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

**The Pennsylvania State University
Fiscal Year Ended June 30, 2009**

University Park, Pennsylvania

THE PENNSYLVANIA STATE UNIVERSITY
REPORTS ON THE AUDIT OF
FEDERAL AWARDS
IN ACCORDANCE WITH OMB CIRCULAR A-133
FISCAL YEAR ENDED JUNE 30, 2009

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Joseph J. Doncsecz
Corporate Controller

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March 31, 2010

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

To Whom It May Concern:

The Pennsylvania State University's financial, internal control and compliance reports for the fiscal year ended June 30, 2009 are presented on the accompanying pages. The reports have been issued in accordance with U.S. Office of Management and Budget (OMB) Circular A-133. Also enclosed are The Pennsylvania State University's corrective action plan and summary schedule of prior audit findings.

Sincerely,

Joseph J. Doncsecz
Corporate Controller

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Enclosures

Audited Financial Statements

The Pennsylvania State University
Fiscal Year Ended June 30, 2009

INDEPENDENT AUDITORS' REPORT

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

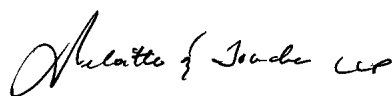
We have audited the accompanying consolidated statements of financial position of The Pennsylvania State University and subsidiaries (the "University") as of June 30, 2009 and 2008, and the related consolidated statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the management of the University. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the University, as of June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the basic 2009 financial statements of the University, taken as a whole. The accompanying schedule of expenditures of federal awards for the year ended June 30, 2009 is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. This schedule is the responsibility of the management of the University. Such information has been subjected to the auditing procedures applied in our audit of the basic 2009 financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2009, on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with the *Government Auditing Standards* and should be considered in assessing the results of our audits.



October 16, 2009

THE PENNSYLVANIA STATE UNIVERSITY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
ASSETS
JUNE 30, 2009 AND 2008
(in thousands)

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Current assets:		
Cash and cash equivalents	\$ 1,094,807	\$ 596,456
Short-term investments	132,106	298,037
Deposits held by bond trustees	125,864	-
Deposits held for others	25,272	24,837
Accounts receivable, net of allowances of \$25,320 and \$22,226	407,625	373,950
Contributions receivable, net	54,101	39,269
Loans to students, net of allowances of \$504 and \$4,601	8,444	10,422
Inventories	31,572	29,916
Prepaid expenses and other assets	59,436	53,096
Investments held under securities lending program	<u>253,696</u>	<u>265,725</u>
Total current assets	<u>2,192,923</u>	<u>1,691,708</u>
Noncurrent assets:		
Deposits held by bond trustees	6,676	6,770
Contributions receivable, net	122,958	106,430
Loans to students, net of allowances of \$2,855 and \$14,570	48,075	33,192
Deferred bond costs, net	6,813	6,268
Total investment in plant, net	2,970,322	2,732,744
Beneficial interest in perpetual trusts	11,025	13,673
Investments	<u>2,358,585</u>	<u>3,066,609</u>
Total noncurrent assets	<u>5,524,454</u>	<u>5,965,686</u>
 Total assets	 <u>\$ 7,717,377</u>	 <u>\$ 7,657,394</u>

See notes to consolidated financial statements.

THE PENNSYLVANIA STATE UNIVERSITY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
LIABILITIES AND NET ASSETS
JUNE 30, 2009 AND 2008
(in thousands)

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Current liabilities:		
Accounts payable and other accrued expenses	\$ 390,675	\$ 383,612
Deferred revenue	217,243	206,519
Long-term debt	51,884	53,098
Present value of annuities payable	5,038	5,520
Accrued postretirement benefits	31,752	29,139
Liability under securities lending program	<u>253,696</u>	<u>265,725</u>
Total current liabilities	<u>950,288</u>	<u>943,613</u>
Noncurrent liabilities:		
Deposits held in custody for others	46,018	37,750
Deferred revenue	17,039	19,556
Long-term debt	1,080,555	969,764
Present value of annuities payable	31,928	36,018
Accrued postretirement benefits	1,012,433	895,198
Refundable United States Government student loans	44,169	35,442
Other liabilities	<u>131,376</u>	<u>130,599</u>
Total noncurrent liabilities	<u>2,363,518</u>	<u>2,124,327</u>
Total liabilities	<u>3,313,806</u>	<u>3,067,940</u>
Net assets:		
Unrestricted -		
Undesignated	1,386	987
Designated for specific purposes	1,424,815	1,576,579
Net investment in plant	<u>1,759,274</u>	<u>1,602,885</u>
Total unrestricted	3,185,475	3,180,451
Temporarily restricted	244,116	514,094
Permanently restricted	<u>973,980</u>	<u>894,909</u>
Total net assets	<u>4,403,571</u>	<u>4,589,454</u>
Total liabilities and net assets	<u>\$ 7,717,377</u>	<u>\$ 7,657,394</u>

See notes to consolidated financial statements.

THE PENNSYLVANIA STATE UNIVERSITY
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009
(in thousands)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Operating revenues and other support:				
Tuition and fees, net of discounts of \$105,118	\$ 1,252,759	\$ -	\$ -	\$ 1,252,759
Commonwealth of Pennsylvania -				
Appropriations	318,072	-	-	318,072
Special contracts	112,576	-	-	112,576
Department of General Services projects	29,855	-	-	29,855
United States Government grants and contracts	416,611	-	-	416,611
Private grants and contracts	168,323	-	-	168,323
Gifts and pledges	64,453	39,071	-	103,524
Endowment spending	65,146	-	-	65,146
Other investment income	61,200	11,267	-	72,467
Sales and services of educational activities	51,533	-	-	51,533
Recovery of indirect costs	128,083	-	-	128,083
Auxiliary enterprises	357,056	-	-	357,056
Medical Center revenue	943,583	-	-	943,583
Other sources	22,367	-	-	22,367
Net assets released from restrictions	34,964	(34,964)	-	-
Total operating revenues and other support	<u>4,026,581</u>	<u>15,374</u>	<u>-</u>	<u>4,041,955</u>
Operating expenses:				
Educational and general -				
Instruction	979,561	-	-	979,561
Research	704,017	-	-	704,017
Public service	83,188	-	-	83,188
Academic support	321,602	-	-	321,602
Student services	151,672	-	-	151,672
Institutional support	260,391	-	-	260,391
Total educational and general	2,500,431	-	-	2,500,431
Auxiliary enterprises	330,524	-	-	330,524
Medical Center expense	932,324	-	-	932,324
Total operating expenses	<u>3,763,279</u>	<u>-</u>	<u>-</u>	<u>3,763,279</u>
Increase in net assets from operating activities	263,302	15,374	-	278,676
Non-operating activities:				
Gifts and pledges	-	-	75,614	75,614
Current year realized and unrealized gains (losses)	(212,252)	(285,144)	5,931	(491,465)
Endowment appreciation utilized	(40,637)	-	-	(40,637)
Changes in funds held by others in perpetuity	-	418	(2,637)	(2,219)
Write-offs and disposals of assets	(5,389)	-	-	(5,389)
Actuarial adjustment on annuities payable	-	(626)	163	(463)
Increase (decrease) in net assets from non-operating activities	<u>(258,278)</u>	<u>(285,352)</u>	<u>79,071</u>	<u>(464,559)</u>
Increase (decrease) in net assets	5,024	(269,978)	79,071	(185,883)
Net assets at the beginning of the year	3,180,451	514,094	894,909	4,589,454
Net assets at the end of the year	<u>\$ 3,185,475</u>	<u>\$ 244,116</u>	<u>\$ 973,980</u>	<u>\$ 4,403,571</u>

See notes to consolidated financial statements.

THE PENNSYLVANIA STATE UNIVERSITY
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008
(in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating revenues and other support:				
Tuition and fees, net of discounts of \$99,518	\$ 1,143,041	\$ -	\$ -	\$ 1,143,041
Commonwealth of Pennsylvania -				
Appropriations	334,230	-	-	334,230
Special contracts	104,967	-	-	104,967
Department of General Services projects	53,499	-	-	53,499
United States Government grants and contracts	394,986	-	-	394,986
Private grants and contracts	149,374	-	-	149,374
Gifts and pledges	56,084	47,530	-	103,614
Endowment spending	60,390	-	-	60,390
Other investment income	73,990	6,907	-	80,897
Sales and services of educational activities	49,726	-	-	49,726
Recovery of indirect costs	118,637	-	-	118,637
Auxiliary enterprises	321,632	-	-	321,632
Medical Center revenue	874,977	-	-	874,977
Other sources	17,954	-	-	17,954
Net assets released from restrictions	27,493	(27,493)	-	-
Total operating revenues and other support	3,780,980	26,944	-	3,807,924
Operating expenses:				
Educational and general -				
Instruction	906,308	-	-	906,308
Research	673,244	-	-	673,244
Public service	91,836	-	-	91,836
Academic support	283,954	-	-	283,954
Student services	134,974	-	-	134,974
Institutional support	264,174	-	-	264,174
Total educational and general	2,354,490	-	-	2,354,490
Auxiliary enterprises	281,817	-	-	281,817
Medical Center expense	863,239	-	-	863,239
Total operating expenses	3,499,546	-	-	3,499,546
Increase in net assets from operating activities	281,434	26,944	-	308,378
Non-operating activities:				
Gifts and pledges	-	-	50,108	50,108
Current year realized and unrealized gains (losses)	(46,889)	(98,384)	9,411	(135,862)
Endowment appreciation utilized	(26,639)	-	-	(26,639)
Changes in funds held by others in perpetuity	-	706	(1,280)	(574)
Write-offs and disposals of assets	(5,505)	-	-	(5,505)
Actuarial adjustment on annuities payable	-	(2,641)	(2,174)	(4,815)
Increase (decrease) in net assets from non-operating activities	(79,033)	(100,319)	56,065	(123,287)
Increase (decrease) in net assets	202,401	(73,375)	56,065	185,091
Net assets at the beginning of the year	2,978,050	587,469	838,844	4,404,363
Net assets at the end of the year	\$ 3,180,451	\$ 514,094	\$ 894,909	\$ 4,589,454

See notes to consolidated financial statements.

THE PENNSYLVANIA STATE UNIVERSITY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008
(in thousands)

	<u>June 30, 2009</u>	<u>June 30, 2008</u>
Cash flows from operating activities:		
(Decrease) increase in net assets	\$ (185,883)	\$ 185,091
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Actuarial adjustment on annuities payable	463	4,815
Contributions restricted for long-term investment	(75,722)	(66,835)
Interest and dividends restricted for long-term investment	(13,166)	(24,630)
Net realized and unrealized losses on long-term investments	455,201	126,706
Depreciation and amortization expense	202,216	193,014
Write-offs and disposals of assets	5,653	5,850
Contributions of land, buildings and equipment	(1,023)	(2,789)
Buildings and equipment provided by Pennsylvania Department of General Services	(633)	(26,377)
Contribution to government student loan funds	454	4,054
Provision for bad debts	22,899	22,998
Increase in deposits held for others	(436)	(3,732)
Increase in receivables	(76,426)	(76,697)
Increase in inventories	(1,656)	(2,000)
Increase in prepaid expenses and other assets	(15,359)	(28,118)
Increase in accounts payable and other accrued expenses	30,493	36,119
Increase in deferred revenue	8,207	10,729
Increase in accrued postretirement benefits	119,848	89,774
Net cash provided by operating activities	<u>475,130</u>	<u>447,972</u>
Cash flows from investing activities:		
Purchase of land, buildings and equipment	(415,594)	(325,180)
Increase in deposits held by bond trustees	(125,770)	11,388
Advances on student loans	(8,505)	(13,115)
Collections on student loans	7,175	6,976
Decrease in investments held under securities lending program	12,029	43,956
Decrease in liability under securities lending program	(12,029)	(43,956)
Purchase of investments	(4,642,005)	(5,065,459)
Proceeds from sale of investments	5,026,450	4,917,285
Net cash used in investing activities	<u>(158,249)</u>	<u>(468,105)</u>
Cash flows from financing activities:		
Contributions restricted for long-term investment	75,722	66,835
Interest and dividends restricted for long-term investment	13,166	24,630
Payments of annuity obligations	(5,100)	(5,571)
Proceeds from issuance of bonds	225,003	145,368
Principal payments on notes, bonds and capital leases	(127,826)	(61,714)
Proceeds related to government student loan funds, net of collection costs	505	485
Net cash provided by financing activities	<u>181,470</u>	<u>170,033</u>
Net increase in cash and cash equivalents	498,351	149,900
Cash and cash equivalents at the beginning of the year	596,456	446,556
Cash and cash equivalents at the end of the year	<u>\$ 1,094,807</u>	<u>\$ 596,456</u>
Supplemental disclosures of cash flow information (Note 2)		

See notes to consolidated financial statements.

THE PENNSYLVANIA STATE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

1. THE UNIVERSITY AND RELATED ENTITIES

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

Basis of Presentation

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by the University, as summarized below, are in accordance with the recommendations for accounting and reporting included in the Audit and Accounting Guide for Not-for-Profit Organizations issued by the American Institute of Certified Public Accountants.

Basis of Accounting

The University's consolidated financial statements include statements of financial position, statements of activities and statements of cash flows. Net assets and the changes in net assets are classified as permanently restricted, temporarily restricted or unrestricted in accordance with Statement of Financial Accounting Standards ("SFAS") No. 117 *Financial Statements of Not-for-Profit Organizations*.

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

Temporarily restricted net assets consist primarily of contributions receivable and accumulated endowment gains which can be expended, but for which restrictions have not yet been met. Such restrictions include time restrictions imposed by donors or implied by the nature of the gift or by interpretations of law.

Unrestricted net assets are all the remaining net assets of the University.

As permitted, donor-restricted gifts that are received and either spent or deemed spent within the same year are reported as unrestricted revenue. Gifts of long-lived assets are reported as unrestricted revenue. Gifts specified for the acquisition or construction of long-lived assets are reported as unrestricted net assets when the assets are placed in service.

The financial statements of the University have been prepared on the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts on the financial statements and the disclosure of contingencies and commitments. Actual results could differ from those estimates.

In 2009, the University evaluated the allowance for loans to students and changed to a methodology that utilizes more recent student data. The methodology utilized in previous years was a more conservative approach that resulted in an allowance that was a greater percentage of the outstanding receivables.

Revenue Recognition

Tuition revenue is recognized in the fiscal year in which the substantial portion of the educational term occurs. Revenues for auxiliary enterprises are recognized as the related goods and services are delivered and rendered. Grant revenues are recognized as the eligible grant activities are conducted. Payments received in advance for tuition, goods and services are deferred.

Unconditional contributions receivable are recognized when received and consist of written or oral promises to contribute to the University in the future. Contributions receivable are recorded with the revenue assigned to the appropriate category of restriction after discounting to the present value of the future cash flows.

TMSHMC has agreements with third-party payors that provide for payments to TMSHMC at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined or such estimates change.

TMSHMC provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates.

Fair Value of Financial Instruments

The University has provided fair value estimates for certain financial instruments in the notes to the financial statements. Fair value information presented in the financial statements is based on information available at June 30, 2009 and 2008. The carrying amounts of cash and cash equivalents, accounts receivable and accounts payable are reasonable estimates of their fair value. The carrying values of the amounts of the University's loans to students are also reasonable estimates of their fair value, as the total outstanding loans to students as of June 30, 2009 and 2008 have been made at the rates available to students for similar loans at such times. The fair value of investments is disclosed in Note 3. The fair value of the University's bonds payable is disclosed in Note 7. See Note 5 for discussion of fair value measurements.

Cash Flows

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

	<u>2009</u>	<u>2008</u>
Interest paid	\$ 41,495,000	\$ 37,583,000
Non-cash acquisitions of land, buildings and equipment	7,150,000	27,651,000

Cash and cash equivalents include certain investments in highly liquid instruments with maturities of 90 days or less, except for such assets held by the University's investment managers as part of their long-term investment strategies. Short-term investments include other current investments held for general operating purposes with maturities greater than three months but less than 12 months.

Inventories

Inventories are stated at cost, generally on the first-in, first-out basis, which is lower than market.

Investments

The University's noncurrent investments represent the University's endowment and other investments held for general operating purposes. The University's investments are reported at fair value in the accompanying financial statements. Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair values with gains and losses included in the consolidated statements of activities. The University records derivative securities at market value with changes in market value reflected in the consolidated statements of activities.

The estimated fair value amounts for marketable debt and equity securities held by the University have been reviewed by the University and determined using available market information as supplied by the various financial institutions that act as trustees or custodians for the University. For non-liquid holdings, generally investments in real estate, venture capital and energy limited partnerships, estimated fair value is determined based upon financial information provided by the limited partnerships. This financial information includes assumptions and methods that were reviewed by University management. The University believes that the estimated fair value is a reasonable estimate of market value as of June 30, 2009 and 2008. Because the limited partnerships are not readily marketable, the estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market existed, and such differences could be material.

Beneficial Interest in Perpetual Trusts

The University receives endowment income from investments of \$11,025,000 and \$13,673,000 held by outside trustees at June 30, 2009 and 2008, respectively. The fair value of such investments has been recorded as permanently restricted net assets and related beneficial interest in perpetual trusts in the consolidated financial statements.

Investment in Plant

Fixed assets, including collections, are stated at cost or fair market value at date of gift. Depreciation is computed over the estimated economic lives of the assets using the straight-line method. Total investment in plant as of June 30 is comprised of the following:

	<u>2009</u>	<u>2008</u>
Land	\$ 103,108,000	\$ 91,506,000
Buildings	3,795,427,000	3,472,408,000
Improvements other than buildings	474,560,000	445,576,000
Equipment	<u>891,909,000</u>	<u>844,274,000</u>
Total plant	5,265,004,000	4,853,764,000
Less accumulated depreciation	<u>(2,294,682,000)</u>	<u>(2,121,020,000)</u>
Total investment in plant, net	<u>\$ 2,970,322,000</u>	<u>\$ 2,732,744,000</u>

Asset Retirement Obligation

Effective June 30, 2006, the University adopted Financial Accounting Standards Board ("FASB") Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations* ("FIN 47"). FIN 47 provides an interpretation of Statement of Financial Accounting Standard ("SFAS") No. 143, *Accounting for Retirement Obligations*, by clarifying that conditional asset retirement obligations meet the definition of a liability even though uncertainty may exist about the timing or method of settlement. Under the provisions of FIN 47, the University is obligated to record a liability for conditional asset retirement obligations. The University performed an analysis of such obligations and determined that asbestos abatement costs represented the University's primary source of such liabilities. The University reviewed all facilities and determined the timing, method and cost of asbestos abatement using a variety of assumptions and estimates. The accompanying asset retirement obligation was discounted using a rate of 5.25%.

Balance as of June 30, 2007	\$ 44,248,000
Accretion expense	2,299,000
Liabilities settled	<u>(462,000)</u>
Balance as of June 30, 2008	46,085,000
Accretion expense	2,324,000
Liabilities settled	<u>(1,358,000)</u>
Balance as of June 30, 2009	<u>\$ 47,051,000</u>

Conditional asset retirement obligations of \$47,051,000 and \$46,085,000 are included in other noncurrent liabilities in the consolidated statement of financial position at June 30, 2009 and 2008, respectively.

Accounting Pronouncements

On July 1, 2008, the University adopted the provisions of FASB Statement No. 157, *Fair Value Measurements* ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. It emphasizes that fair value is a market-based measurement, not an entity-specific measure. Fair value measurement is determined based on the assumptions that market participants would use in pricing an asset or liability including a consideration on non-performance risk. The adoption of this Statement did not have a material effect on the consolidated financial statements for the University. See note 5 for additional information.

