aeronautics and Space Administration:				
Jet Propulsion Laboratory	43.000	1549766	\$ —	114,257
Jet Propulsion Laboratory	43.000	1571156	—	133
Jet Propulsion Laboratory	43.000	1585019	—	54,353
Jet Propulsion Laboratory	43.000	JPL 1488322	—	24,828
Johns Hopkins University Applied Physics Laboratory, LLC.	43.000	110619	—	134,519
University of California, Los Angeles	43.000	2090-S-JB693	—	61,225
University of Maryland – College Park	43.000	23913-26927002	—	35,038
Subtotal			—	424,353
Science				
Massachusetts Institute of Technology	43.001	Direct	406,000	1,595,129
Smithsonian Astrophysical Observatory	43.001	5710003400	—	20
Universities Space Research Association	43.001	SV8-88013	—	63,140
University of Arizona	43.001	02282-03	—	27,951
University of Arizona	43.001	375964	—	2,449
Subtotal			406,000	1,688,689
Education	43.008	Direct	292,281	522,584
Space Technology	43.012	Direct	—	370,391
National Aeronautics and Space Administration total			698,281	3,006,017
National Council on Disability				
Home Funds and Public Housing	92.213	Direct	—	18,406
National Council on Disability total			—	18,406
National Endowment for the Arts & Humanities				
Promotion of the Humanities Division of Preservation and Access	45.149	Direct	21,528	86,937
National Endowments for the Arts & Humanities total			21,528	86,937
National Science Foundation:				
National Science Foundation – Other Research	47.000	Direct	—	226,841
University of Notre Dame	47.000	203068	—	10,000
Subtotal			—	236,841
Engineering Grants				
University of Pennsylvania	47.041	Direct	181,131	2,137,491
Yale University	47.041	575402	—	29,180
Yale University	47.041	GR105152 (CON-80001605)	—	14,819
Subtotal			181,131	2,181,490
Archived	47.044	Direct	—	160,971
Mathematical and Physical Sciences				
Brandeis University	47.049	Direct	46,053	7,982,920
Brandeis University	47.049	402430	—	118,072
Mathematical Sciences Research Institute	47.049	MOU 2018 – DMS – 1440140	—	35,473
University of California, Berkeley	47.049	62102-Z4776001	—	60,335
University of Maryland, College Park	47.049	00009384	—	170,779
University of Notre Dame	47.049	QuarkNet Program – PHY1806631	—	2,500
University of Notre Dame	47.049	N/A	—	3,150
Subtotal			46,053	8,373,229

BROWN UNIVERSITY

Supplementary Schedule of Expenditures of Federal Awards

Year ended June 30, 2019

Federal grantor/pass-through grantor/program or cluster title	Federal CFDA number	Direct award or pass-through entity identifying number	Passed through to subrecipients	Total federal expenditures
Geosciences	47.050	Direct	\$ —	2,510,063
Consortium for Ocean Leadership	47.050	T342A32	—	(955)
Georgia Institute of Technology	47.050	RF069-G1	—	(9,216)
Stanford University	47.050	61833835-128348	—	15,012
University of Arizona	47.050	124741	—	26,970
University of New Hampshire	47.050	14-057	—	11,767
University of Southern California	47.050	90703474	—	14,520
University of Texas, Austin	47.050	UTA17-001150	—	30,777
Subtotal			—	2,598,938
Computer and Information Science and Engineering	47.070	Direct	16,032	3,953,344
Northeastern University	47.070	502268-78052	—	80,669
Subtotal			16,032	4,034,013
Biological Sciences	47.074	Direct	586,288	3,936,950
University of Colorado, Boulder	47.074	1555726	—	2,180
University of Florida	47.074	UFDSP00012216	—	15,019
University of Maryland, College Park	47.074	Z3707001/P.O. 9520	—	(481)
Subtotal			586,288	3,953,668
Social, Behavioral, and Economic Sciences	47.075	Direct	—	911,869
National Bureau of Economic Research, Inc	47.075	36300.00.00.00.6600	—	24,024
Southern Methodist University	47.075	G001723-7500	—	52,330
Western Washington University	47.075	51191-B	—	19,925
Subtotal			—	1,008,148
Education and Human Resources	47.076	Direct	34,113	2,594,780
American Association of Physics Teachers	47.076	MOU – AAPT	—	64,293
American Education Research Association	47.076	N/A	—	988
Council of Graduate Schools	47.076	1661272	—	5,920
Vassar College	47.076	1525691.1	—	168,279
Subtotal			34,113	2,834,260
Office of International Science and Engineering (OISE)	47.079	Direct	389,365	1,039,954
CRDF Global	47.079	AOISE-17-62967-1	—	100,514
CRDF Global	47.079	OISE-17-62967-1	—	10,222
Subtotal			389,365	1,150,690
University of Rhode Island	47.081	0005916-101617 – PO# 0000128824	—	597,841
Office of Integrative Activities	47.083	Direct	—	86,929
Dartmouth College	47.083	R896	—	426,040
University of Idaho	47.083	IMK400-SB-001	—	335,063
University of Idaho	47.083	SH2106-SB1-772972	—	63,080
University of Rochester	47.083	416751-G	—	37,855
Subtotal			—	948,967
National Science Foundation total			1,252,982	28,079,056
Research and Development Cluster total			\$ 27,273,767	175,813,783