In February 2008, the FASB issued FASB Staff Position ("FSP") FAS 157-2, *Effective Date of FASB Statement No. 157* ("FSP 157-2") which delays the effective date of SFAS 157 for nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value on a recurring basis, at least annually, until fiscal year 2010. The University has not yet determined the impact of FSP 157-2 on the consolidated financial statements. In October 2008, the FASB issued FSP FAS 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active* ("FSP 157-3"), which clarifies the application of SFAS 157 in determining the fair value of an asset in a market that is not active. The effect of adopting FSP 157-3 did not have a material impact on the consolidated financial statements of the University. In April 2009, the FASB issued FSP FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly* ("FSP 157-4"), which provides additional guidance for estimating fair value when the volume and level of activity for the asset or liability have significantly decreased. This FSP also includes guidance on identifying circumstances that indicate a transaction is not orderly. The effect of adopting FSP 157-4 did not have a material impact on the consolidated financial statements of the University.

On July 1, 2008, the provisions of SFAS 159, *Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement 115* ("SFAS 159") permitted the University to measure many financial assets and liabilities at fair value that are not currently required to be measured at fair value. Non-profit entities that elect the fair value option will report unrealized gains and losses in the excess of revenues and expenses at each subsequent reporting date. The fair value option is elected on an instrument-by-instrument basis, with few exceptions. SFAS 159 amends previous guidance to extend the use of the fair value option to available-for-sale and held-to-maturity securities. The Statement also establishes presentation and disclosure requirements to help financial statement users understand the effect of the election. The University did not elect to measure any financial assets and liabilities at fair value which were not previously

required to be measured at fair value. Therefore, the adoption of SFAS 159 did not have an impact on the consolidated financial statements of the University.

On July 1, 2008, the University adopted FSP FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and Enhanced Disclosures for All Endowment Funds* ("FSP 117-1"). FSP 117-1 is intended to improve quality and consistency of financial reporting of endowments held by not-for-profit organizations. FSP 117-1 provides guidance on classifying the net assets associated with donor-restricted endowment funds held by organizations that are subject to an enacted version of Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA"), which serves as a model act for states to modernize their laws governing donor-restricted funds. FSP 117-1 also requires additional disclosures about endowments (both donor-restricted funds and board-designated funds) for all organizations, including those that are not yet subject to an enacted version of UPMIFA. The adoption of FSP 117-1 did not have a material impact on the University's consolidated financial statements. See note 4 for additional information.

On July 1, 2007, the University adopted FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109* ("FIN 48"). FIN 48 prescribes the minimum recognition threshold a tax position must meet in connection with accounting for uncertainties in income tax positions taken or expected to be taken by an entity, before being measured and recognized in the financial statements. The adoption of FIN 48 did not have a material impact on the University's financial statements. The University files U.S. federal tax returns. No returns are currently under examination. The statute of limitations on the University's U.S. federal information returns remain open for three years following the year they are filed.

In April 2009, FASB issued FASB Statement No. 164, *Not-For-Profit Entities: Mergers and Acquisitions--Including an amendment of FASB Statement No. 142* ("SFAS 164"). SFAS 164 defines a combination of one or more other not-for-profit entities, business or nonprofit activities as either a merger or acquisition. SFAS 164 establishes principles and requirements in determining whether a not-for-profit entity combination is a merger or acquisition, applies carryover method in accounting for mergers, applies acquisition method in accounting for acquisitions, including which of the combining entities is the acquirer, and requires enhanced disclosures about the merger or acquisition. It also amends FASB Statement No. 142, *Goodwill and Other Intangibles Assets* ("SFAS 142") to make it fully applicable to not-for-profit entities. Furthermore, it amends FASB Statement No. 160, *Noncontrolling Interests in Consolidated Financial Statements*, made to Accounting Research Bulletin ARB No. 51, *Consolidated Financial Statements*, and FASB Statement No. 141(R) *Business Combinations*. SFAS 164 and the amended FASB Statement No. 141(R) *Business Combinations*, SFAS 142, and SFAS 160 are effective for the University beginning July 1, 2010, and may not be applied before that date. The University has not yet determined the impact of these statements on the consolidated financial statements.

In May 2009, FASB issued FASB Statement No. 165, *Subsequent Events* ("SFAS 165"). SFAS 165 is intended to establish general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. It requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date, whether that date represents the date of the financial statements were issued or were available to be issued. This disclosure should alert all users of financial statements that an entity has not evaluated subsequent events after that date in the financial statements presented. SFAS 165 is effective for the University as of June 30, 2009. In accordance with provisions of SFAS 165, the University has evaluated subsequent events through October 16, 2009, when the financial statements were available for issuance.

In December 2008, FASB approved FASB Staff Position No. 132(R)-1, *Employers' Disclosures about Postretirement Benefit Plan Assets* ("FSP-132(R)-1"). FSP-132(R)-1 amends SFAS 132, *Employers' Disclosures about Pensions and Other Postretirement Benefits*, to provide guidance on an employer's disclosures about plan assets of a defined benefit pension or other postretirement plan. The statement also includes a technical amendment to SFAS 132(R) that requires a nonpublic entity to disclose net periodic benefit cost for each annual period for which a statement of operations is presented. FSP-132(R)-1 is effective for fiscal years ending after December 15, 2009. The University has not yet determined the impact of this statement on the consolidated financial statements.

In June 2009, FASB issued FASB Statement No. 166, *Accounting for Transfer of Financial Assets – an amendment of FASB Statement No. 140* (“SFAS 166”). SFAS 166 clarifies that the objective of paragraph 9 of SFAS 140 is to determine whether a transferor and all of the entities included in the transferor’s financial statements being presented have surrendered control over transferred financial assets. That determination must consider the transferor’s continuing involvements in the transferred financial asset, including all arrangements or agreements made contemporaneously with, or in contemplation of, the transfer even if they were not entered into at the time of the transfer. SFAS 166 is effective for the year beginning July 1, 2010. The University has not yet determined the impact of this statement on the consolidated financial statements.

Reclassifications

Certain 2008 amounts related to cash and cash equivalents have been reclassified to conform with 2009 presentation within the consolidated statement of financial position. Cash and cash equivalents – in short term operating portfolios and cash and cash equivalents – in operating investment portfolios as presented in the prior year have been combined and presented as cash and cash equivalents to conform to the 2009 presentation.

Certain amounts within the 2008 consolidated statement of activities have been reclassified to conform with 2009 presentation related to the presentation of operating and non-operating activities. The current presentation of the consolidated statement of activities is more reflective of the core operations of the University.

3. INVESTMENTS

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

	<u>2009</u>	<u>2008</u>
Money markets	\$ 228,451,000	\$ 128,543,000
Fixed income:		
U.S. government/agency	447,040,000	519,374,000
U.S. corporate	394,703,000	593,766,000
Foreign	108,004,000	118,866,000
Other	285,384,000	617,030,000
Equities	588,043,000	856,353,000
Private capital	439,066,000	530,714,000
Investments held under		
securities lending program	<u>253,696,000</u>	<u>265,725,000</u>
Total	<u>\$2,744,387,000</u>	<u>\$3,630,371,000</u>

Other fixed income investments consist of collateralized mortgage obligations, mortgage-backed securities, asset-backed securities and municipal bonds. Equity investments are comprised of domestic and foreign common stocks. Private capital consists primarily of interests in real estate, private equity, venture capital, energy and hedge fund limited partnerships. To conform to the presentation of cash and cash equivalents within the 2009 consolidated statement of financial position, \$78,229,000 of cash and cash equivalents – operating investment portfolios has been removed from the 2008 presentation of investments by major category.

The following schedules summarize the investment return and its classification in the consolidated statement of activities for the years ended June 30, 2009 and June 30, 2008:

<u>2009</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Dividends and interest	\$ 79,769,000	\$ 11,267,000	\$ 5,931,000	\$ 96,967,000
Net realized losses	(30,140,000)	(83,473,000)	-	(113,613,000)
Net unrealized losses	<u>(176,172,000)</u>	<u>(201,671,000)</u>	<u>-</u>	<u>(377,843,000)</u>
Total returns	<u>\$ (126,543,000)</u>	<u>\$ (273,877,000)</u>	<u>\$ 5,931,000</u>	<u>\$ (394,489,000)</u>

<u>2008</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Dividends and interest	\$ 98,359,000	\$ 6,907,000	\$ 9,382,000	\$ 114,648,000
Net realized gains	57,189,000	21,238,000	29,000	78,456,000
Net unrealized losses	<u>(94,696,000)</u>	<u>(119,622,000)</u>	<u>-</u>	<u>(214,318,000)</u>
Total returns	<u>\$ 60,852,000</u>	<u>\$ (91,477,000)</u>	<u>\$ 9,411,000</u>	<u>\$ (21,214,000)</u>

In the management of investments, the University authorizes certain of its investment managers to purchase derivative securities to attain a desired market position; and the University may directly invest in derivative securities to attain a desired market position. The University does not trade or issue derivative financial instruments other than through the investment management practices noted above. Gains and losses from derivative instruments are reported in the consolidated statements of activities. Futures contracts, which are fully cash collateralized, are marked to market daily and are included in the carrying value of the University's investments. The market value of all derivative instruments is included in the market value of the University's investments. Futures contracts have minimal credit risk because the counterparties are the exchanges themselves. Fully cash collateralized derivative securities comprised approximately 1.6% and 2.8% of total investments at June 30, 2009 and 2008.

Through an agreement with its primary investment custodian, the University participates in lending securities to brokers. Collateral is generally limited to cash, government securities, and irrevocable letters of credit. Both the investment custodian and the security borrowers have the right to terminate a specific loan of securities at any time. The University receives lending fees and continues to earn interest and dividends on the loaned securities. At June 30, 2009 and 2008, the University held \$253,696,000 and \$265,725,000, respectively, of cash and cash equivalents as collateral deposits for the securities lending program. The collateral is included as an asset and the obligation to return such collateral is presented as a liability in the consolidated statements of financial position. The securities on loan had an estimated fair value of \$249,278,000 and \$261,096,000 at June 30, 2009 and 2008, respectively.

4. ENDOWMENT NET ASSETS

The University's endowment includes both donor-restricted endowment funds and funds designated to function as endowments. As required by generally accepted accounting principles ("GAAP"), net assets associated with endowment funds, including funds designated to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. As discussed in note 2, the University has adopted FSP 117-1. The enhanced disclosures related to the net asset classification and changes in endowment net assets required by FSP 117-1 have been incorporated in the following tables.

The Commonwealth of Pennsylvania has not adopted UPMIFA but rather is subject to Pennsylvania Act 141 ("PA Act 141"). PA Act 141 permits an organization's trustees to define income as a stipulated percentage of endowment assets (between 2% and 7% of the fair value of the assets averaged over a period of at least three preceding years) without regard to actual interest, dividend, or realized and unrealized gains.

The University has interpreted PA Act 141 to permit the University to spend the earnings of its endowment based on a total return approach, without regard to the fair value of the original gift. As a result of this interpretation, the University classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment, and accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by PA Act 141. Funds functioning as endowments are classified as unrestricted net assets due to the lack of external donor restrictions. Gains and losses attributable to permanent endowments are recorded as temporarily restricted net assets and gains and losses attributable to funds functioning as endowments are recorded as unrestricted net assets.

From time to time due to unfavorable market fluctuations, the fair value of some assets associated with individual donor-restricted endowment funds may fall below the level that donors require to be retained as a perpetual fund, while other assets are unaffected to the same extent and maintain or exceed the level required. The aggregate amount of deficiencies at June 30, 2009 was \$59,653,000, reported in unrestricted net assets on the consolidated statement of activities. Subsequent investment gains will be used to restore the balance up to the fair market value of the original gift. Subsequent gains above that amount will be recorded as temporarily restricted net assets. Aggregate deficiencies as of June 30, 2008 amounted to \$1,664,000.

Endowment net asset composition by type of fund as of June 30, 2009 and 2008:

<u>2009</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (59,653,000)	\$ 101,838,000	\$ 807,047,000	\$ 849,232,000
Funds functioning as endowments	<u>324,308,000</u>	<u>-</u>	<u>-</u>	<u>324,308,000</u>
Total net assets	<u>\$ 264,655,000</u>	<u>\$ 101,838,000</u>	<u>\$ 807,047,000</u>	<u>\$ 1,173,540,000</u>
<u>2008</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 359,229,000	\$ 754,469,000	\$ 1,113,698,000
Funds functioning as endowments	<u>409,290,000</u>	<u>-</u>	<u>-</u>	<u>409,290,000</u>
Total net assets	<u>\$ 409,290,000</u>	<u>\$ 359,229,000</u>	<u>\$ 754,469,000</u>	<u>\$ 1,522,988,000</u>

Changes in endowment net assets for the years ended June 30, 2009 and 2008:

<u>2009</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of the year	\$ 409,290,000	\$ 359,229,000	\$ 754,469,000	\$1,522,988,000
Endowment return:				
Endowment earnings	23,521,000	-	2,878,000	26,399,000
Net realized gains (losses)	34,828,000	(75,032,000)	-	(40,204,000)
Net unrealized losses	(86,948,000)	(242,526,000)	-	(329,474,000)
Reclassification of funds with deficiencies	<u>(59,653,000)</u>	<u>59,653,000</u>	<u>-</u>	<u>-</u>
Total endowment return	<u>(88,252,000)</u>	<u>(257,905,000)</u>	<u>2,878,000</u>	<u>(343,279,000)</u>
Contributions	-	514,000	49,700,000	50,214,000
Endowment spending	(65,146,000)	-	-	(65,146,000)
Transfers to create funds functioning as endowments	<u>8,763,000</u>	<u>-</u>	<u>-</u>	<u>8,763,000</u>
Endowment net assets, end of the year	<u>\$ 264,655,000</u>	<u>\$ 101,838,000</u>	<u>\$ 807,047,000</u>	<u>\$1,173,540,000</u>
<u>2008</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of the year	\$ 435,712,000	\$ 441,090,000	\$ 710,395,000	\$1,587,197,000
Endowment return:				
Endowment earnings	29,554,000	-	2,656,000	32,210,000
Net realized gains	39,399,000	22,265,000	-	61,664,000
Net unrealized losses	<u>(38,735,000)</u>	<u>(104,145,000)</u>	<u>-</u>	<u>(142,880,000)</u>
Total endowment return	<u>30,218,000</u>	<u>(81,880,000)</u>	<u>2,656,000</u>	<u>(49,006,000)</u>
Contributions	-	19,000	41,418,000	41,437,000
Endowment spending	(60,390,000)	-	-	(60,390,000)
Transfers to create funds functioning as endowments	<u>3,750,000</u>	<u>-</u>	<u>-</u>	<u>3,750,000</u>
Endowment net assets, end of the year	<u>\$ 409,290,000</u>	<u>\$ 359,229,000</u>	<u>\$ 754,469,000</u>	<u>\$1,522,988,000</u>

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

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

The University has a policy of appropriating for distribution each year a certain percentage (4.8% for 2009) of its pooled endowment fund's average fair market value over the prior five years through December 31 preceding the fiscal year in which the distribution is planned. Accordingly, over the long term, the University expects the current spending policy to allow its endowment to provide generous current spending while preserving "intergenerational equity". This is consistent with the University's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through new gifts and investment returns.

5. FAIR VALUE MEASUREMENTS

The University adopted SFAS No. 157, *Fair Value Measurements* on July 1, 2008. This Statement defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements.

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

Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets as of the measurement date;

Level 2 – Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets in active markets;
- Quoted prices for identical or similar assets in non-active markets (few transactions, limited information, non-current prices, high variability over time, etc.);
- Inputs other than quoted prices that are observable for the asset (interest rates, yield curves, volatilities, default rates, etc.); and
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3 – Unobservable inputs that cannot be corroborated by observable market data.

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

The following table presents information as of June 30, 2009 about the University's financial assets and liabilities that are measured at fair value on a recurring basis:

	Quoted Prices in Active Markets For Identical Assets <u>Level 1</u>	Significant Other Observable Inputs <u>Level 2</u>	Significant Unobservable Inputs <u>Level 3</u>	Total Fair Value
<u>Assets:</u>				
Endowment investments:				
Money markets	\$ 4,067,000	\$ 92,575,000	\$ 2,110,000	\$ 98,752,000
Fixed income				
U.S. government/agency	69,802,000	34,387,000	3,417,000	107,606,000
U.S. corporate	12,643,000	20,384,000	7,253,000	40,280,000
	-	-	1,883,000	1,883,000
Other	1,784,000	2,877,000	21,339,000	26,000,000
Equities	335,823,000	234,000	128,008,000	464,065,000
Private capital	-	-	433,390,000	433,390,000
Total	<u>\$ 424,119,000</u>	<u>\$ 150,457,000</u>	<u>\$ 597,400,000</u>	<u>\$ 1,171,976,000</u>
Operating investments:				
Money markets	\$ 38,159,000	\$ 83,989,000	\$ 7,551,000	\$ 129,699,000
Fixed income				
U.S. government/agency	115,791,000	192,989,000	30,654,000	339,434,000
U.S. corporate	47,989,000	213,354,000	93,080,000	354,423,000
Foreign	3,540,000	92,585,000	9,996,000	106,121,000
Other	12,630,000	42,208,000	204,546,000	259,384,000
Equities	117,799,000	1,756,000	4,423,000	123,978,000
Private capital	-	-	5,676,000	5,676,000
Total	<u>\$ 335,908,000</u>	<u>\$ 626,881,000</u>	<u>\$ 355,926,000</u>	<u>\$ 1,318,715,000</u>
Investments held under securities lending program	\$ -	\$ -	\$ 253,696,000	\$ 253,696,000
Deposits held by bond trustees	\$ 125,864,000	\$ 6,676,000	\$ -	\$ 132,540,000
Beneficial interest in perpetual trusts	\$ -	\$ -	\$ 11,025,000	\$ 11,025,000
<u>Liabilities:</u>				
Present value of annuities payable	\$ -	\$ -	\$ 36,966,000	\$ 36,966,000
Liability under securities lending program	\$ -	\$ -	\$ 253,696,000	\$ 253,696,000

The following tables present information related to changes in Level 3 for each category of assets and liabilities for year ended June 30, 2009:

	Endowment Investments	Operating Investments	Investments Held Under Securities Lending	Beneficial Interest in Perpetual Trusts
Assets:				
Beginning balance	\$ 794,454,000	\$ 814,538,000	\$ 265,725,000	\$ 13,673,000
Total realized and unrealized gains/(losses)	(210,500,000)	(28,446,000)	-	(2,648,000)
Purchases and settlements	1,952,000	(432,735,000)	(12,029,000)	-
Transfers in or out of Level 3	11,494,000	2,569,000	-	-
Ending balance	<u>\$ 597,400,000</u>	<u>\$ 355,926,000</u>	<u>\$ 253,696,000</u>	<u>\$ 11,025,000</u>

	Present Value of Annuities Payable	Liability Under Securities Lending
Liabilities:		
Beginning balance	\$ 41,538,000	\$ 265,725,000
Actuarial adjustment of liability	(2,355,000)	-
Gifts and severances	(2,217,000)	-
Purchases and settlements	-	(12,029,000)
Ending balance	<u>\$ 36,966,000</u>	<u>\$ 253,696,000</u>

6. CONTRIBUTIONS RECEIVABLE

Contributions receivable are summarized as follows as of June 30:

	2009	2008
In one year or less	\$ 65,905,000	\$ 51,814,000
Between one year and five years	79,949,000	67,557,000
More than five years	<u>93,923,000</u>	<u>89,864,000</u>
	239,777,000	209,235,000
Less allowance	(9,779,000)	(10,578,000)
Less discount	<u>(52,939,000)</u>	<u>(52,958,000)</u>
Contributions receivable, net	<u>\$ 177,059,000</u>	<u>\$ 145,699,000</u>

At June 30, 2009 and 2008, the University has received bequest intentions and certain other conditional promises to give of \$34,107,000 and \$31,328,000, respectively. These intentions and conditional promises to give are not included in the consolidated financial statements.