BROWN UNIVERSITY
 Supplementary Schedule of Expenditures of Federal Awards
 Year ended June 30, 2019

Federal grantor/pass-through grantor/program or cluster title	Federal CFDA number	Direct award or pass-through entity identifying number	Passed through to subrecipients	Total federal expenditures
Student Financial Assistance Cluster (note 3):				
Department of Education:				
Federal Supplemental Educational Opportunity Grants	84.007	Direct	\$ —	816,187
Federal Work-Study Program	84.033	Direct	—	1,350,971
Federal Perkins Loan Program (FPL)	84.038	Direct	—	22,123,275
Federal Pell Grant Program	84.063	Direct	—	4,715,379
Federal Direct Student Loans	84.268	Direct	—	38,669,660
Teacher Education Assistance for College and Higher Education Grant (TEACH Grants)	84.379	Direct	—	5,620
Department of Education total			—	67,681,092
Department of Health and Human Services:				
Health Professions Student Loans, Including Primary Care-Loans/Loans for Disadvantaged Students (note 3)	93.342	Direct	—	596,980
Department of Health and Human Services total			—	596,980
Student Financial Assistance Cluster total			\$ —	68,278,072
Other Program Awards:				
Corporation for National and Community Service:				
Serve Rhode Island	94.006	09ACH RI 001003	—	(10)
State of Rhode Island Department of Education	94.006	2725-20902-907	—	183,900
State of Rhode Island Department of Education	94.006	2725-20902-801	—	11,795
Subtotal			—	195,685
Rhode Island Commission for National and Community Services	94.013	17VSARI002	—	13,316
State of Rhode Island Department of Education	94.009	2725-21102-901	—	1,282
Corporation for National and Community Service total			—	210,283
Department of Defense:				
Basic and Applied Scientific Research	12.300	Direct	—	4,563
Department of Defense total			—	4,563
Department of Education:				
Fulbright Hays Doctoral Dissertation Research Abroad	82.022A	Direct	—	42,695
Overseas Programs- Doctoral Dissertation Research Abroad	84.022A	Direct	—	23,909
Graduate Assistance in Areas of National Need	84.200A	Direct	—	45,405
State of Rhode Island Department of Education	84.287	2725-16602-720	—	148,862
State of Rhode Island Department of Education	84.287	2725-16602-730	—	141,815
Subtotal			—	402,686
BPE	84.411C	50115	—	15,130
State of Massachusetts Department of Elementary and Secondary Education	84.000	19OPRCC2	—	7,600
Department of Education total			—	425,416
Department of Energy				
Office of Science Financial Assistance Program	81.049	Direct	—	10,000
Fermi National Accelerator Laboratory	81.000	652506	—	21,341
Department of Energy total			—	31,341

BROWN UNIVERSITY
Supplementary Schedule of Expenditures of Federal Awards
Year ended June 30, 2019

Federal grantor/pass-through grantor/program or cluster title	Federal CFDA number	Direct award or pass-through entity identifying number	Passed through to subrecipients	Total federal expenditures
Department of Health and Human Services:				
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	Direct	\$ —	15,230
International Research and Research Training	93.989	Direct	—	3,114
University of Rhode Island	93.829	0007944/06202019	—	2,870
State of Rhode Island Department of Health	93.136	2018-2020 Agreement – PO3573706	—	10,740
State of Rhode Island Department of Health	93.243	2018-2020 Agreement – PO3573706	—	25,960
State of Rhode Island Department of Health	93.994	2018-2020 Agreement – PO3573706	—	145,359
State of Rhode Island Department of Health	93.305	2018-2020 Agreement – PO3573706	—	1,940
State of Rhode Island Department of Health	93.898	2018-2020 Agreement – PO3573706	—	14,295
State of Rhode Island Department of Health	93.354	2018-2020 Agreement – PO3573706	—	11,193
Department of Health and Human Services total			—	230,701
Department of Interior				
Cultural Resources Management	15.946	Direct	—	78,632
Department of Interior total			—	78,632
Department of State				
University of Connecticut	19.009	313820	—	245,940
Department of State total			—	245,940
National Aeronautics and Space Administration:				
Other Research	43.000	Direct	—	61,710
Science	43.001	Direct	—	417,957
Education	43.008	Direct	—	793,645
National Aeronautics and Space Administration total			—	1,273,312
National Endowment for the Arts & Humanities:				
Promotion of the Humanities Research	45.161	Direct	—	30,632
State of Rhode Island Council on the Arts	45.025	2018	—	3,000
New England Foundation for the Arts	45.025	NEST 18-35203	—	3,200
New England Foundation for the Arts	45.025	18-34462 (NEFA)	—	2,719
Subtotal			—	8,919
National Endowment for the Arts & Humanities total			—	39,551
Other Programs Cluster total			\$ —	2,539,739
Total Expenditures of Federal Awards			\$ 27,273,767	246,631,594

See accompanying notes to supplementary schedule of expenditures of federal awards.