The following table summarizes the change in contributions receivable, net during the year ended June 30, 2009:

Balance beginning of year	\$145,699,000
New pledges	57,415,000
Collections on pledges	(26,873,000)
Decrease in allowance	799,000
Decrease in unamortized discounts	<u>19,000</u>
Balance at the end of year	<u>\$177,059,000</u>

7. LONG-TERM DEBT

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

	<u>2009</u>	<u>2008</u>
<u>The Pennsylvania State University Bonds</u>		
Series 2009A	\$ 138,060,000	\$ -
Series 2009B	74,235,000	-
Series 2008A	77,670,000	77,670,000
Series 2008B	7,460,000	8,310,000
Series 2007A	90,110,000	90,570,000
Series 2007B	73,810,000	76,120,000
Series 2005	93,165,000	94,885,000
Series 2004A	57,730,000	58,845,000
Refunding Series 2003	22,355,000	24,350,000
Series of 2002	100,000,000	100,000,000
Refunding Series 2002	96,945,000	112,240,000
Refunding Series 2001	18,140,000	26,565,000
Series A of 2001	-	75,000,000
<u>Pennsylvania Higher Educational Facilities</u>		
<u>Authority University Revenue Bonds</u>		
<u>(issued for The Pennsylvania State</u>		
<u>University)</u>		
Series 2006	4,305,000	4,480,000
Series 2004	4,810,000	5,015,000
Series 2002	5,365,000	5,670,000
<u>Lycoming County Authority College</u>		
<u>Revenue Bonds (issued for Penn College)</u>		
Series 2008	55,000,000	55,000,000
Series 2005	14,035,000	14,645,000
Series 2003	-	3,315,000
Series 2002	29,300,000	29,650,000
Series 2000	39,370,000	39,370,000
Series 1993	<u>13,940,000</u>	<u>12,519,000</u>
Total bonds payable	<u>1,015,805,000</u>	<u>914,219,000</u>
Unamortized bond premiums	<u>36,717,000</u>	<u>27,231,000</u>
<u>Notes payable and capital leases</u>		
Demand note payable	-	10,000,000
Note payable	4,000,000	-
Capital lease obligations	<u>75,917,000</u>	<u>71,412,000</u>
Total notes payable and capital leases	<u>79,917,000</u>	<u>81,412,000</u>
Total long-term debt	<u>\$1,132,439,000</u>	<u>\$1,022,862,000</u>

The Pennsylvania State University Bonds

- Series 2009A and 2009B – general obligation bonds issued in May 2009 and June 2009, respectively, for the purpose of funding various construction and renovation projects and for the current refunding of the Series A of 2001 Bonds. The University, in conjunction with the issuance of the Series 2009B Bonds, legally defeased the Series A of 2001 Bonds, with an outstanding principal of \$75,000,000. As a result of the current refunding transaction, amounts related to the Series A of 2001 Bonds have been removed from the University's June 30, 2009 consolidated statement of financial position. Principal payments on the Series 2009A Bonds are due annually, in amounts ranging from \$5,540,000 to \$9,320,000 through March 2029. The principal amount of the Series 2009B Bonds is due June 2031. The Series 2009A Bonds pay interest at rates ranging from 2.00% to 5.00%. The Series 2009A Bonds are subject to early redemption provisions, at the option of the University, beginning March 2019. The Series 2009B Bonds are currently paying interest on a variable rate basis at a long term rate for an initial long term period commencing on the date of issuance and ending May 2010; the University has the option to convert to another variable rate (daily, weekly, monthly or flexible) or to a fixed rate basis (such rates are generally determined on a market basis) at respective conversion dates. The bonds currently pay interest at 1.50% with adjustment on the respective date to the rate the remarketing agent believes will cause the bonds to have a market value equal to the principal amount up to a maximum of 12%. The 2009B bondholders have the right to tender bonds on the purchase dates while such bonds bear interest at the daily, weekly or monthly rate. The 2009B Bonds were issued subject to the self-liquidity program established by the University on the date of issuance pursuant to which the University will provide liquidity for the 2009B Bonds from its general funds in the event of insufficient remarketing proceeds.
- Series 2008A and 2008B – general obligation bonds issued in April 2008 for the purpose of funding various construction and renovation projects and for the current refunding of the Series 1997B Bonds, which previously refunded the Series 1992B Bonds. The University, in conjunction with the issuance of the Series 2008B bonds, legally defeased the Series B of 1997 Bonds, with an outstanding principal of \$8,105,000, by irrevocably depositing \$8,364,000 in an escrow fund to be used to pay the interest accrued, maturing principal on and the redemption price of the refunded bonds. As a result of the current refunding transaction, amounts related to the Series 1997B Bonds were removed from the University's June 30, 2008 statement of financial position. Principal payments on the Series 2008A and 2008B bonds are due annually, in amounts ranging from \$830,000 to \$7,695,000 through August 2029. The bonds pay interest at rates ranging from 3.00% to 5.00%. The 2008A Bonds are subject to early redemption provisions, at the option of the University, beginning February 2018.
- Series 2007A and 2007B – general obligation bonds issued in January 2007 for the purpose of funding various construction and renovation projects and for the advance refunding of the Series 1997A Bonds. The University, in conjunction with the issuance of the Series 2007B bonds, legally defeased the Series A of 1997 Bonds, with an outstanding principal of \$84,540,000, by irrevocably depositing \$88,341,000 in an escrow fund to be used to pay the interest accrued, maturing principal on and the redemption price of the refunded bonds. Principal payments on the Series 2007A and 2007B bonds are due annually, in amounts ranging from \$2,885,000 to \$5,955,000 through August 2027, with additional payments of \$11,115,000 due August 2028 and \$70,905,000 due August 2036. The bonds pay interest at rates ranging from 3.60% to 5.25% and are subject to sinking fund redemption beginning August 2023 and early redemption provisions, at the option of the University, beginning August 2016.
- Series 2005 – general obligation bonds issued in January 2005 for the purpose of funding various construction projects. Principal payments are due annually in amounts ranging from \$1,770,000 to \$2,745,000 through September 2019, with additional payments of \$15,990,000, \$20,550,000 and \$32,485,000 due September 2024, 2029 and 2034, respectively. The bonds pay interest at rates ranging from 3.00% to 5.00% and are subject to sinking fund redemption beginning September 2020 and early redemption provisions, at the option of the University, beginning September 2015.
- Series 2004A – general obligation bonds issued in April 2004 for the purpose of funding various construction projects. Principal payments are due annually in amounts ranging from \$1,150,000 to \$1,825,000 through September 2019, with additional payments of \$10,625,000, \$13,635,000 and \$17,515,000 due September 2024, 2029 and 2034, respectively. The bonds pay interest at rates ranging from 3.00% to 5.00% and are subject to sinking fund redemption beginning September 2020 and early redemption provisions, at the option of the University, beginning September 2014.

- Refunding Series 2003 – general obligation bonds issued in March 2003 for the purpose of refunding the Refunding Series 1993A and to pay costs associated with issuing the 2003 Refunding Bonds. Principal payments are due annually in amounts ranging from \$2,075,000 to \$2,970,000 through March 2018. The bonds pay interest at rates ranging from 3.25% to 5.25% and are subject to early redemption provisions, at the option of the University, beginning March 2013.
- Series of 2002 – general obligation bonds issued in May 2002 for the purpose of funding a portion of the costs of the acquisition, construction, equipping, renovation and improvement of certain facilities of the University. The bonds are currently paying interest on a variable rate basis; however, the University has the option to convert to another variable rate or to a fixed rate basis (such rates are generally determined on a market basis). The bonds currently pay interest at .45% with adjustment on a weekly basis to the rate the remarketing agent believes will cause the bonds to have a market value equal to the principal amount up to a maximum of 12%. The bondholders have the right to tender bonds at interest rate reset dates. The University, therefore, entered into standby bond purchase agreements with banks to provide liquidity in case of tender. The principal amount of the bonds is due March 2032. The bonds are not subject to sinking fund redemption; however, the University has the option to redeem the bonds prior to their scheduled maturity.
- Refunding Series 2002 – general obligation bonds issued in May 2002 for the purpose of refunding the Second Refunding 1992A Series (such bonds were previously issued to refund the Second Refunding 1988 Series, 1989 Series and 1991 Series Bonds). Principal payments are due annually, in amounts ranging from \$4,585,000 to \$16,540,000 through August 2016. The bonds pay interest at rates ranging from 4.79% to 5.25%. The bonds are not subject to redemption prior to maturity.
- Refunding Series 2001 – general obligation bonds issued in December 2001 for the purpose of refunding the Refunding Series 1992 Bonds (such bonds were previously issued to refund the 1986 Series and the First Refunding Series of 1988 Bonds). Principal payments are due annually, in amounts ranging from \$8,850,000 to \$9,290,000 through March 2011. The bonds pay interest at rates ranging from 5.00% to 5.25%. The bonds are not subject to redemption prior to maturity.

Pennsylvania Higher Educational Facilities Authority University Revenue Bonds (issued for The Pennsylvania State University)

- Series 2006 – Pennsylvania Higher Educational Facilities Authority (PHEFA) University Revenue Bonds issued by the Pennsylvania State University in April 2006 for the purpose of funding the costs of sprinkler system installation and repairs in certain of the University's dormitories during the period 2006-2008, related design costs and payment of issuance costs. Principal payments are due annually in amounts ranging from \$180,000 to \$280,000 through September 2020, with an additional payment of \$1,610,000 due September 2025. The bonds pay interest at rates ranging from 3.70% to 5.125%, with PHEFA subsidizing the annual interest cost to the University for interest rates greater than 3.00%. The bonds are subject to sinking fund redemption beginning September 2021 and early redemption provisions, at the option of the University, beginning September 2016.
- Series 2004 – Pennsylvania Higher Educational Facilities Authority University Revenue Bonds issued by the Pennsylvania State University in May 2004 for the purpose of funding the costs of sprinkler system installation and repairs in certain of the University's dormitories during 2004-2005. Principal payments are due annually in amounts ranging from \$215,000 to \$325,000 through September 2019, with an additional payment of \$1,905,000 due September 2024. The bonds pay interest at rates ranging from 3.40% to 5.00%, with PHEFA subsidizing the annual interest cost to the University for interest rates greater than 3.00%. The bonds are subject to sinking fund redemption beginning September 2020 and early redemption provisions, at the option of the University, beginning September 2014.

- Series 2002 – Pennsylvania Higher Educational Facilities Authority University Revenue Bonds issued by the Pennsylvania State University in June 2002 for the purpose of funding the costs of sprinkler system installation and repairs in certain of the University's dormitories during the period 2002 through 2004. Principal payments are due annually in amounts ranging from \$315,000 to \$425,000 through March 2017, with an additional payment of \$2,435,000 due March 2022. The bonds pay interest at rates ranging from 3.90% to 5.00%, with PHEFA subsidizing the annual interest cost to the University for interest rates greater than 3.00%. The bonds are subject to sinking fund redemption beginning March 2018 and early redemption provisions, at the option of the University, beginning March 2011.

Lycoming County Authority College Revenue Bonds (issued for Penn College)

- Series 2008 – Lycoming County Authority College Revenue Bonds issued by Penn College in February 2008 for the purpose of funding various construction projects at the Penn College campus. Principal payments are due annually in amounts ranging from \$1,455,000 to \$4,140,000 through October 2037. The bonds pay interest at rates ranging from 3.50% to 5.50%.
- Series 2005 – Lycoming County Authority College Revenue Bonds issued by Penn College in February 2005 for the purpose of refunding \$7,765,000 of the Authority's College Bonds, Series of 1997, funding a deposit into the debt service reserve account, funding various construction and renovation projects and payment of costs of issuance of 2005 Bonds. Principal payments are due annually in amounts ranging from \$500,000 to \$1,855,000 through January 2025. The bonds pay interest at rates ranging from 3.00% to 5.00%.
- Series 2003 – Lycoming County Authority College Revenue Bonds issued by Penn College in February 2003 for the purpose of refunding \$17,385,000 of the Authority's College Revenue Bonds, Series of 1993 and the payment of costs of issuance of 2003 Bonds. These bonds were paid in full during 2009.
- Series 2002 – Lycoming County Authority College Revenue Bonds issued by Penn College in May 2002 for the purpose of funding various construction projects at the Penn College campus. Principal payments are due annually in amounts ranging from \$370,000 to \$2,775,000 through May 2032. The bonds pay interest at rates ranging from 4.20% to 5.25%.
- Series 2000 – Lycoming County Authority College Revenue Bonds issued by Penn College in December 2000 for the purpose of funding various construction projects, refunding the 1996 Lycoming County Authority College Revenue Bonds, advance refunding \$4,235,000 of the 1997 Lycoming County Authority College Revenue Bonds (1997 Series Bonds), funding of a deposit to the debt service fund reserve account established under the indenture and payment of the costs of issuance of the Series 2000 Bonds. Principal payments are due annually in amounts ranging from \$30,000 to \$5,225,000 through July 2030. The bonds pay interest at rates ranging from 4.75% to 5.50%.
- Series 1993 – Lycoming County Authority College Revenue Bonds issued by Penn College in 1993 for the purpose of undertaking a series of capital improvement projects. Principal payments are due annually in amounts ranging from \$450,000 to \$1,302,000 through November 2015. The bonds pay interest at rates ranging from 6.00% to 6.15%.

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

<u>Year</u>	<u>Annual Installments</u>
2010	\$ 42,060,000
2011	40,945,000
2012	33,405,000
2013	35,035,000
2014	40,325,000
Thereafter	824,035,000

The fair value of the University's bonds payable is estimated based on current rates offered for similar issues with similar security, terms and maturities using available market information as supplied by the various financial institutions who act as trustees or custodians for the University. At June 30, 2009, the carrying value and estimated fair value of the University's bonds payable, including issuance premiums, are \$1,052,522,000 and \$1,053,279,000, respectively. At June 30, 2008, the carrying value and estimated fair value of the University's bonds payable, including issuance premiums, were \$941,450,000 and \$934,952,000, respectively. Certain bond issues have associated issuance premiums, these issuance premiums total \$36,717,000 and \$27,231,000 at June 30, 2009 and 2008, respectively and are presented within the statement of financial position as long-term debt. These issuance premiums will be amortized over the term of the respective outstanding bonds.

Notes payable and capital leases

A \$4,000,000 note payable with principal payments due in two equal installments in May 2010 and 2011, respectively is included within the consolidated statements of financial position at June 30, 2009. A \$10,000,000 demand note payable bearing interest at a variable rate (3.00% at June 30, 2008) is included at June 30, 2008 in the current portion of long-term debt within the consolidated statements of financial position. This note was paid in full during 2009.

The University has certain lease agreements in effect which are considered capital leases that are included as long-term debt in the statements of financial position. These leases have been capitalized at the net present value of the minimum lease payments. The capitalized cost and accumulated depreciation of the leases at June 30, 2009 and 2008 was \$90,298,000 and \$15,735,000, and \$82,870,000 and \$10,753,000, respectively. Future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2009 are as follows:

<u>Year</u>	
2010	\$ 9,732,000
2011	9,657,000
2012	9,209,000
2013	8,167,000
2014	6,895,000
Thereafter	<u>159,338,000</u>
Total minimum lease payments	202,998,000
Less imputed interest	<u>(127,081,000)</u>
Capital lease obligation	75,917,000
Current portion	<u>5,250,000</u>
Long-term portion	<u>\$ 70,667,000</u>

The University has entered into a Master Building Sublease with ADG - Hospital Drive Associates ("ADG-HDA"), a limited partnership (of which the University maintains a 75% interest, carried at \$1,679,000 and \$1,489,000 in investments at June 30, 2009 and 2008, respectively), which required ADG-HDA to construct the Centre Medical Sciences Building ("Building") and lease it to the University for an initial term of twenty-five years. The Building was constructed on land jointly owned by the University and Mount Nittany Medical Center, which has been leased by ADG-HDA for a term of sixty years. The University has subleased portions of the Building to the Mount Nittany Medical Center and other healthcare related entities.

8. OPERATING LEASES

The University has certain lease agreements in effect which are considered operating leases. During the year ended June 30, 2009, the University recorded expenses of \$20,981,000 for leased equipment and \$17,476,000 for leased building space. During the year ended June 30, 2008, the University recorded expenses of \$22,481,000 for leased equipment and \$15,619,000 for leased building space.

Future minimum lease payments under operating leases as of June 30, 2009 are as follows:

<u>Year</u>	
2010	\$ 22,153,000
2011	17,883,000
2012	13,700,000
2013	11,307,000
2014	10,064,000
Thereafter	<u>67,627,000</u>
Total minimum lease payments	<u>\$142,734,000</u>

9. RETIREMENT BENEFITS

The University provides retirement benefits for substantially all regular employees, primarily through either contributory defined benefit plans administered by the Commonwealth of Pennsylvania State Employees' Retirement System and The Public School Employees' Retirement System or defined contribution plans administered by the Teachers Insurance and Annuity Association – College Retirement Equity Fund and Fidelity Investments. The University is billed for its share of the estimated actuarial cost of the defined benefit plans (\$11,386,000 and \$10,614,000 for the years ended June 30, 2009 and 2008, respectively). The University's total cost for retirement benefits, included in expenses, is \$107,569,904 and \$99,263,000 for the years ended June 30, 2009 and 2008, respectively.

10. POSTRETIREMENT BENEFITS

The University sponsors a retiree medical plan covering eligible retirees and eligible dependents. For the 2009 benefit plan year, this program includes a Preferred Provider Organization ("PPO") plan for retirees and their dependents who are not eligible for Medicare, a Medicare Advantage Private Fee For Service ("PFFS") plan and a Medicare Supplement plan. In addition, the University provides retiree life insurance benefits of \$5,000 at no cost to the retiree. A limited number of retirees have \$10,000 of life insurance coverage; \$5,000 of which is provided by the University and \$5,000 is paid by the retiree.

Retirees are eligible for medical coverage and life insurance after they retire if:

- they are at least age 60 and have at least 15 years of regular full-time employment and participation in a University-sponsored medical plan immediately preceding the retirement date

OR

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

The retiree PPO medical plan and the \$5,000 life insurance coverage are self-funded programs, and all medical claims, death benefits and other expenses are paid from the unrestricted net assets of the University. The PFFS plan and the Medicare Supplement plan are fully insured. The retirees pay varying amounts for coverage under the medical plan. As of January 1, 2009, the monthly amounts ranged from \$12 to \$247 depending on age and dependent coverage options selected.

Included in unrestricted net assets at June 30, 2009 and 2008 are the following amounts that have not yet been recognized in net periodic postretirement cost: unrecognized prior service cost (benefit) of (\$172,502,000) and (\$194,389,000) and unrecognized actuarial loss of \$367,969,000 and \$334,646,000, respectively.