BROWN UNIVERSITY

Notes to Supplementary Schedule of Expenditures of Federal Awards

Year ended June 30, 2019

(1) Basis of Presentation

The accompanying supplementary schedule of expenditures of federal awards (the Schedule) summarizes the expenditures of Brown University (the University) under programs funded by the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net assets or cash flows of the University.

For purposes of the Schedule, federal awards include all grants, contracts and similar agreements entered into directly between the University and agencies and departments of the federal government and all subawards to the University by nonfederal organizations pursuant to federal grants, contracts and similar agreements. The Schedule also denotes awards passed through from the University to other nonfederal subrecipient organizations.

(2) Significant Accounting Policies

For purposes of the Schedule, expenditures for federal award programs are recognized as incurred using the accrual method of accounting and the cost accounting principles. Under these cost principles, certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Expenditures under the research and development cluster include facilities and administrative (F&A) cost recoveries, relating primarily to facilities operation and maintenance; facilities and equipment depreciation; and general, divisional, and departmental administration services, which are charged to applicable federal grants under negotiated rates agreed to with DHHS, the University's federal cognizant agency. The University has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

(3) Federal Student Financial Assistance

Student Loan Programs

The Federal Perkins Loan and Health Professional Student Loan programs are administered directly by the University and balances and transactions relating to these programs are included in the University's financial statements. Loan activities and balances consist of the following:

	<u>Federal CFDA number</u>	<u>Balance as of June 30, 2018</u>	<u>Loans issued</u>	<u>Payments received and other adjustments</u>	<u>Balance as of June 30, 2019</u>
Perkins Loan Program	84.038	\$ 22,123,275	—	(3,848,764)	18,274,511
Health Professions Student Loans (HPSL)	93.342	<u>538,480</u>	<u>58,500</u>	<u>(104,717)</u>	<u>492,263</u>
Totals		<u>\$ 22,661,755</u>	<u>58,500</u>	<u>(3,953,481)</u>	<u>18,766,774</u>

BROWN UNIVERSITY

Notes to Supplementary Schedule of Expenditures of Federal Awards

Year ended June 30, 2019

Congress did not renew the Federal Perkins Loan Program after September 2017 and the transition period permitting disbursements ended June 30, 2018. Therefore, no new loans have been awarded after September 2017 and the University will continue to service outstanding loans throughout the repayment period. For the year ended June 30, 2019, the University did not recover an administrative cost allowance under the Federal Perkins Loan Program.

Federal Direct Loans

Federally-guaranteed loans awarded to students of the University during the year ended June 30, 2019 are summarized as follows:

Subsidized Stafford Loan Program	\$	3,317,185
Unsubsidized Stafford Loan Program		20,526,534
PLUS Loan Program		<u>14,825,941</u>
Total	\$	<u>38,669,660</u>

The University is responsible only for the performance of certain administrative duties relating to Federal Direct Loans and, accordingly, these loans are not included in the University's financial statements. It is not practical to determine the balances of loans outstanding to students of the University under this program as of June 30, 2019.



KPMG LLP
One Financial Plaza, Suite 2300
Providence, RI 02903

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

The President and Corporation
Brown University:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Brown University (the University), which comprise the balance sheet as of June 30, 2019, the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 28, 2019. This report included an emphasis of matter paragraph referring to the University's adoption of Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, during the year ended June 30, 2019. Our opinion is not modified with respect to this matter.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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



Purpose of this Report

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

KPMG LLP

October 28, 2019



KPMG LLP
One Financial Plaza, Suite 2300
Providence, RI 02903

**Independent Auditors' Reports on Compliance for
Major Federal Program; Report on Internal Control over
Compliance; and Report on Schedule of Expenditures of Federal Awards
Required by the Uniform Guidance**

The President and Corporation
Brown University:

Report on Compliance for Major Federal Program

We have audited Brown University's (the University) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the University's major federal program for the year ended June 30, 2019. The University's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the University's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Major Federal Program

In our opinion, the University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.



Report on Internal Control over Compliance

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

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

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

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the University as of and for the year ended June 30, 2019, and have issued our report thereon dated October 28, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary schedule of expenditures of federal awards for the year ended June 30, 2019 is presented for purposes of additional analysis as required by Uniform Guidance and is not a required part of the 2019 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2019 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 2019 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

KPMG LLP

February 13, 2020

BROWN UNIVERSITY
 Schedule of Findings and Questioned Costs
 Year ended June 30, 2019

(1) Summary of Auditors' Results

Financial Statements

Type of auditors' report issued on whether financial statements were prepared in accordance with U.S. GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(s) identified? yes none reported

Noncompliance material to the financial statements noted? yes no

Federal Awards

Internal control over major federal program:

- Material weakness(es) identified? yes no
- Significant deficiency(s) identified? yes none reported

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

Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

Identification of Major Program

<u>Name of federal program/cluster</u>	<u>CFDA numbers</u>
Research and Development	Various

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

Auditee qualified as low risk auditee? yes no

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

None.

(3) Findings and Questioned Costs Relating to Federal Awards

None.