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

Change in benefit obligation:

	<u>2009</u>	<u>2008</u>
Benefit obligation at the beginning of year	\$ 924,337,000	\$ 834,562,000
Service cost	38,189,000	32,882,000
Interest cost	60,261,000	53,390,000
Actuarial loss	53,026,000	32,793,000
Benefits paid	(31,887,000)	(29,290,000)
Plan amendment	<u>259,000</u>	<u>-</u>
Benefit obligation at end of year	<u>\$ 1,044,185,000</u>	<u>\$ 924,337,000</u>

Change in plan assets:

	<u>2009</u>	<u>2008</u>
Fair value of plan assets at beginning of year	\$ -	\$ -
Employer contributions	31,887,000	29,290,000
Benefits paid	<u>(31,887,000)</u>	<u>(29,290,000)</u>
Fair value of plan assets at end of year	<u>\$ -</u>	<u>\$ -</u>
Funded status	<u>\$(1,044,185,000)</u>	<u>\$ (924,337,000)</u>
Unrecognized prior service cost (benefit)	-	-
Unrecognized net actuarial loss	-	-
Accrued postretirement benefit expense	<u>\$(1,044,185,000)</u>	<u>\$ 924,337,000</u>

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

	<u>2009</u>	<u>2008</u>
Service cost	\$ 38,189,000	\$ 32,882,000
Interest cost	60,261,000	53,390,000
Amortization of prior service cost	(21,629,000)	(21,629,000)
Amortization of unrecognized net loss	<u>19,705,000</u>	<u>17,766,000</u>
Net periodic postretirement cost	<u>\$ 96,526,000</u>	<u>\$ 82,409,000</u>

The assumed healthcare cost trend rate used in measuring the accumulated postretirement benefit obligation was 8.50% and 9.00% for the 2008-2009 and 2007-2008 plan years, respectively, reduced by 0.50% per year to a fixed level of 5.00%. The weighted average postretirement benefit obligation discount rate was 6.25% for each of the years ended June 30, 2009 and 2008, respectively.

If the healthcare cost trend rate assumptions were increased by 1% in each year, the accumulated postretirement benefit obligation would be increased by \$178,092,000 and \$160,053,000 as of June 30, 2009 and 2008, respectively. The effect of this change on the sum of the service cost and interest cost components of the net periodic postretirement benefit cost would be an increase of \$20,225,000 and \$17,951,000 as of June 30, 2009 and 2008, respectively. If the healthcare cost trend rate assumptions were decreased by 1% in each year, the accumulated postretirement benefit obligation would be decreased by \$142,673,000 and \$127,972,000 as of June 30, 2009 and 2008, respectively. The effect of this change on the sum of the service cost and interest cost components of the net periodic postretirement benefit cost would be a decrease of \$15,759,000 and \$13,958,000 as of June 30, 2009 and 2008, respectively.

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

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

2010	40,365,000
2011	43,202,000
2012	45,682,000
2013	47,945,000
2014	50,571,000
2015-19	296,933,000

11. THE MILTON S. HERSHEY MEDICAL CENTER

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

12. CONTINGENCIES AND COMMITMENTS

Contractual Obligations

The University has contractual obligations for the construction of new buildings and for additions to existing buildings in the amount of \$525,065,000 of which \$323,952,000 has been paid or accrued as of June 30, 2009. The contract costs are being financed from available resources and from borrowings.

Under the terms of certain limited partnership agreements, the University is obligated to periodically advance additional funding for private equity and real estate investments. The University has unfunded commitments of approximately \$252,823,000 as of June 30, 2009 for which capital calls have not been exercised. Such commitments generally have fixed expiration dates or other termination clauses. The University maintains sufficient liquidity in its investment portfolio in the event that such calls are exercised.

Letters of Credit

The University has outstanding letters of credit in the amount of \$13,878,000 and \$15,404,000 as of June 30, 2009 and 2008, respectively. These letters of credit are used primarily to comply with minimum state and federal regulatory laws that govern various University activities. The fair value of these letters of credit approximates contract values based on the nature of the fee arrangements with the issuing banks.

Self-Insurance

The University has a coordinated program of commercial and self-insurance for medical malpractice claims at TMSHMC through the use of a qualified trust and a domestic captive insurance company in combination with a self-insured retention layer and is supplementing this program through participation in the Pennsylvania Medical Care Availability and Reduction of Error Fund ("Mcare Fund"), formerly the Pennsylvania Medical Professional Liability Catastrophe Loss Fund ("CAT Fund"), in accordance with Pennsylvania law. An estimate of the present value, discounted at 4%, of the medical malpractice claims liability in the amount of \$67,988,000 and \$74,234,000 is recorded as of June 30, 2009 and 2008, respectively.

On July 1, 2003, TMSHMC became self-insured for all medical malpractice claims asserted on or after July 1, 2003, for all amounts that are below the coverage of the TMSHMC's excess insurance policies and not included in the insurance coverage of the Mcare Fund. Under the self-insurance program, TMSHMC is required to maintain a malpractice trust fund in an amount at least equal to the expected loss of known claims. The balance of this trust fund was \$17,764,000 and \$24,648,000 at June 30, 2009 and 2008, respectively. TMSHMC intends to fund any claims due during the next year from cash flows from operations.

With approval from the Pennsylvania Department of Labor and Industry ("PA-DLI"), the University elected to self-insure potential obligations applicable to workers' compensation. Certain claims under the program are contractually administered by a private agency. The University purchased insurance coverage for excess obligations over \$600,000 per incident. An estimate of the self-insured workers' compensation claims liability in the amount of \$13,243,000 and \$11,081,000, discounted at 1.25%, is recorded as of June 30, 2009 and 2008, respectively. The University has established a trust fund, in the amount of \$11,590,000 and \$11,001,000 at June 30, 2009 and 2008, respectively, as required by PA-DLI, to provide for the payment of claims under this self-insurance program. TMSHMC is self-insured for workers' compensation claims and has purchased an excess policy through a commercial insurer which covers individual claims in excess of \$500,000 per incident for workers' compensation claims.

The University and TMSHMC are self-insured for certain health care benefits provided to employees. The University and TMSHMC have purchased excess policies which cover employee health benefit claims in excess of \$500,000 and \$300,000 per employee per year, respectively. The University and TMSHMC provide for reported claims and claims incurred but not reported.

Litigation and Contingencies

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

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

13. SUBSEQUENT EVENT

On October 9, 2009, the Commonwealth of Pennsylvania adopted a General Fund budget for the 2009-2010 fiscal year. The Pennsylvania State University appropriation is part of the Commonwealth's non-preferred appropriation and is approved under separate legislation that has not yet been passed. Although it is anticipated the University's appropriation will include retroactive American Recovery & Reinvestment Act ("ARRA") funding totaling \$16,973,000 for the 2008-2009 fiscal year, these ARRA funds have not been included in the accompanying consolidated financial statements.

THE PENNSYLVANIA STATE UNIVERSITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2009

<u>Program</u>	<u>CFDA No.</u>	<u>Subcontract Expenditures</u>	<u>Expenditures</u>
<u>Research and development programs -</u>			
Direct funding	Note 2	\$68,542,771	\$414,462,104
Direct funding - American Recovery and Reinvestment Act	Note 3	0	195,810
Pass-through funds - Commonwealth of Pennsylvania	Note 4	238,931	4,781,620
Pass-through funds - Other Institutions	Note 5	913,356	51,988,174
Total research and development programs		69,695,058	471,427,708
<u>Student financial assistance programs (Direct funding) -</u>			
Department of Education:			
Federal Supplemental Educational Opportunity Grant	84.007	0	3,957,806
Federal Work Study Program	84.033	0	3,840,222
Federal Perkins Loan Program - Note 9	84.038	0	0
Federal Pell Grant Program	84.063	0	51,825,731
Federal Direct Loan Program - Note 10	84.268	0	0
Department of Health & Human Services:			
Health Professions Student Loan Program - Note 9	93.342	0	0
Total student financial assistance programs		0	59,623,759
<u>Other programs -</u>			
Other direct funding	Note 6	2,104,799	32,693,122
Other Pass-through funds - Commonwealth of Pennsylvania	Note 7	115,794	16,343,376
Other Pass-through funds - Other Institutions	Note 8	10,419	3,084,730
Total other programs		2,231,012	52,121,228
Total Programs		\$71,926,070	\$583,172,695

See notes to schedule of expenditures of federal awards.

THE PENNSYLVANIA STATE UNIVERSITY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2009

1. BASIS OF PRESENTATION AND ACCOUNTING:

The purpose of the Schedule of Expenditures of Federal Awards (the "Schedule") is to present a summary of the activities of The Pennsylvania State University (the "University") for the year ended June 30, 2009 which have been financed by the United States Government.

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

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

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

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

The Schedule is prepared on the accrual basis of accounting.

2. RESEARCH AND DEVELOPMENT -

DIRECT FUNDING:

Agriculture:

	CFDA No.	Pass-Through Entity Identifying No.	Subcontract Expenditures	Expenditures
Agricultural Research Service	10.RD		\$ 0	\$ 868,954
Animal and Plant Health Inspection Service	10.RD		0	645,494
Cooperative State Research, Education and Extension Service	10.RD		926,098	12,990,733
Cooperative State Research, Education and Extension Service - Integrated Programs	10.RD		139,345	722,359
Department of Agriculture	10.RD		6,864	664,226
Economic Research Service	10.RD		0	118,435
Farm Service Agency	10.RD		0	14,456
Foreign Agricultural Service	10.RD		0	2,863
Forest Service	10.RD		45,000	327,769
Natural Resources Conservation Service	10.RD		0	37,408
Total - Agriculture			1,117,307	16,392,697

Commerce:

Department of Commerce	11.RD		0	16,408
National Institute of Standards and Technology	11.RD		0	781,154
National Oceanic and Atmospheric Administration	11.RD		0	401,113
Total - Commerce			0	1,198,675

Defense:

Department of Air Force, Material Command	12.RD		1,793,594	5,349,842
Department of Army, Material Command	12.RD		10,065,914	24,993,583
Department of Army, Military Medical Research and Development	12.RD		64,820	586,047
Department of Defense	12.RD		1,628,762	9,518,737
Department of Defense, Advanced Research Projects Agency	12.RD		13,748	350,273
Department of Defense, National Security Agency	12.RD		0	6,825,774

	CFDA No.	Pass-Through Entity Identifying No.	Subcontract Expenditures	Expenditures
Department of Defense, Office of the Secretary of Defense	12.RD		0	259,687
Department of Navy, Office of the Chief of Naval Research	12.RD		26,551,711	140,775,822
Total – Defense			40,118,549	188,659,765
<u>Housing and Urban Development:</u>				
Office of Policy Development and Research	14.RD		0	31,193
Total – Housing and Urban Development			0	31,193
<u>Interior:</u>				
Department of Interior	15.RD		0	356,806
Fish and Wildlife Service	15.RD		0	456
Geological Survey	15.RD		19,920	723,943
National Park Service	15.RD		0	546,721
Office of Surface Mining	15.RD		17,915	25,439
Total – Interior			37,835	1,653,365
<u>Justice:</u>				
Department of Justice	16.RD		1,429,073	2,620,826
National Institute of Justice	16.RD		0	88,999
Total – Justice			1,429,073	2,709,825
<u>Labor:</u>				
Mine Safety and Health Administration	17.RD		0	6,225
Total - Labor			0	6,225
<u>Transportation:</u>				
Department of Transportation	20.RD		1,354,462	6,462,918
Federal Aviation Administration	20.RD		0	296,567
Total – Transportation			1,354,462	6,759,485
<u>Appalachian Research Commission:</u>	23.RD		0	90,708
<u>General Services Administration:</u>	39.RD		0	379,358
<u>National Aeronautics and Space Administration:</u>	43.RD		2,335,672	17,153,249
<u>National Endowment for the Humanities:</u>	45.RD		0	75,810
<u>National Science Foundation:</u>	47.RD		2,258,813	47,951,913
<u>Environmental Protection Agency:</u>				
Office of Administration	66.RD		0	13,720
Office of the Chief Financial Officer	66.RD		0	87,790
Office of Research and Development	66.RD		2,029	341,284
Office of Water	66.RD		85,885	316,402
Total – Environmental Protection Agency			87,914	759,196
<u>Nuclear Regulatory Commission:</u>	77.RD		0	582,429
<u>Energy:</u>	81.RD		5,126,061	15,527,859
<u>Education:</u>				
Department of Education	84.RD		5,915,964	7,259,034

	CFDA No.	Pass-Through Entity Identifying No.	Subcontract Expenditures	Expenditures
Fund for the Improvement of Postsecondary Education	84.RD		0	68,153
Office of Educational Research and Improvement	84.RD		0	609,786
Office of Elementary and Secondary Education	84.RD		50,000	457,787
Office of Postsecondary Education	84.RD		0	399,464
Office of Special Education and Rehabilitative Services	84.RD		113,985	568,892
Rehabilitation Long-term Training, Office of Special Education and Rehabilitative Services	84.RD		0	144,817
TRIO - Student Support Services	84.RD		0	536,911
Total – Education			6,079,949	10,044,844
<u>Health and Human Services:</u>				
National Institutes of Health	93.RD		7,763,920	95,025,605
Total – Health and Human Services			7,763,920	95,025,605
<u>Corporation for National and Community Service:</u>				
	94.RD		0	19,306
<u>Department of Homeland Security:</u>				
	97.RD		0	78,185
<u>Agency for International Development:</u>				
	98.RD		0	227,467
<u>Miscellaneous:</u>				
	99.RD		833,216	9,134,945
Total Research and Development - Direct Funding			\$ 68,542,771	\$ 414,462,104
3. RESEARCH AND DEVELOPMENT - DIRECT FUNDING - AMERICAN RECOVERY AND REINVESTMENT ACT				
<u>National Science Foundation</u>	47.RD		\$ 0	\$ 37,784
<u>Health and Human Services</u>				
National Institutes of Health	93.RD		0	158,026
Total Health and Human Services			0	158,026
Total Research and Development - Direct Funding - American Recovery and Reinvestment Act			\$ 0	\$ 195,810
4. RESEARCH AND DEVELOPMENT - PASS- THROUGH FUNDS - COMMONWEALTH OF PENNSYLVANIA				
<u>Agriculture:</u>				
Commonwealth of Pennsylvania	10.RD	4300152626	\$ 0	\$ 20,291
Commonwealth of Pennsylvania	10.RD	4300148910/4400003640	0	20,036
Commonwealth of Pennsylvania	10.RD	ME 445911	0	48,614
Commonwealth of Pennsylvania	10.RD	ME 446002	0	2,872,591
Total – Agriculture			0	2,961,532

	CFDA No.	Pass-Through Entity Identifying No.	Subcontract Expenditures	Expenditures
<u>Conservation and Natural Resources</u>				
Commonwealth of Pennsylvania	10.RD	4100048133	21,772	95,892
Commonwealth of Pennsylvania	10.RD	C000016411	0	262
		CZM: 2007EG.02/		
Commonwealth of Pennsylvania	10.RD	4100042274	0	27,057
Total - Conservation and Natural Resources			21,772	123,211
<u>Interior:</u>				
Commonwealth of Pennsylvania	15.RD	4100040222	0	1,681
Commonwealth of Pennsylvania	15.RD	4100044794	0	22,916
Commonwealth of Pennsylvania	15.RD	1434-03HQRU1548	0	262,365
Commonwealth of Pennsylvania	15.RD	WRPC-05126	49,715	50,259
Total – Interior			49,715	337,221
<u>Justice:</u>				
Commonwealth of Pennsylvania	16.RD	16511	0	26,092
Total – Justice			0	26,092
<u>Transportation:</u>				
Commonwealth of Pennsylvania	20.RD	359704	0	1,643
Commonwealth of Pennsylvania	20.RD	430655	0	105,997
Commonwealth of Pennsylvania	20.RD	4300000214	0	112,480
Commonwealth of Pennsylvania	20.RD	4500332713	125,959	495,113
Commonwealth of Pennsylvania	20.RD	FM-2579	0	105
Commonwealth of Pennsylvania	20.RD	SPC 020S78	0	167,277
Total – Transportation			125,959	882,615
<u>Environmental Protection:</u>				
Commonwealth of Pennsylvania	66.RD	4100034415	0	2,003
Commonwealth of Pennsylvania	66.RD	4100034506	0	98,793
Commonwealth of Pennsylvania	66.RD	4100034603	0	37
Commonwealth of Pennsylvania	66.RD	4100035580	0	116,146
Commonwealth of Pennsylvania	66.RD	4100036695	0	24,593
Commonwealth of Pennsylvania	66.RD	4300017492	0	(170)
Commonwealth of Pennsylvania	66.RD	4300148414	0	11,412
Commonwealth of Pennsylvania	66.RD	4300165351	0	42,735
Commonwealth of Pennsylvania	66.RD	4500305109	21,037	21,036
Total - Environmental Protection			21,037	316,585
<u>Energy</u>				
Commonwealth of Pennsylvania	81.RD	4100038427	0	27,220
Commonwealth of Pennsylvania	81.RD	4300133578	20,448	34,342
Total - Energy			20,448	61,562
<u>Education:</u>				
Commonwealth of Pennsylvania	84.RD	062-08-0042	0	3,415
Commonwealth of Pennsylvania	84.RD	062-09-0042	0	42,089
Commonwealth of Pennsylvania	84.RD	4300021438	0	431
Commonwealth of Pennsylvania	84.RD	4300104017	0	26,867
Total – Education			0	72,802
TOTAL RESEARCH AND DEVELOPMENT PASS-THROUGH FUNDS - COMMONWEALTH OF PENNSYLVANIA			\$ 238,931	\$ 4,781,620

		Pass-Through	Subcontract	
	CFDA No.	Entity Identifying No.	Expenditures	Expenditures
5. RESEARCH AND DEVELOPMENT - PASS-THROUGH FUNDS - OTHER INSTITUTIONS				
<u>Agriculture:</u>				
American Chestnut Foundation	10.RD	08-DG-11083150-009	\$ 0	\$ 48,764
Auburn University	10.RD	----	0	13,924
Baylor College of Medicine	10.RD	2006-55215-16694	0	1,026
Cambridge Systematics	10.RD	NAS 116	0	19,079
College of Menominee Nation	10.RD	----	0	6,511
Connecticut Agricultural Experiment Station	10.RD	----	0	5,102
Cornell University	10.RD	2006-34103-16932	0	1
Cornell University	10.RD	2006-34381-16995	0	901
Cornell University	10.RD	2007-37620-18204	0	10,774
Cornell University	10.RD	2008-34360-19469	0	23,473
Cornell University	10.RD	58-1907-5-555	0	99,625
Expansyn Technologies, Inc.	10.RD	2008-33610-18920		20,000
Georgetown University	10.RD	2008-35200-04475	0	164
Great Lakes Commission	10.RD	----	0	81,448
Hartwick College	10.RD	----	0	14,020
Illinois State University	10.RD	20083560418805	0	14,536
Iowa State University	10.RD	NRCS683A754137	0	(25,161)
Michigan State University	10.RD	2005-51100-02363	0	844
Mifflin County Conservation District	10.RD	NRCS 68-3A75-5-167	0	16,791
Mote Marine	10.RD	----	0	40,667
North Carolina State University	10.RD	2005-35504-16145	0	10,465
North Carolina State University	10.RD	2006-41210-03731	0	13,141
North Carolina State University	10.RD	2006-48642-03728	9,221	10,143
North Carolina State University	10.RD	2006-51101-03604	0	118,450
North Carolina State University	10.RD	2007-39552-18643	19,724	234,927
Ohio State University	10.RD	2007-35401-18861	0	25,007
Pennsylvania Environmental Council	10.RD	NRCS 69-3A75-7-113	0	6,590
Pocono NE Research Conservation and Development Council	10.RD	----	0	6,043
Purdue University	10.RD	58-1935-4-430	0	7,000
Rodale Institute	10.RD	2006-38640-16700	0	14,448
Tufts University	10.RD	2005-35102-15414	0	16,551
United Egg Producers	10.RD	NRCS 69-03A75-7-91	0	127,262
University of Arkansas	10.RD	2004-35317-14867	0	56,655
University of Arkansas	10.RD	2009-35603-05063	0	18,427
University of California Davis	10.RD	2007-35204-18391	0	17,061
University of Connecticut	10.RD	2006-51110-03725	0	18,241
University of Connecticut	10.RD	59-5000-7-0044	0	27,165
University of Delaware	10.RD	2007-49200-03888	0	35,000
University of Georgia	10.RD	2007-34103-18292	0	12,582
University of Georgia	10.RD	2008-55302-04471	0	69,529
University of Idaho	10.RD	2006-38624-17711	0	8,368
University of Idaho	10.RD	200-38624-18600	0	11,367
University of Idaho	10.RD	----	0	12,205
		PNW 05-JV-		
University of Illinois	10.RD	11261975-257	0	12,662
University of Illinois	10.RD	----	0	39,112
		2006-38640-		
University of Maine	10.RD	16700-LNE06-241	0	9,292
University of Maine	10.RD	2008-34141-19351	0	10,556
University of Minnesota	10.RD	2004-35605-14243	0	30,063
University of Nebraska	10.RD	2007-55112-17856	0	409
University of Pennsylvania	10.RD	2007-35812-18243	0	39,456

	CFDA No.	Pass-Through Entity Identifying No.	Subcontract Expenditures	Expenditures
University of Rhode Island	10.RD	2005-35215-15412	0	29,838
University of Vermont	10.RD	2005-38640-15424	19,277	71,373
University of Vermont	10.RD	2006-38640-16700	0	23,520
University of Vermont	10.RD	2007-38640-17935	0	2,398
University of Vermont	10.RD	----	0	112,456
University of Wisconsin	10.RD	2006-34558-17477	0	1,007
University of Wisconsin	10.RD	2006-34558-19331	0	109,234
Washington State University	10.RD	2005-35320-15375	0	99,228
		NFS 06-CR-		
West Virginia University	10.RD	11062759-439	0	182,874
West Virginia University	10.RD	68-3A75-2-89	0	46,557
Total – Agriculture			48,222	2,089,151

Commerce:

Nature Conservancy	11.RD	NA04NMF4630233	0	9,395
Northwest PA Industrial Research Center	11.RD	70NANB5H1121	0	212,540
Ohio State University	11.RD	NA08OAR4310271	0	2,555
University Corporation for Atmospheric Research	11.RD	NA06OAR4310119	0	181,407
University of Delaware	11.RD	NA08OAR4170750	0	3,470
University of Michigan	11.RD	NA060AR4170017	0	36,534
University of North Carolina at Wilmington	11.RD	NA030AR4300088	0	2,175
University of Puerto Rico	11.RD	NA08NOS4730408	0	14,226
Total – Commerce			0	462,302

Defense:

3 Phoenix	12.RD	FA9550-07-C-0067	0	(36)
Advanced Bionics, Inc.	12.RD	N00173-07-C-2047	0	78,837
Advanced Cooling Technologies	12.RD	----	0	21,535
Advanced Technologies Institute	12.RD	W15QKN-07-C-0066	0	127,682
Advanced Technologies Institute	12.RD	----	13,124	13,124
Aerospace Corp.	12.RD	----	0	88,080
Agarigen, Inc.	12.RD	----	0	63,578
Albany Engineered Composites	12.RD	N00421-08-C-0017	0	9,184
Alion Science & Tech Corp	12.RD	N00014-08-C-0295	0	63,149
Altex Technologies	12.RD	N00014-06-C-0405	0	204,437
Altex Technologies	12.RD	N00014-08-C-0232	0	60,998
American Competitiveness Institute	12.RD	N00178-09-C-2004	0	496,814
American Competitiveness Institute	12.RD	----	0	195,081
Applied Hydro Acoustics Research Institute	12.RD	N00024-02-C-4128	0	(414)
Applied Physical Sciences	12.RD	N00014-03-C-0169	0	24,688
Applied Physical Sciences	12.RD	----	0	(341)
Applied Research Lab	12.RD	----	0	129,726
Arcadis Geraghty	12.RD	----	0	2,699
ARCON Corporation	12.RD	----	0	24,600
Argonne National Lab	12.RD	W31P4Q-09-C-0306	0	4,207
Argonst Incorporated	12.RD	N00024-07-C-6201	0	6,943
ARINC	12.RD	DAAB0703DB006	0	19,044
ATA Engineering	12.RD	FA8650-08-C-6842	0	63,937
ATI Incorporated	12.RD	----	0	42,284
Atlantec Enterprise Solutions	12.RD	N00024-08-C-4155	0	19,522
Auburn University	12.RD	HDTRA 1-07-1-0014	0	58,310
BAE Systems	12.RD	W022NF-05-2-0002	0	(288)
Barber Nichols	12.RD	N00014-06-C-0406	0	(3)
Barron Associates, Inc.	12.RD	N68335-07-C-0310	0	12,744
Battelle Memorial Institute	12.RD	DAAD05-99-D-7014	0	(433)
Battelle Pacific NW National Lab	12.RD	W911NF-07-D-0001	0	48,482
Belka Corps LLC	12.RD	----	0	4,708

	CFDA No.	Pass-Through Entity Identifying No.	Subcontract Expenditures	Expenditures
Bell Helicopter Textron, Inc.	12.RD	W911W6-06-2-0002	0	50,000
Bell Helicopter Textron, Inc.	12.RD	W911W6-07-2-0003	0	251,697
Blue Ridge Research & Consultants	12.RD	N68335-09-C-0156	0	331
Boeing Company	12.RD	DAAH10-01-2-0005	0	(697)
Boeing Company	12.RD	W58RGZ-04-G-0023	0	16,763
Boeing Company	12.RD	W66HZV-05-C-0724	0	(157)
Boeing Company	12.RD	----	0	36,579
Boyce Thompson Institute	12.RD	W31P4Q-07-1-0001	0	81,589
Briartek, Inc.	12.RD	----	0	28,155
Busek Co., Inc.	12.RD	W31P4Q-9-C-0359	0	3,992
CACI International inc.	12.RD	----	40,000	108,765
Calspan University of Buffalo	12.RD	FA8750-06-C-0184	0	4,272
Calspan University of Buffalo	12.RD	----	0	78,798
Carbon Nanotube Ignition	12.RD	FA9300-06-C-0023	0	40,081
Cement Chemistry Systems LP	12.RD	W912HZ-06-C-0024	0	(38,615)
Center for Rotorcraft Innovation	12.RD	W911W6-05-2-0003	0	(613)
Center for Rotorcraft Innovation	12.RD	W911W6-06-2-002	0	76,100
Center for Rotorcraft Innovation	12.RD	----	0	106,393
Cincinnati Children's Hospital of Medicine	12.RD	R01 DA16402	0	34,467
Combustion Propulsion & Ballistics	12.RD	----	0	40,210
Computer Iface Instrumentation	12.RD	N68335-06-C-0320	0	4,895
Concurrent Technologies Corp.	12.RD	N00014-06-D-0048	0	218,590
Concurrent Technologies Corp.	12.RD	N00024-98-9-2310	0	8,302
Concurrent Technologies Corp.	12.RD	----	0	953
Cordec Corporation	12.RD	----	0	(351)
Cornell University	12.RD	N00014-07-1-0938	110,067	156,930
Cortana	12.RD	----	0	(1,964)
Curtis Wright Electro Mechanical Co.	12.RD	----	0	40,445
Demval Inc.	12.RD	----	0	(3)
Digital Systems Research Inc.	12.RD	N00024-01-C-635	0	(4,418)
Digital Systems Research Inc.	12.RD	----	0	(546)
DRS Technology	12.RD	----	0	19,267
Duke University	12.RD	W911NF-05-1-0248	0	345,803
Dynaflow, Inc.	12.RD	N66604-08-C-0798	0	4,371
Dynetics, Inc.	12.RD	FA8650-08-D-1303	0	4,392
Electrodynamics Applications Inc.	12.RD	FA9550-09-C-0109	0	27,579
ERC, Inc.	12.RD	FA9300-06-C-0023	0	39,857
Etrema Products, Inc.	12.RD	----	0	51,722
Evolved Machines Fed Contract	12.RD	HR0011-09-C-0013	0	60,184
Extrude Hone Corporation	12.RD	22238-02	0	94
Feature Based Systems, Inc.	12.RD	W911W6-08-C-0064	0	63,705
Federal Technology Group	12.RD	W911QX-09-C-0039	0	11,942
Fibertek, Inc.	12.RD	HQ0006-04-D-0001	0	172,592
Gear Research Institute	12.RD	W911NF-06-2-0034	0	1,164
Gear Research Institute	12.RD	W911W6-06-C-0062	0	7,875
General Dynamics	12.RD	N00024-91-C-4355	0	1,422
General Dynamics	12.RD	----	51,928	1,678,870
General Opto Solutions, LLC	12.RD	W31P4Q-06-C-0489	0	11,254
George Mason University	12.RD	FA9550-07-1-0527	0	225,371
Georgia Institute of Technology	12.RD	N00014-04-1-0426	0	67,640
Georgia Institute of Technology	12.RD	N00014-06-1-0897	0	251,122
Georgia Institute of Technology	12.RD	N00014-08-1-0481	62,000	192,143
Georgia Institute of Technology	12.RD	W911NF-04-1-0419	0	9,973
Goodrich B.F. Aerospace	12.RD	----	0	38,200
HC Material	12.RD	N00014-08-C-0857	0	23,400
HC Material	12.RD	----	0	(399)
Honeywell Inc.	12.RD	MDS972-01-C-0047	0	9
Honeywell Inc.	12.RD	N00421-08-C-0017	0	532,743

	CFDA No.	Pass-Through Entity Identifying No.	Subcontract Expenditures	Expenditures
HRL Laboratories, LLC	12.RD	----	0	332,817
Hughes Research Lab	12.RD	----	0	(1,233)
Hydroid, Inc.	12.RD	N00014-09-C-0137	0	4,384
Hydroid, Inc.	12.RD	N00174-07-D-0001	0	834,920
Image Accoustics, Inc.	12.RD	N00014-07-M-0183	0	8,338
Image Accoustics, Inc.	12.RD	N00014-08-M-0109	0	15,922
Image Accoustics, Inc.	12.RD	W911QX07C0014	29,425	82,381
Impact Technologies LLC	12.RD	N00014-07-M-0411	0	(4)
Infinia Corporation	12.RD	N00014-07-M-0409	0	(3)
Infinia Corporation	12.RD	N00014-09-C-0106	0	66,225
Infoscitex Corporation	12.RD	FA9453-04-C-0040	0	18,671
Infoscitex Corporation	12.RD	W911QX-07-C-0079	0	6,446
Infoscitex Corporation	12.RD	W811QX-08-C-0079	0	50,011
Innovative Scientific Solutions Inc.	12.RD	F33615-03-D-2329	0	199,993
Innovative Scientific Solutions Inc.	12.RD	FA9300-08-M-3021	0	33,000
Innovative Scientific Solutions Inc.	12.RD	N00014-08-C-0296	0	28,804
Intelligent Automation, Inc.	12.RD	W911NF-07-C-0101	0	181,770
Intelligent Automation, Inc.	12.RD	----	0	56,620
International Aluminum Institute	12.RD	----	0	115,257
International Business Machines, Inc.	12.RD	N66001-04-C-8032	0	7,408
International Business Machines, Inc.	12.RD	W911NF-06-3-0001	0	242,017
ITT Industries	12.RD	N00173-03-C-2037	0	221,739
ITT Industries	12.RD	----	0	8,585
Jet Propulsion Lab	12.RD	----	0	7,309
Johns Hopkins University	12.RD	04-D-8601	0	57,321
Johns Hopkins University	12.RD	N000146-06-1-0991	0	9,168
KCF Technologies	12.RD	N00014-05-C-0359	0	(1)
KCF Technologies	12.RD	N00014-06-M-0286	0	6,891
KCF Technologies	12.RD	N00014-07-C-1010	0	96,923
KCF Technologies	12.RD	N00014-08-C-0718	0	51,000
Kennametal Ceramics Materials	12.RD	W911NF04-02-0037	0	132,756
Knolls Atomic Power Lab	12.RD	N00024-00-C-4011	0	(1,315)
Kuchera Defense Systems Inc.	12.RD	FA8650-07-C-5214	0	52,082
Kuchera Defense Systems Inc.	12.RD	N68665-07-C-0447	0	10,117
Kuchera Defense Systems Inc.	12.RD	W911QX-08-C-0048	0	512,273
Kuchera Defense Systems Inc.	12.RD	----	0	509
L-3 Communications	12.RD	N00406-05-D-5116	0	77,266
Lehigh University	12.RD	W911NF-07-2-0064	0	4,048
Lighting Packs, LLC	12.RD	N00014-08-0279	0	158,569
Lockheed Martin	12.RD	1Q431A411A20	0	(13)
Lockheed Martin	12.RD	N0002403C6308	0	(1,274)
Logistics Management Institute	12.RD	----	0	8,486
Luna Innovations, Inc.	12.RD	N68335-08-C-0119	0	74,469
Massachusetts Institute of Technology	12.RD	-----	0	44,222
Material Sciences Corp.	12.RD	W31P4Q-04-C-R031	0	(176)
Material Sciences Corp.	12.RD	W31P4Q-08-C-0189	0	7,163
McDonnell Douglas Corp.	12.RD	----	0	132,236
Medico Industries, Inc.	12.RD	W15QKN-08-C-0052	0	43,368
Metacomp Technologies	12.RD	FA9550-08-C-0014	0	75,360
Micro Analysis & Design, Inc.	12.RD	05TA1-SP1-RT4	0	298,579
Micromechatronics, Inc.	12.RD	FA9550-09-C-0029	0	30,588
Mimark	12.RD	W56HZV-07-C-0392	0	12,752
Mitre Corporations	12.RD	----	0	104,899
Nammo Talley Inc.	12.RD	M67854-08-C-1123	0	33,139
Nammo Talley Inc.	12.RD	N00014-08-C-0422	0	39,325
Nammo Talley Inc.	12.RD	----	0	25,000
Nantero	12.RD	-----	0	63,501
National Center for Defense Manuf MAC	12.RD	W31PQ-05-D-R003	0	455

	CFDA No.	Pass-Through Entity Identifying No.	Subcontract Expenditures	Expenditures
National Center for Manufacturing Sciences	12.RD	N00030-08-C-0047	0	3,743
National Center for Manufacturing Sciences	12.RD	----	0	32,138
Navmar Applied Science Corporation	12.RD	N68335-08-C-0145	0	24,396
Newport News Shipbuilding	12.RD	N00024-98-C-4064	0	53,205
Newport News Shipbuilding	12.RD	----	0	706,603
Nextgen Aeronautics Inc.	12.RD	W31P4Q-09-C-0101	0	9,721
Nextgen Aeronautics Inc.	12.RD	----	0	154,201
North Carolina A&T University	12.RD	N00014-09-1-0408	0	50,759
North Carolina A&T University	12.RD	N00030-08-C-0047	0	40,432
Northrop Grumman	12.RD	FA8750-06-C-0051	0	1,423
Northrop Grumman	12.RD	HR0011-04R-0003	0	(91)
Northrop Grumman	12.RD	N00014-09-C-0317	0	7,326
Northrop Grumman	12.RD	N00024-02-C-2302	0	(273)
Northrop Grumman	12.RD	N00024-07-G-6226	0	1,054
Northrop Grumman	12.RD	N00024-98-C-4064	0	17,503
Northrop Grumman	12.RD	N66604-02-D-1118	0	62,138
Northrop Grumman	12.RD	----	0	143,045
Oceaneering International Inc.	12.RD	N00024-06-C-6269	0	(8)
Oceaneering International Inc.	12.RD	----	0	20,000
Optimetrix, Inc.	12.RD	FA8650-04-D-1712	0	8,117
Orbital Technologies	12.RD	FA9550-09-C-0037	0	19,352
Phoenix Integration	12.RD	N00014-07-M-0272	0	6,446
Phoenix Integration	12.RD	N00014-09-C-0271	0	11,482
Physical Sciences Inc.	12.RD	FA9550-09-C-0080	0	9,055
Physical Sciences Inc.	12.RD	N00014-06-M-0294	0	(79)
Physical Sciences Inc.	12.RD	N68335-08-C-0038	0	174,799
Princeton University	12.RD	FA9550-05-1-0365	0	269,232
Princeton University	12.RD	FA9550-06-1-0036	0	4,040
Princeton University	12.RD	FA9550-07-1-0515	0	262,348
Purdue University	12.RD	HDTRA1-08-1-0006	0	94,292
Purdue University	12.RD	W911NF-06-1-0377	0	197,058
Qortek Inc.	12.RD	W31P4Q-08-C-0275	0	822
Raytheon Co.	12.RD	----	0	(452)
Remcom, Inc.	12.RD	N00014-08-M-0300	0	28,000
Resource Dynamics Corp.	12.RD	N00014-08-M-0266	0	21,000
Rolls-Royce PLC	12.RD	----	0	52,409
Rutgers State University of NJ	12.RD	W911NF-06-2-0007	0	77,794
Sarnoff Corporation	12.RD	NMA4 01-02-9-2001	0	106,990
Savit Corporation	12.RD	DAAE30-03-D-1008	0	35,968
Savit Corporation	12.RD	----	0	36,000
SCI Applications International Corp.	12.RD	DAAE30-01-9-0800	0	809
SCI Applications International Corp.	12.RD	N00173-07-C-2068	0	12,923
Science Research Laboratory	12.RD	W31P4Q-08-C-0284	0	65,000
Science Research Laboratory	12.RD	W31P4Q-08-C-0328	0	41,752
Siemens Power Generation, Inc.	12.RD	----	0	1,549
Sierra Nevada Corporation	12.RD	N00014-06-D-0045	0	(72)
Sikorsky Aircraft Company	12.RD	W911W6-05-2-0003	0	17,183
Sikorsky Aircraft Company	12.RD	W911W6-06-2-0002	0	22,879
Sikorsky Aircraft Company	12.RD	----	0	384
Smiths Detection	12.RD	DAAB07-00-C-J613	0	252,888
Solers Inc.	12.RD	N00014-05-C-0032	0	259,783
South Carolina Research Authority	12.RD	N00014-01-2-0001	0	(3,167)
South Carolina Research Authority	12.RD	N00014-06-D-0045	0	859,799
South Carolina Research Authority	12.RD	----	0	1,828
Spectral Energies, LLC	12.RD	FA8650-08-C-3828	0	139,768
Spectrum Technology Group, Inc.	12.RD	N00167-04-D-0022	0	(340)
Strategic Polymer Sciences Inc.	12.RD	FA8650-07-M-2709	0	75,644
Strategic Polymer Sciences Inc.	12.RD	N00014-08-M-0190	0	25,171

	CFDA No.	Pass-Through Entity Identifying No.	Subcontract Expenditures	Expenditures
Surgiquest, Inc.	12.RD	W31P4Q-08-C-0284	0	14,220
Taitech Inc.	12.RD	FA9550-07-C-0135	0	14,369
Taitech Inc.	12.RD	FA9550-09-C-0069	0	37,051
Tennessee State University	12.RD	W911NF04-2-0049	0	204,891
Texas A & M University	12.RD	W81XWH-06-01-0479	0	109,178
The Ex One Company	12.RD	DAAD19-02-2-0015	0	34,053
Ticom Geomatics	12.RD	----	0	109,789
Triton Systems Inc.	12.RD	N00014-07-M-0366	0	(2)
Triton Systems Inc.	12.RD	W911QX-07-C-0031	0	31,623
TRS Ceramics Inc.	12.RD	N00014-04-C-0114	0	63,806
TRS Ceramics Inc.	12.RD	N00014-05-C-0181	0	(1,457)
TRS Ceramics Inc.	12.RD	N00014-05-C-0209	0	113,384
TRS Ceramics Inc.	12.RD	N00014-05-C-0371	0	204,376
TRS Ceramics Inc.	12.RD	N00014-06-C-0134	0	5,498
TRS Ceramics Inc.	12.RD	N00014-06-M-0226	0	53,156
TRS Ceramics Inc.	12.RD	N00014-07-C-0761	0	47,518
TRS Ceramics Inc.	12.RD	N00014-07-C-0858	0	99,507
TRS Ceramics Inc.	12.RD	N00014-07-M-0236	0	22,488
TRS Ceramics Inc.	12.RD	N00014-08-M-0113	0	7,299
TRS Ceramics Inc.	12.RD	N00014-08-M-0114	0	4,013
TRS Ceramics Inc.	12.RD	N00014-08-M-0191	0	22,000
UES Inc.	12.RD	N00014-08-M-0296	0	22,576
UM Photonics	12.RD	N00014-07-M-0402	0	840
United Tech/Pratt & Whitney	12.RD	F33657-99-D-2051	0	21,779
United Technologies Research Center	12.RD	N41756-08-C-3040	0	1,035
United Technologies Research Center	12.RD	N68335-07-C-0307	0	(261)
University of California	12.RD	N00014-06-1-0428	0	162,974
University of California	12.RD	N00014-08-1-1015	0	59,341
University of California	12.RD	----	0	168,571
University of California Davis	12.RD	W911NF-07-1-0318	0	161,471
University of Colorado	12.RD	N00014-02-1-0714	0	33,623
University of Florida	12.RD	N00014-07-1-0143	0	22
University of Iowa	12.RD	N00014-06-1-0420	0	69,484
University of Maryland	12.RD	N00014-06-1-0530	0	49,092
University of Medicine & Dentistry of NJ	12.RD	W81XWH-0701-0403	0	10,495
University of Michigan	12.RD	N00014-02-C-0468	0	(795)
University of Mississippi	12.RD	W9113M-06-C-0029	0	94,351
University of Nebraska	12.RD	W81XWH-06-1-0019	0	30,998
University of Oklahoma	12.RD	W911NF-07-1-0587	0	39,835
University of Rochester	12.RD	F49620-03-1-0379	0	19,126
University of Rochester	12.RD	W81XWH07-1-0007	0	1,601
University of Texas	12.RD	W911NF-07-1-0028	0	98,404
University of Texas	12.RD	W911NF-07-1-0047	0	984
University of Utah	12.RD	FA9550-08-1-0400	0	204,669
Virginia Polytechnic Institute	12.RD	FA9550-07-1-0357	0	5,973
Virginia Polytechnic Institute	12.RD	N66001-08-1-2046	0	149,282
Virginia Polytechnic Institute	12.RD	W911NF-07-1-0452	0	235,950
VLOC Inc.	12.RD	FA9451-05-C-0182	0	333,497
W. R. Systems LTD	12.RD	N65236-02-D-3823	0	7,254
W. R. Systems LTD	12.RD	----	0	(282)
Washington State University	12.RD	N00014-06-1-0874	0	9,709
Washington University	12.RD	N00024-02-D-6602	0	31,223
Woods Hole Oceanographic	12.RD	N00014-07-1-0992	0	26,152
Wyle Laboratories	12.RD	HC1047-05-D-4005	0	22,402
Wyle Laboratories	12.RD	N00421-04-C-0121	0	22,369
Wyle Laboratories	12.RD	----	0	19,198
Total – Defense			306,544	19,572,650

	CFDA No.	Pass-Through Entity Identifying No.	Subcontract Expenditures	Expenditures
<u>Interior:</u>				
America View Consortium	15.RD	08HQGR0157	0	7,109
American Chestnut Foundation	15.RD	S08AP12906	0	10,044
Appalachian Trail Conservancy	15.RD	249008009	0	4,694
Excellims Corp.	15.RD	NBCHC070141	0	7,580
Menominee Indian Tribe of Wisconsin	15.RD	----	0	934
Nature Conservancy	15.RD	----	0	28,288
Northern Arizona University	15.RD	AAA060016	0	12,627
TDI Brooks International Inc.	15.RD	0105CT39187	0	187,230
TDI Brooks International Inc.	15.RD	----	0	61,516
University of Wyoming	15.RD	----	0	8,326
West Virginia University	15.RD	HAP084535	0	31,269
Total - Interior			0	359,617
<u>Justice:</u>				
University of Missouri	16.RD	2006-JV-FX-0011	0	75,408
Wake Forest University	16.RD	2005-AH-FX-K011	0	29,214
Total - Justice			0	104,622
<u>Labor:</u>				
Ben Franklin Techology Center	17.RD	----	0	35,255
Total - Labor			0	35,255
<u>Transportation:</u>				
Auburn University	20.RD	01-G-022	0	40,237
Battelle Pacific NW National Lab	20.RD	DTFACT-03-C-00042	0	30,495
Cornell University	20.RD	DTOS59-07-G-00052	85,601	272,146
Intelligent Automation, Inc.	20.RD	----	0	51,540
National Academy of Sciences	20.RD	----	1,526	212,668
National Biodiesel Board	20.RD	DTOS59-07-G-00051	0	51,203
Rensselaer Polytechnic Institute	20.RD	NAS HR 5-19	0	61,344
University of New Hampshire	20.RD	----	0	378
Vanasse Hangen Brustlin Inc.	20.RD	DTFH61-05-D-00024	0	4,899
Virginia Polytech Institute	20.RD	DMC75-07-D-00006	0	47,112
Washington Department of Transportation	20.RD	----	0	3,342
Total - Transportation			87,127	775,364
<u>Appalachian Regional Commission</u>				
Northwest PA Regional Planning and Development	23.RD	----	0	11,427
Total - Appalachian Regional Commission			0	11,427
<u>National Aeronautics and Space Admin.:</u>				
Aerodyne Research Inc.	43.RD	----	0	18,045
California Institute of Technology	43.RD	NNG06GA08G	0	20,207
Colorado State University	43.RD	NNX08AK08G	0	6,333
Combustion Propulsion & Ballistics	43.RD	NAS8-97238	0	163,662
Georgia Institute of Technology	43.RD	NNX06AE50G	0	88,580
Intelligent Automation Inc.	43.RD	----	0	39,497
Jet Propulsion Lab	43.RD	NAS 7-1407	0	(305)
Jet Propulsion Lab	43.RD	NM0710076	0	44,140
Jet Propulsion Lab	43.RD	NM0710776	0	38,303
Jet Propulsion Lab	43.RD	NM0710833	0	53,108
Jet Propulsion Lab	43.RD	NM0710860	0	34,997
Jet Propulsion Lab	43.RD	NM0719865	0	11,903
Jet Propulsion Lab	43.RD	----	0	22,497
Makel Engineering, Inc.	43.RD	----	0	24,896
Phoenix Integration	43.RD	NNC06CA29C	0	(340)

	CFDA No.	Pass-Through Entity Identifying No.	Subcontract Expenditures	Expenditures
Smithsonian Astrophysical Observatory	43.RD	NAS5-26555	0	36,165
Smithsonian Astrophysical Observatory	43.RD	NAS8-03060	336,015	1,910,445
Space Telescope SCI Institute	43.RD	NAS5-26555	0	138,350
Techno-Sciences inc.	43.RD	NNC08CA02C	0	51,285
TRS Ceramics, Inc.	43.RD	NNX09CC63P	0	9,165
University of Florida	43.RD	NCC3-994	0	24,497
University of Florida	43.RD	NNG05GR41G	0	1,784
University of Maryland	43.RD	NCC 3989	83,560	830,052
University of Texas at Austin	43.RD	NNG05GOB3G	0	18,156
University of Washington	43.RD	NNA08CN87A	0	30,725
Virginia Institute of Marine Sciences	43.RD	NNX08A025G	0	46,910
		NNL05AA04Z/		
Wyle Laboratories	43.RD	NNL07AD95T		56,405
Total - National Aeronautics and Space Admin.			419,575	3,719,462
<u>National Endowment for the Arts:</u>				
University of Maryland	45.RD	EE-50192-05	0	11,392
Total - Endowment for the Arts			0	11,392
<u>National Science Foundation</u>				
Advanced Power Products, Inc.	47.RD	0848712	0	12,770
Bentley College	47.RD	----	0	9,739
California Institute of Technology	47.RD	CHE-0802907	0	126,005
Carnegie Institute of Technology	47.RD	----	0	245,595
Case Western Reserve University	47.RD	ECS-0609128	0	87,440
Case Western Reserve University	47.RD	----	0	18,972
Central Washington University	47.RD	----	0	17,189
City College of San Francisco	47.RD	----	0	7,490
Colorado School of Mines	47.RD	----	0	5,039
Columbia University	47.RD	IOS-0719259	0	80,331
Consortium for Ocean Leadership	47.RD	----	0	3,752
Consortium of UV for the Advancement of Hydrologic Science Inc.	47.RD	----	0	(284)
Cornell University	47.RD	0335765	0	847,995
Cornell University	47.RD	0619495	0	(193)
Cornell University	47.RD	0634418	0	15,812
Cornell University	47.RD	649215	0	2,487
Duke University	47.RD	----	0	147,306
Feature Based Systems, Inc.	47.RD	----	0	65,805
Florida State University	47.RD	----	0	21,531
Georgia Institute of Technology	47.RD	----	0	19,400
Haverford College	47.RD	PHY-0901925	0	32,208
Illumenix Corporation	47.RD	0740336	0	45,626
Iowa State University	47.RD	----	0	46,235
Lehigh University	47.RD	DMR-0602986	0	16,355
Lehigh University	47.RD	----	0	96,777
Lemelson Foundation	47.RD	EEC-0835992	0	6,834
Massachusetts Institute of Technology	47.RD	PHY-0326281	0	40,004
Massachusetts Institute of Technology	47.RD	----	0	7,879
Mississippi State University	47.RD	DBI-0501890	25,453	50,619
Nanolambda, Inc.	47.RD	----	0	48,996
National Academy of Sciences	47.RD	----	0	14,901
North Carolina State University	47.RD	2006-0797	0	159,951
North Carolina State University	47.RD	DB1-0605135	0	24,458
North Carolina State University	47.RD	DB1-0606017	0	57
Northeastern University	47.RD	----	0	62,286
Northwestern University	47.RD	OCI-0724599	0	62,466
Ohio State University	47.RD	----	0	32,254

	CFDA No.	Pass-Through Entity Identifying No.	Subcontract Expenditures	Expenditures
Portland State University	47.RD	ANT-0423595	0	3,526
Portland State University	47.RD	DUE-0633754	0	18,034
R&D Imaging Technologies, Inc.	47.RD	IIP-0739757	0	29,520
Rand Corporation	47.RD	0345925	0	18,991
Rand Corporation	47.RD	SES-0624353	0	31,776
Universal Corporation for Atmospheric Research	47.RD	ATM-0301213	0	22,174
University of Alabama	47.RD	IIS-0813870	0	50,000
University of Arizona	47.RD	EAR 98-76800	0	29,808
University of Arizona	47.RD	----	0	215
University of Arkansas	47.RD	CMMI-0600642	0	75,472
University of California	47.RD	ESI-0334199	0	23,284
University of California	47.RD	SES-0850056	0	718
University of California	47.RD	----	0	12,860
University of California Berkley	47.RD	DRL-0822119	0	51,482
University of Kansas	47.RD	----	0	424,124
University of Maryland	47.RD	ESI-0426253	0	564,480
University of Miami	47.RD	BCS-0410348	0	(304)
University of Minnesota	47.RD	DMS-0439734	0	146,604
University of Missouri	47.RD	HRD-06-781	0	29,500
University of Missouri	47.RD	ISS-0822849	0	8,055
University of Nebraska	47.RD	ANT-0342484	0	48,322
University of Nebraska	47.RD	CMMI-0709333	0	63,343
University of Oregon	47.RD	BCS-0643393	0	13,412
University of Richmond	47.RD	BCS-0642586	0	36,936
University of South Carolina	47.RD	SES-0720072	0	43,322
University of Texas at Austin	47.RD	DEB-0733029	0	41,315
University of Texas at Austin	47.RD	EF-0334952	0	4,418
University of Vermont	47.RD	0848247	0	23,837
University of Washington	47.RD	DRL-0813874	0	8,820
University of Wisconsin	47.RD	0514592	0	33,406
University of Wisconsin	47.RD	0708759	0	104,512
University of Wisconsin	47.RD	ANT-0639286	0	391,638
University of Wisconsin	47.RD	PHY-0600953	0	295,240
University of Wisconsin	47.RD	----	40,795	53,874
Virginia Polytech Institute	47.RD	DBI-04-01748	0	191,289
Total - National Science Foundation			66,248	5,376,090
<u>Department of Spanish Origin</u>				
Altoona Blair County Development Corporation	59.RD	SBAHQ-08-1-0087	0	138,562
Total - Department of Spanish Origin			0	138,562
<u>Environmental Protection Agency:</u>				
Altex Technologies	66.RD	EP-D-07-079	0	16,565
Capital Research Conservation Development Council	66.RD	----	0	49,655
Jet Propulsion Lab	66.RD	1334762	0	36,192
Jet Propulsion Lab	66.RD	----	0	(1,646)
Mactec Inc.	66.RD	68-D-03-052	0	(2)
Mactec Inc.	66.RD	----	0	21,971
New England Interstate Water Poll Consortium	66.RD	----	0	40,000
Northrop Grumman Corp.	66.RD	NAS5-98020	0	5,107
Pittsburgh Water & Sewer Authority	66.RD	----	0	1,286
Smithsonian Astrophysical Observatory	66.RD	NAS8-03060	0	13,490
Space Telescope Science Institute	66.RD	NAS5-26555	0	16,899
TAO Systems	66.RD	NND07AA05C	0	44,454
Texas State Soil & Water Conservation Board	66.RD	C9-996236-14	0	62,730
University of Alabama	66.RD	EP-C-07-014	0	36,414

	CFDA No.	Pass-Through Entity Identifying No.	Subcontract Expenditures	Expenditures
University of Maryland	66.RD	2006-0113-004	0	16,271
Upper Susquehanna Coalition	66.RD	CB-97301405	0	9,998
Total - Environmental Protection Agency			0	369,384
<u>Nuclear Regulatory Commission:</u>				
Argonne National Lab	77.RD	DE-AC02-06CH11357	0	7,096
Numark Associates, Inc.	77.RD	----	0	26,432
Oak Ridge National Laboratory	77.RD	----	0	42,948
Purdue University	77.RD	NRC-04-07-116	0	45,464
Purdue University	77.RD	----	0	54,545
Total Nuclear Regulatory Commission			0	176,485
<u>Energy:</u>				
Aerodyne Research, Inc.	81.RD	DE-FG02-05ER63995	0	58,241
Air Products & Chemical	81.RD	DE-FC26-98FT40343	0	132,394
Argonne National Laboratory	81.RD	----	0	155,376
AWWA National Lab	81.RD	DE-FG02-0363619	0	77,513
Ballard Material Products, Inc.	81.RD	DE-FG36-08G018051	0	174,981
Battelle Pacific NW National Lab	81.RD	DE-AC05-000R2272-5	0	168,742
Battelle Pacific NW National Lab	81.RD	DE-AC05-76RL01830	63,499	488,879
Battelle Pacific NW National Lab	81.RD	DE-AC07-05ID14517	0	37,522
Battelle Pacific NW National Lab	81.RD	----	0	175,332
Bechtel Bettis, Inc.	81.RD	----	0	453,379
Berkley Lawrence Laboratory	81.RD	DE-AC02-05CH11231	0	47,409
Clemson University	81.RD	DE-FC-2602NT41431	0	75,557
Consortium Prem. Carbon Prod. From Coal	81.RD	DE-FC26-03NT41874	(350,024)	(20,917)
Duke University	81.RD	H113E080011	10,037	116,230
Euclid Technology Labs	81.RD	DE-FG02-08-ER85031	0	17,000
General Electric Company	81.RD	DE-FC26-08NT06560	0	174,557
Georgia Institute of Technology	81.RD	DE-FG26-07NT43069	0	78,037
Illuminex Corporation	81.RD	DE-FG02-07ER86313	0	45,123
KCF Technologies	81.RD	DE-FG02-04ER86189	0	82,033
Kennametal Ceramic Materials	81.RD	DE-AC05-00OR22725	0	999
Livermore Lawrence National Laboratory	81.RD	DE-AC52-07NA27344	0	33,007
Los Alamos National Lab	81.RD	DE-AC-52-06NA25396	0	155,240
Los Alamos National Lab	81.RD	W-7405-ENG-36	0	(2,387)
Los Alamos National Lab	81.RD	----	0	37,547
Medical University of South Carolina	81.RD	DE-FG07-051D14692 IND	0	56,248
National Center for Energy Management	81.RD	DE-FC36-03G013072	123,159	277,998
National Renewable Energy Lab	81.RD	DE-AC36-99G010337	0	54,626
NICCR Consortium	81.RD	DE-FC02-06ER64157	(4,068)	101,741
New York State Energy Research & Development Authority	81.RD	DE-FC26-00NT41025	46,133	46,133
Oak Ridge National Lab	81.RD	----	0	49,123
Purdue University	81.RD	----	0	24
Research Partnership to Secure Energy	81.RD	DE-AC26-07NT42677	0	37,136
Sandia National Labs	81.RD	775396	0	59,861
Sandia National Labs	81.RD	----	0	344,967
South Dakota State University	81.RD	DE-FC36-05GO85041	0	44,934
Southern University and A&M College	81.RD	DE-FG26-08NT0001471	0	12,311
Stripperwell onsortium	81.RD	DE-FC26-04NT42098	(70,663)	75,465
UHV Technologies, Inc.	81.RD	DE-FG-02-05ER84342	0	(1,391)
University of Michigan	81.RD	DE-FG07-071D14894	0	114,176
University of Missouri	81.RD	DE-FG07-071D14807	0	74,373
University of Tennessee	81.RD	DE-FG07-071D14895	0	168,720
University of Texas at Austin	81.RD	DE-FC21-92-MC29061	0	52,110
UT Battelle Oak Ridge National Lab	81.RD	----	0	27,782
Washington Savannah River Co., LLC	81.RD	DE-AC09-96SR19500	0	1

	CFDA No.	Pass-Through Entity Identifying No.	Subcontract Expenditures	Expenditures
West Virginia University	81.RD	----	0	81,075
Total - Energy			(181,927)	4,439,207
 <u>Education:</u>				
Duke University	84.RD	----	0	105,071
Johns Hopkins School of Public Health	84.RD	R305A080326	0	121,786
Purdue University	84.RD	P116J070040	0	21,114
University of Minnesota	84.RD	H327A080004A	0	45,398
University of North Carolina	84.RD	R305A040056	0	381,625
Total - Education			0	674,994
 <u>Health and Human Services:</u>				
Abiomed	93.RD	2R22HL078049-02A1	0	38,246
AFASCI, Inc.	93.RD	R1GK084990-01A1	0	2,989
Arizona State University	93.RD	1R01GM080586-01A2	0	24,314
Arizona State University	93.RD	2 R01 HD039666-05A1	0	77,861
Bassett Mary Imogene Hospital	93.RD	#5 U50/OH07542-07	0	18,608
Bassett Mary Imogene Hospital	93.RD	5U50/OH007542-08	0	112,408
Bassett Mary Imogene Hospital	93.RD	----	0	43,851
Baylor College of Medicine	93.RD	2 R01 AR044474-13	0	55,039
Baylor College of Medicine	93.RD	5 R01 AR044474-12	0	(114)
Baylor College of Medicine	93.RD	R01 NS049135	0	308
Baylor College of Medicine	93.RD	R01 NS049135-03	0	53,202
Brigham & Women's Hospital	93.RD	5R01HG003646-03	0	99,790
Brown University	93.RD	R01 HL046005-13A	0	29,607
Burke, WM Medical Research Institute, Inc.	93.RD	1R01CA11842-01A2	0	(221)
Case Western Reserve University	93.RD	1R011DE01532201	0	1,657
Children's Hospital of Philadelphia	93.RD	1H30MC09625-01-00	0	65,406
Children's Hospital of Philadelphia	93.RD	U01DD000193-03	0	59,684
Cincinnati Childrens Hospital Medical Center	93.RD	5U54RR019498-05	0	60,686
Cincinnati Childrens Hospital Medical Center	93.RD	R01N4007615	0	27,995
Cincinnati Childrens Hospital Medical Center	93.RD	----	0	17,204
City University of New York	93.RD	2 R01HL057093	0	15,149
City University of New York	93.RD	R01 HL057093-09	0	9,445
Cleveland Clinic	93.RD	1 U54RR019397-05	0	100,617
Cleveland Clinic	93.RD	1R01EB008049-01	0	50,575
Colorado State University	93.RD	9R01HL092791	0	114,096
Columbia University	93.RD	15R01MH063749.05	0	87,012
Cornell University	93.RD	5P01CA094000-05	0	27,245
Dartmouth College	93.RD	7 R01HD049782-02	0	93,967
Drexel University	93.RD	5 R01 DK066759-05	0	19,643
Drexel University	93.RD	7 R01 AG022443-02	0	332
Drexel University	93.RD	7 R01 AG022443-04	0	110,125
Duke University	93.RD	5R01MH057448-08	0	51,000
Duke University	93.RD	R01 CA106919-04	0	106,527
Elizabethtown College	93.RD	1R15 AI076933-01A1081	0	12,608
Emory University	93.RD	2R01GM059969-10	0	29,892
Emory University	93.RD	5 R01GM059969-09	0	(530)
Emory University	93.RD	5R01HG003618-02	0	4,207
European Bioinformatics Institute	93.RD	----	0	133,903
Frontier Science & Technology Research Foundation	93.RD	2U10CA92115030	0	155,508
Frontier Science & Technology Research Foundation	93.RD	CA-21115-34	0	6,640
George Mason University	93.RD	1 R01 MH079502-02	0	48,827
Glycotek, LLC	93.RD	1 R43 HL091656-01A1	0	54,238
Hebrew Rehabilitation Center	93.RD	5 R01AG024091	0	7,326

	CFDA No.	Pass-Through Entity Identifying No.	Subcontract Expenditures	Expenditures
Hebrew Rehabilitation Center	93.RD	----	0	23,689
IHC Health Services, Inc.	93.RD	HHSN268200425210C	0	2,000
Indiana University	93.RD	1R01MH057717	0	48,987
Institute for Cancer Prevention	93.RD	P01 CA68384-07	0	1
Iowa State University	93.RD	2R01DA013709-06A1	0	96,506
Iowa State University	93.RD	R01DA13709	0	1,027,595
JAEB Center for Health Research	93.RD	U10 EY 14231	0	16,241
JAEB Center for Health Research	93.RD	----	0	10,433
Johns Hopkins University	93.RD	1 P01AG021190	0	196,702
Johns Hopkins University	93.RD	1 PS0CA098252-01	0	39,174
Johns Hopkins University	93.RD	5 P01 AG021190-05	0	527,110
Johns Hopkins University	93.RD	5 R01HD038384-08	0	58,672
Johns Hopkins University	93.RD	P30MH066247	0	2,585
Johns Hopkins University	93.RD	R01HD050254	0	96,136
Johns Hopkins University	93.RD	----	0	5,763
Kirksville College	93.RD	----	0	59,361
Lincoln University	93.RD	5 P20MD0033520-02	0	61,333
Massachusetts General Hospital	93.RD	5U01NS049640-05	0	18,522
Medical University of South Carolina	93.RD	2R01HS011326-03	0	17
Medical University of South Carolina	93.RD	R01CA075248	0	70,509
Meharry Medical College	93.RD	5U54HD44315-05	0	44,720
Moffitt HL Cancer Center and Research Institute	93.RD	1R01CA112112	0	1,502
Moffitt HL Cancer Center and Research Institute	93.RD	5 P01 CA118210-02	0	69,501
Montana Wyoming Tribal	93.RD	2R24HS014034-04	0	4,194
Mount Sinai Medical Center	93.RD	5 R01DD000350-02	0	40,224
Nanomech, LLC	93.RD	1 R43DE-1573U-01	0	231
National Jewish Medical & Research Center	93.RD	1R01HL090982-01	0	(2,586)
National Jewish Medical & Research Center	93.RD	1 R01 HL090982-02	0	34,553
New York Medical College	93.RD	5 R01 CA111842-03	0	91,911
New York Medical College	93.RD	7 R01 CA111842-02	0	10,478
Northwestern University	93.RD	----	0	2,500
Oregon Social Learning Center	93.RD	2R01HD042608-07	0	168,722
PA Association of Community Health Center	93.RD	6 U58CS06853-03-03	0	15,000
Purdue University	93.RD	1 R01 AG027769-01A2	0	40,398
Purdue University	93.RD	2 R01 AG018436-06	0	51,324
Research Foundation State University of New York	93.RD	1 R01 DC009429-01	0	4,904
Rutgers State University of NJ	93.RD	5 R21HL084367-02	0	38,901
Rutgers State University of NJ	93.RD	5R21 CA119934-02	0	18,155
SCI Applications International Corp	93.RD	----	0	56,199
Scripps Institute	93.RD	2 R01 CA097209-06	0	67,314
Scripps Institute	93.RD	5 U19 AG023122-05	0	17,059
Skidmore College	93.RD	IR21 DA023147-01A2	0	24,890
St. Luke's Hospital	93.RD	----	0	1,325
State University of New York at Albany	93.RD	1-R01-GM08322401-A1	0	26,037
Syracuse University	93.RD	----	0	33,739
TRS Ceramics	93.RD	2 R44 EB001516-02A2	0	20,147
University of Alabama	93.RD	2-P01-ES011617-06	0	127,553
University of Arizona	93.RD	2008-ST-061-BS0002	0	57,749
University of Arkansas Medical Science	93.RD	----	0	132,994
University of California	93.RD	1 R01 AG023845-01A1	0	(367)
University of California	93.RD	2 U54 GM069338-06	0	105,753
University of California	93.RD	7 R01 EB008049-02	0	76,268
University of California	93.RD	R01 DE016886	0	98,869
University of Cincinnati	93.RD	1 U01 NS052220-02	0	1,081
University of Cincinnati	93.RD	5 R01 AI065256-03	0	9,950
University of Colorado	93.RD	5 R01 HL 079647-04	0	36,562
University of Colorado	93.RD	FAA 90YF0053102	0	57,411
University of Connecticut	93.RD	5 R01-DC004099-07	0	146,305

	CFDA No.	Pass-Through Entity Identifying No.	Subcontract Expenditures	Expenditures
University of Connecticut	93.RD	7 R01-AR052536-04	0	89,668
University of Connecticut	93.RD	7 R01-EB0004051-04	0	75,426
University of Florida	93.RD	7R01GM059969	0	72,466
University of Georgia	93.RD	7R01HS01132604	0	25,322
University of Illinois	93.RD	R01 NR08425-02	0	17,282
University of Iowa	93.RD	1 R01 HL083475-01A2	0	28,806
University of Iowa	93.RD	1 R01 HL083475-02	0	156,053
University of Kansas	93.RD	5 U10 HD025430-18	0	45,117
University of Kentucky	93.RD	1-R01-NS045087-02	0	7,522
University of Kentucky	93.RD	3 U01 CA114622-04S2A1	44,588	71,369
University of Kentucky	93.RD	3 U01 CA114622-05S2	0	14,506
University of Kentucky	93.RD	5 U01 CA11462-04	28,829	192,318
University of Kentucky	93.RD	5 U01 CA11462-05	0	33,345
University of Kentucky	93.RD	5 U01 CA114622-03S2	0	12,417
University of Kentucky	93.RD	U01 CA114622	0	52,379
University of Louisville	93.RD	5 R01 DC006698-05	0	9,993
University of Maryland	93.RD	1 R01-EB006521-01A1	0	3,405
University of Maryland	93.RD	R01-HGOO2655-04A1	0	19,822
University of Massachusetts	93.RD	1 R01 CA133908-02	0	1,770
University of Massachusetts	93.RD	1R01CA133908-01A2	0	4,727
University of Massachusetts	93.RD	5P01HD025995-18	0	35,282
University of Medicine and Dental of NJ	93.RD	1 R01 NS049176-01A2	0	26,191
University of Medicine and Dental of NJ	93.RD	1 R21 GM079255-01	0	10,314
University of Michigan	93.RD	CA129102-01A2	0	11,612
University of Michigan	93.RD	DA001411-33	0	7,015
University of Michigan	93.RD	DA001411-34	0	27,032
University of Michigan	93.RD	HD039386-06A1	0	51,752
University of Michigan	93.RD	HD039386-07	0	272,881
University of Michigan	93.RD	HD055524-01	0	46,316
University of Minnesota	93.RD	R01 EB000895-07	0	10,322
University of Missouri	93.RD	1-R25-OH008319-01	0	33,296
University of North Carolina	93.RD	2 P01 HD039667-06	0	4,174
University of North Carolina	93.RD	5 P01 HD039667-07	0	1,010,125
University of North Carolina	93.RD	5 R01 ES 012238-05	0	39,311
University of North Carolina	93.RD	5R01AG026607-04	0	187,536
University of Oklahoma	93.RD	5R01 AG026607-04	0	52,143
University of Oklahoma	93.RD	7R01AG026607-03	0	105,103
University of Pennsylvania	93.RD	1P20DA025995-01	0	179,947
University of Pennsylvania	93.RD	1-R01-CA-131333-01	0	22,397
University of Pennsylvania	93.RD	1-U01-DD-000193-02	0	30,637
University of Pennsylvania	93.RD	----	0	10,206
University of Pittsburgh	93.RD	1 D31 HP08847-01-00	0	517
University of Pittsburgh	93.RD	1 U01 NS052478-01A2	0	53,460
University of Pittsburgh	93.RD	1R01HL086918-01A1	0	185,784
University of Pittsburgh	93.RD	1-R21-MH083134-01	0	60,527
University of Pittsburgh	93.RD	2 R01-OH00752-04A1	0	7,587
University of Pittsburgh	93.RD	5 R01 PH000026-03	0	18,887
University of Pittsburgh	93.RD	5 U10 HD049983-04	0	15,366
University of Pittsburgh	93.RD	5 U10-CA 099168-05	0	1,386
University of Pittsburgh	93.RD	5 P50 AG05133-25	0	18,540
University of Pittsburgh	93.RD	5-R01-OH007592-05	0	30,106
University of Pittsburgh	93.RD	HHSN26720070029C	0	53,735
University of Pittsburgh	93.RD	1D31HR08847-01-00	0	121,450
University of Rochester	93.RD	----	0	5,055
University of South Carolina	93.RD	1 R01GM081793-01	0	84,675
University of South Carolina	93.RD	8P41EB002182-08	0	108,438
University of Southern California	93.RD	5-P41 EB002182-11	0	36,634
University of Southern California	93.RD	8 P41EB002182-07	0	(314)

	CFDA No.	Pass-Through Entity Identifying No.	Subcontract Expenditures	Expenditures
University of Texas at Austin	93.RD	1 R01 GM973089-01	0	129,977
University of Texas M.D. Anderson Cancer Center	93.RD	1 R01 HG003844 02	0	7,928
University of Virginia	93.RD	1 R01 AR052536-01A2	0	11,390
University of Virginia	93.RD	1 R01 EB004051-01A1	0	(1,721)
University of Washington	93.RD	1-R01-GM075095-01A1	0	72,947
University of Washington	93.RD	5 R01 DA018148-02	0	24,310
University of Washington	93.RD	5 R01 EB005197-04	0	1,088
University of Wisconsin	93.RD	1R01HD05014401	0	128,728
University of Wisconsin	93.RD	3U10EY014351-05S1	0	58,173
University of Wisconsin	93.RD	5P01 AG020166-06	0	2,973
University of Wisconsin	93.RD	----	0	36,516
Utah State University	93.RD	N01A115435	0	264,921
Villanova University	93.RD	1 R21 DA020146-01 2A	0	31,672
Virginia Commonwealth University	93.RD	2U54HD034449-12A1	0	75,111
Virginia Commonwealth University	93.RD	U54-HD034449	0	9,027
Wake Forest University	93.RD	1 R03 HS016901	0	17,561
Wake Forest University	93.RD	1R21A1081022-01	0	11,905
Wake Forest University	93.RD	R01 HL090567	0	86,727
Wake Forest University	93.RD	R01 NS038641	0	(99)
Washington State University	93.RD	1 R01 EB005197-03	0	18,272
Washington State University	93.RD	2 R01 DK052849-07	0	21,820
Wayne State University	93.RD	1R21GM082821-01A1	0	31,491
Western NY Public Health Agency	93.RD	----	0	48,257
Yale University	93.RD	1 R01 AI072706-01	0	13,409
Yale University	93.RD	5 P50 MH068789-05	0	18,032
Yale University	93.RD	5 U10 HD055925-02	0	2,839
Total - Health and Human Services			73,417	11,152,070
<u>Corporation for National and Community Service</u>				
The After School Program	94.RD	----	0	5,360
Total - Corporation for National and Community Service			0	5,360
<u>Homeland Security</u>				
Morgan State University	97.RD	W911NF-04-2-0046	0	50,345
University of California	97.RD	2008-ST-061-BS0002	0	44,801
University of Maryland	97.RD	2008ST061ST0004	0	68,075
Total Homeland Security			0	163,221
<u>Agency for International Development:</u>				
International Rice Research	98.RD	----	0	83,775
Virginia Polytech Institute	98.RD	EPP-A-00-04-00016-00	0	45,590
Virginia Polytech Institute	98.RD	EPP-A-00-04-00013-00	0	47,267
Total - Agency for International Development			0	176,632
<u>Miscellaneous:</u>				
Advanced Optical Systems, Inc.	99.RD	W9113M-05-C-0164	0	56,489
Applied Physical Sciences Corp.	99.RD	W913JT-05-D-00020006	0	25,142
Argonne National Laboratory	99.RD	07-C-1049	0	11,494
Argonst Incorporated	99.RD	07-C-1049	0	190,603
Argonst Incorporated	99.RD	----	0	340
Earth Resources Tech, Inc.	99.RD	GS-10F-0196R	0	99,814
Ex One, LLC	99.RD	----	0	7,686
GCAS, Inc.	99.RD	W9132T-09-C-0012	0	29,970
Health Effects Institute	99.RD	GEWA00020001400	0	(1)
Intel Optics	99.RD	NBCHC060081	0	42,900
ION Geophysical Corp.	99.RD	----	0	8,006
ITS Corporation	99.RD	----	0	30,525
ITT Corp.	99.RD	----	0	511,336

	CFDA No.	Pass-Through Entity Identifying No.	Subcontract Expenditures	Expenditures
Johns Hopkins University	99.RD	04-D-8601	0	29,148
L-3 Communications Titon Corporation	99.RD	DTRA01-03-D-0013	0	407,790
L-3 Communications Titon Corporation	99.RD	----	0	(2)
Lockheed Martin	99.RD	----	0	63,394
Michigan State University	99.RD	EDH-A-00-07-00005	94,150	144,194
Midwest Research Institute	99.RD	17-32	0	18,852
Midwest Research Institute	99.RD	----	0	13,902
Mulval Technologies, Inc.	99.RD	HQ00006-07-C07747	0	106
National Childhood Cancer Foundation	99.RD	U10 CA98543-07	0	96,854
National Childhood Cancer Foundation	99.RD	5U10CA098543-04	0	(7)
National Honey Board	99.RD	----	0	116
New Mexico Veterans Administrative Health	99.RD	----	0	33,491
North Carolina State University	99.RD	19071-425678	0	5,567
Northeastern University	99.RD	----	0	27,163
Oregon Health Science University	99.RD	HHS-A-290-2007-10016	0	1,954
Polyfuel	99.RD	70NANB7H7054	0	87,359
PPG Industries, Inc.	99.RD	----	0	4,703
Sabre Systems, Inc.	99.RD	50-YABC-2-66054	0	1,245
Sarnoff Corporation	99.RD	----	0	78,588
SCI Applications International Corp.	99.RD	08-C-5265	0	7,846
Scripps International	99.RD	5 R01 CA097209-06	0	7,179
SRI International	99.RD	05-C-0136	0	(275)
Ticom Geomatics, Inc.	99.RD	----	0	(7,481)
University of California	99.RD	N01-CM-62209	0	35,058
University of Kentucky	99.RD	3 U01 CA 114622-05	0	108
University of Pennsylvania	99.RD	1P20DA025995-02	0	14,604
University of Pittsburgh	99.RD	5 U01 CA099168-07	0	2,123
University of Wisconsin	99.RD	5 U10 Y014351	0	2,171
Virginia Commonwealth University	99.RD	2 U54 HD034449-13	0	42,512
Virginia Polytech Institute	99.RD	EPP-A-00-04-00016-00	0	33,356
Wyle Laboratories	99.RD	HC 1047 05-D-4005	0	2,719
Wyle Laboratories	99.RD	----	0	6,286
Total - Miscellaneous			94,150	2,174,927

Total Research and Development - Pass-Through Funds - Other Institutions

\$	913,356	\$	51,988,174
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Total Research and Development

\$	69,695,058	\$	471,427,708
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6. OTHER DIRECT FUNDING:

Agriculture:

Agricultural Research-Basic and Applied			
Research	10.001	\$ 0	\$ 591
Commodity Loan and Loan Deficiency Payments	10.051	0	20,000
Grants for Agricultural Research, Special			
Research Grants	10.200	0	9,838
Food and Agricultural Sciences National			
Needs Graduate Fellowship Grants	10.210	0	121,426
Higher Education Challenge Grants	10.217	55,167	116,562
Higher Education Multicultural Scholars			
Program	10.220	0	15,000
Integrated Programs	10.303	1,163,384	1,343,722
International Science and Education Grants	10.305	0	4,480
Commodity Partnerships for Risk Management	10.457	0	4,552
Food Safety Cooperative Agreements	10.479	0	7,303
Cooperative Extension Service	10.500	144,709	13,300,934
Cooperative Forestry Assistance	10.664	0	368,594

	CFDA No.	Pass-Through Entity Identifying No.	Subcontract Expenditures	Expenditures
Urban and Community Forestry Program	10.675		0	54,700
Forest Stewardship Program	10.678		0	171,467
Rural Business Enterprise Grants	10.769		0	82,349
Plant Materials for Conservation	10.905		0	23,136
Technical Agricultural Assistance	10.960		0	61,509
Scientific Cooperation and Research	10.961		0	6,477
Cochran Fellowship Program-International Training-Foreign Participant	10.962		0	112,135
Non-Specified	10.xxx		0	145,872
Total - Agriculture			1,363,260	15,970,647
<u>Commerce:</u>				
Economic Development Technical Assistance	11.303		0	150,000
Public Telecommunications Facilities Planning and Construction	11.550		0	510,112
Total - Commerce			0	660,112
<u>Defense:</u>				
Military Medical Research and Development	12.420		0	32,051
Basic Scientific Research	12.431		0	99,920
Mathematical Sciences Grants Program	12.901		0	12,500
Non-Specified	12.xxx		0	4,550,688
Total - Defense			0	4,695,159
<u>Interior:</u>				
Assistance to State Water Resources Research Institutes	15.805		0	1,269
Total - Interior			0	1,269
<u>Justice:</u>				
National Institute of Justice Research Evaluation and Development Project Grants	16.560		0	30,699
Total - Justice			0	30,699
<u>Labor:</u>				
WIA Plots, Demonstrations and Research Projects	17.261		0	66,938
Brookwood-Sago Grant	17.603		29,204	136,066
Total - Labor			29,204	203,004
<u>Department of Transportation:</u>				
Airport Improvement Program	20.106		0	1,212,139
Total - Department of Transportation			0	1,212,139
<u>Appalachian Regional Commission:</u>				
Non-Specified	23.xxx		0	10,309
Total - Appalachian Regional Commission			0	10,309
<u>National Aeronautics and Space Admin.:</u>				
Non-Specified	43.xxx		0	5,640
Total - National Aeronautics and Space Admin.			0	5,640
<u>National Endowment for the Humanities:</u>				
Promotion of the Humanities - Division of Preservation and Access	45.149		0	123,746

	CFDA No.	Pass-Through Entity Identifying No.	Subcontract Expenditures	Expenditures
Promotion of the Humanities - Professional Develop	45.163		0	99,529
Promotion of the Humanities - Public Programs	45.164		0	452
Total - National Endowment for the Humanities			0	223,727
<u>National Science Foundation:</u>				
Mathematical and Physical Sciences	47.049		88,411	512,447
Geosciences	47.050		0	199,912
Computer and Information Science and Engineering	47.070		0	210,904
Biological Sciences	47.074		0	25,000
Social, Behavioral and Economic Sciences	47.075		0	66,516
Education and Human Resources	47.076		0	27,351
Polar Programs	47.078		0	8,497
Total - National Science Foundation			88,411	1,050,627
<u>Veterans Affairs:</u>				
Non-Specified	64.xxx		0	117,467
Total - Veterans Affairs			0	117,467
<u>Environmental Protection Agency:</u>				
Congressionally Mandated Projects	66.202		0	22,487
Surveys, Studies, Investigations and Special Purpose Grants	66.606		0	85,241
Pesticide Environmental Stewardship Regional Grants	66.714		0	99,305
Surveys, Studies, Investigations, Training Demo and Educational Outreach	66.716		0	55,593
Source Reduction Assistance	66.717		0	15,000
Total - Environmental Protection Agency			0	277,626
<u>Education:</u>				
TRIO - Student Support Services	84.042		0	279,999
TRIO - Talent Search	84.044		0	648,846
TRIO - Upward Bound	84.047		0	737,802
TRIO - Educational Opportunity Centers	84.066		0	688,021
Fund for the Improvement of Postsecondary Education	84.116		9,867	130,182
Rehabilitation Long-Term Training	84.129		0	120,096
Migrant Education-College Assistance Migrant Program	84.149		0	412,142
Bilingual Education - Professional Development	84.195		0	259,835
Fund for the Improvement of Education	84.215		0	540
TRIO - McNair Post-Baccalaureate Achievement	84.217		0	271,984
National Institute for Literacy	84.257		139,254	244,911
Indian Education Formula Grants to Local Education Agencies	84.299		0	81,470
Special Education-Personnel Preparation to Improve Services and Results for Children with Disabilities	84.325		0	851,439
Child Care Access Means Parents in School	84.335		0	318,854
Non-Specified	84.xxx		0	(19,277)
Total - Education			149,121	5,026,844
<u>Health and Human Services:</u>				
Model State-Supported Area Health Education Centers	93.107		428,660	586,313

	CFDA No.	Pass-Through Entity Identifying No.	Subcontract Expenditures	Expenditures
Injury Prevention and Control Research and State and Community Based Programs	93.136		13,990	514,928
Research Related to Deafness and Communication Disorders	93.173		0	57,286
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243		0	35,088
Drug Abuse National Research Awards for Research Training	93.278		0	15,271
Drug Abuse and Addiction Research Programs	93.279		0	368,465
Mental Health National Research Service Awards for Research Training	93.282		0	11,011
Minority Health and Health Disparities Research	93.307		0	239,936
Advanced Education Nursing Traineeships	93.358		0	36,495
Nurse Education, Practice and Retention Grants	93.359		0	147,630
National Center for Research Resources	93.389		32,153	145,161
Cancer Research Manpower	93.398		0	261,187
Basic/Core Area Health Education Centers	93.824		0	181
Arthritis, Musculoskeletal and Skin Diseases Research	93.846		0	36,543
Kidney Diseases, Urology and Hematology Research	93.849		0	199,011
Microbiology and Infectious Diseases Research	93.856		0	2,070
Pharmacological Sciences	93.859		0	113,651
Aging Research	93.866		0	17,608
 Specially Selected Health Projects	 93.888		 0	 101,689
Grants to States for Operation of Offices of Rural Health	 93.913		 0	 157,739
Scholarships for Health Professions from Disadvantaged Backgrounds	 93.925		 0	 70,777
Non-Specified	93.xxx		0	(79,904)
Total - Health and Human Services			474,803	3,038,136
 <u>Miscellaneous</u>				
Non-Specified	99.xxx		0	169,717
Total - Miscellaneous			0	169,717
 Total Other Direct Funding			\$ 2,104,799	\$ 32,693,122

**7. OTHER PASS-THROUGH FUNDS -
COMMONWEALTH OF PENNSYLVANIA:**

<u>Department of Welfare</u>				
Cooperative Extension Services	10.561	4000008692	\$ 12,076,721	\$ 14,221,238
Total - Department of Welfare			12,076,721	14,221,238
 <u>Housing and Urban Development</u>				
Office of Healthy Homes and Lead Control	14.900	4100039606.000	-	93,172
Total - Housing and Urban Development			0	93,172
 <u>Labor:</u>				
Mine Health and Safety Grants	17.600	4300111808	0	228,007
Total - Labor			0	228,007

	CFDA No.	Pass-Through Entity Identifying No.	Subcontract Expenditures	Expenditures
<u>Education:</u>				
Adult Education State Grant Program	84.002	041-08-8070	0	30
		091-06-6019		
Adult Education State Grant Program	84.002	4-10-14-720-1	0	41
Vocational Education Basic Grants to States	84.048	094-09-9003A	0	941,614
Vocational Education Basic Grants to States	84.048	119-07-7001	0	4,894
Vocational Education Basic Grants to States	84.048	119-08-8030	0	45
Vocational Education Basic Grants to States	84.048	119-09-9006	0	13,705
Vocational Education Basic Grants to States	84.048	381-04-4012	0	2,026
Vocational Education Basic Grants to States	84.048	381-08-8004	23,971	23,755
Vocational Education Basic Grants to States	84.048	381-08-8016	0	(301)
Vocational Education Basic Grants to States	84.048	381-08-8038	62,699	71,600
Vocational Education Basic Grants to States	84.048	381-09-9011	0	96,350
Vocational Education Basic Grants to States	84.048	381-09-9021	0	127,396
Vocational Education Basic Grants to States	84.048	381-09-9042	0	61,152
Vocational Education Basic Grants to States	84.048	381-09-9043	0	41,583
Vocational Education Basic Grants to States	84.048	386-08-8008	29,124	34,244
Vocational Education Basic Grants to States	84.048	386-08-8014	0	280
Vocational Education Basic Grants to States	84.048	386-09-9001		50,246
Office of Special Education and Rehabilitative Services	84.129	119-09-9004	0	156,744
Tech-Prep Education	84.243	386-09-9001	0	76,904
		4300151083/		
Tech-Prep Education	84.367	4400003640	0	4,487
Total - Education			115,794	1,706,795

Health and Human Services:

Childhood Lead Poisoning Prevention Projects Centers for Disease Control & Prevention Investigations	93.197	4100039606	0	23,982
Health Resources and Services Administration	93.283	4100038765	0	70,714
Total - Health and Human Services	93.994	4000009652	0	(532)
			0	94,164

**Total Other Pass-Through Funds -
Commonwealth of Pennsylvania**

\$ 115,794 \$ 16,343,376

**8. OTHER PASS-THROUGH FUNDS -
OTHER INSTITUTIONS:**

Agriculture:

University of Vermont-Sustainable Agricultural Research and Education	10.215	2007-38640-17935	\$ 0	\$ 27,972
University of Vermont-Sustainable Agricultural Research and Education	10.215	2008-38640-18866	0	10,110
University of Connecticut-Integrated Programs	10.303	2006-51110-03644		5,960
University of Maryland-Integrated Programs	10.303	2004-51130-03110	0	82,149
University of Maryland-Integrated Programs	10.303	2008-51130-19500	0	8,038
University of Nebraska-Integrated Programs	10.303	2004-51110-01889	0	43,978
Virginia Technology University-Integrated Programs	10.303	2008-51110-04334	0	20,391
Carnegie Mellon University-National Institute of Food and Agriculture	10.307	----	0	87,397
Auburn University-Cooperative Extension Service	10.500	2008-48540-04313	0	375
Harvard University-Cooperative Extension Service	10.500	2004-45043-03047	0	6,061

	CFDA No.	Pass-Through Entity Identifying No.	Subcontract Expenditures	Expenditures
Kansas State University-Cooperative Extension Service	10.500	2007-48661-03868	0	97,550
Mississippi State University-Cooperative Extension Service	10.500	2005-45064-03212	0	15,713
University of Delaware-Cooperative Extension Service	10.500	2004-49200-02254	3,665	29,041
University of Delaware-Cooperative Extension Service	10.500	2007-49200-03888	0	16,289
University of Maine-Cooperative Extension Service	10.500	2008-47001-04302	0	10,000
University of Vermont-Cooperative Extension Service	10.500	2005-47001-03146	0	148
University of Vermont-Cooperative Extension Service	10.500	2006-47001-03367	6,754	52,648
University of Vermont-Cooperative Extension Service	10.500	2007-47001-03782	0	36,635
University of Vermont-Cooperative Extension Service	10.500	2008-47001-04302	0	5,583
American Forest Foundation-Natural Resources Conservation Service	10.901	----	0	1,595
Chesapeake Bay Foundation-Non-Specified	10.xxx	----	0	16,519
National Association of State University Land Grant Colleges-Non-Specified	10.xxx	----	0	7,952
Westmoreland County Community College- Non-Specified	10.xxx	----	0	4,960
York County Economic Development Corporation- Non-Specified	10.xxx	----	0	9,919
Total - Agriculture			10,419	596,983
<u>Commerce:</u>				
University of Nebraska-Non-Specified	11.xxx	MT7297/MT7146	0	1,033
Total - Commerce			0	1,033
<u>Defense:</u>				
Wyle Laboratories-Non-Specified	12.xxx	HC 1047-05-D-4005	0	117,791
Total - Defense			0	117,791
<u>Housing and Urban Development</u>				
City of Pittsburgh-Non-Specified	14.xxx	----	0	(1)
Total - Housing and Urban Development			0	(1)
<u>Interior</u>				
TDI Brooks International Inc.-Non-Specified	15.xxx	----	0	281
Total - Interior			0	281
<u>Labor:</u>				
Private Industry Council Lehigh Valley - Job Training Partnership Act	17.250	----	0	287,726
Ben Franklin Technology Center-WIA Pilots, Demonstrations and Research Projects	17.261	WR-15407-06-60	0	39,124
County of Delaware-Non-Specified	17.xxx	4100043054/103367	0	60,670
Lancaster County Workforce Investment- Non-Specified	17.xxx	----	0	8,443
McKean County Redevelopment & Housing Corporation-Non-Specified	17.xxx	----	0	35,537
TDI Brooks International Incorporated- Non-Specified	17.xxx	0105CT39187	0	8,688
Total - Labor			0	440,188

	CFDA No.	Pass-Through Entity Identifying No.	Subcontract Expenditures	Expenditures
<u>State:</u>				
Institute for International Education-Bureau of Educational and Cultural Affairs	19.010	104656	0	289,371
Institute for International Education-Bureau of Educational and Cultural Affairs	19.010	S-ECAAS-09-CA-012	0	(110)
Total - State			0	289,261
<u>Transportation:</u>				
Cornell University-Biobased Transportation Research	20.761	DTOS59-07-G-00052	0	48,996
Total - Transportation			0	48,996
<u>National Aeronautics and Space Admin.:</u>				
Space Telescope Science Institute- Non-Specified	43.xxx	NAS5-26555	0	30,678
Technology Commercialization Center- Non-Specified	43.xxx	NNL09AA03B	0	28,191
Wyle Laboratories-Non-Specified	43.xxx	HC1047-05-D-4005	0	157,675
Total-National Aeronautics and Space Admin.			0	216,544
<u>National Endowment for the Arts:</u>				
Mid-Atlantic Arts Foundation-Promotion of the Arts Partnership Agreements	45.025	----	0	11,100
Total National Endowment for the Arts			0	11,100
<u>National Science Foundation:</u>				
University of California-Geosciences	47.050	OCE0532013	0	31,927
University of New Hampshire-Geosciences	47.050	GEO-0631377	0	205,332
Woods Hole Oceanographic-Geosciences	47.050	OCE-0838923	0	17,080
Texas A&M University-Education and Human Resources	47.076	----	0	29,188
University of Massachusetts-Education and Human Resources	47.076	HRD 9978878	0	71,386
Total National Science Foundation			0	354,913
<u>Small Business Administration:</u>				
Ben Franklin Technology Center-Small Business Development Centers	59.037	SBAHQ-06-1-0076	0	9,993
Total - Small Business Administration			0	9,993
<u>Environmental Protection Agency:</u>				
National Fish & Wildlife Foundation-Office of Water	66.439	----	0	137,530
Total - Environmental Protection Agency			0	137,530
<u>Energy:</u>				
National Renewable Energy Lab-Non-Specified	81.xxx	DE-AC36-99G010337	0	50,371
Total - Energy			0	50,371
<u>Education:</u>				
Edinboro University-Office of Vocational and Adult Education	84.051	----	0	20,390
University of Minnesota-Fund for the Improvement of Postsecondary Education	84.116	P116B041277	0	2,589
University of Turabo Puerto Rico- Bilingual Education Training Grants	84.195	T195N070410	0	80,117
Kent State University-National Institute for Literacy	84.257	X257S060001	0	92,466

	CFDA No.	Pass-Through Entity Identifying No.	Subcontract Expenditures	Expenditures
Corporation for Public Broadcasting-Office of Educational Research and Improvement	84.295	----	0	55,215
National Writing Project-State Grants for Innovative Programs	84.298	----	0	101,637
Lancaster Lebanon Intermediate Unit 13 - Early Reading First	84.359	----	0	162,902
Total - Education			0	515,316
<u>Health and Human Services:</u>				
Marshfield Clinic Research Foundation- Occupational Safety and Health Program	93.262	U50-OH008107-05	0	11,317
Westmoreland-Fay Workforce Investment- Temporary Assistance for Needy Families	93.393	----	0	28,354
Northwest Institute of Research-Child Care and Development Block Grant	93.575	----	0	37,587
Community Service for Children-Child Care and Development Block Grant	93.575	----	0	2,900
Cleveland Clinic Foundation-Non-Specified	93.xxx	RR019397	0	(1,325)
National Library of Medicine-Non-Specified	93.xxx	----	0	7,645
Seattle Institute of Cardiac Research- Non-Specified	93.xxx	1U01HL67972-01A1	0	438
University of Pennsylvania-Non-Specified	93.xxx	7 R01 DC006698-02	0	128,076
Total - Health and Human Services			0	214,992
<u>Miscellaneous:</u>				
Council of Graduate Schools-Non-Specified	99.xxx	HHSP23320072208TC	0	2,130
National Center for Healthy Housing- Non-Specified	99.xxx	07-1115 CD0-005-PSU	0	5,856
North Carolina State University-Non-Specified	99.xxx	4-98-2-23	0	68,843
Pennsylvania Plastics Initiative- Non-Specified	99.xxx	----	0	2,244
Westmoreland Fayette Workforce - Non-Specified	99.xxx	----	0	366
Total - Miscellaneous			0	79,439
Total Other Pass-Through Funds - Other Institutions			\$ 10,419	\$ 3,084,730

9. FEDERAL LOAN PROGRAMS

The University administers the following Federal loan programs:

<u>Title</u>	<u>CFDA No.</u>	Federal Capital Contribution for the Year Ended June 30, 2009	Loan Expenditures and Disburs.	Outstanding Balance at June 30, 2009
Federal Perkins Loan Program	84.038	\$655,842	\$868,809	\$43,565,568
Health Professions Student Loan Program	93.342	0	0	507,478

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

10. FEDERAL DIRECT LOAN PROGRAM

The University participates in the Federal Direct Student Loan Program (CFDA No. 84.268) including Federal Stafford Loans and Federal PLUS Loans. Loan disbursements under the program for the year ended June 30, 2009 totaled \$476,821,220.

11. FEDERAL ENDOWMENT:

In fiscal year 2001, the University received \$6,000,000 from the U.S. Department of Education to establish the William F. Goodling Institute for Research in Family Literacy (the "Institute") and to establish an endowment for the Institute under the Fund for Improvement of Postsecondary Education Program. The Institute will focus on developing a sound conceptual, interdisciplinary research base for guiding practice and policy in family literacy. Based on research findings, the Institute will also build the capacity of the field to provide high-quality, research-based instruction and program development in family literacy. Under the terms of the endowment agreement, annual income from the endowment's investments must be used to support the planned activities of the Institute. In addition, the endowment is restricted for this use until 2021.

The University administers the following federal endowment:

	<u>CFDA No.</u>	Balance at July 1, 2008	Endowment Expenditures	Endowment Income	Balance at June 30, 2009
Fund for the Improvement of Postsecondary Education	84.116	\$6,210,900	\$948,779	\$737,879	\$6,000,000

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

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

We have audited the consolidated financial statements of The Pennsylvania State University and subsidiaries (the "University") as of and for the year ended June 30, 2009, and have issued our report thereon dated October 16, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *control deficiency* 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 misstatement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

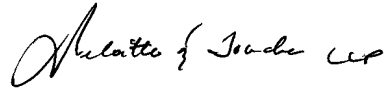
A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

Compliance and Other Matters

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

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

A handwritten signature in cursive script that reads "Deloitte & Touche" followed by a stylized flourish.

October 16, 2009

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of The Pennsylvania State University and subsidiaries (the "University") with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the University's management. Our responsibility is to express an opinion on the University's compliance based on our audit.

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

In our opinion, the University complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompany schedule of findings and questions costs as item 09-1.

Internal Control Over Compliance

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

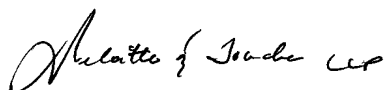
A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

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

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

A handwritten signature in black ink, appearing to read "Auditor General" followed by a stylized flourish.

March 31, 2010

THE PENNSYLVANIA STATE UNIVERSITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2009

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditors' report issued Unqualified

Internal control over financial reporting:

Material weakness identified? _____ yes X no

Significant deficiencies identified not considered to
be material weakness? _____ yes X none reported

Non-compliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

Material weakness identified? _____ yes X no

Significant deficiencies identified not considered to
be material weakness? _____ yes X none reported

Type of auditors' report issued on compliance for major programs Unqualified

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

section 510(a) of OMB Circular A-133? X yes _____ no

Identification of major programs

Name of Federal Program or Cluster

Research and Development Cluster

Student Financial Aid Cluster

Dollar threshold used to distinguish between

Type A and Type B programs \$ 3,000,000

Auditee qualified as low-risk auditee? X yes _____ no

SECTION II - FINANCIAL STATEMENT FINDINGS

The audit disclosed no items required to be reported in this section

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding #09-1 - Timely Identification of Expenses for Appropriate Cut-off in the Schedule of Federal Expenditures

Federal Agency	Research & Development Cluster
Criteria	The Schedule of Federal Expenditures appropriately reflects expenditures which occurred in the presented fiscal year.
Condition	Out of thirty-five fiscal year 2009 expenditures selected for testing procedures, one expenditure of \$40,000 occurred during the 2008 fiscal year but was not appropriately captured and recorded in the 2008 Schedule of Federal Expenditures.
Questioned Costs	None
Context	The expenditure was incurred in 2008. However, a delay in processing the expenditure caused the expenditure to be included in the 2009 Schedule of Federal Expenditures rather than in the 2008 Schedule of Federal Expenditures.
Effect	The June 30, 2009 Schedule of Federal Expenditures was overstated by the amount of the expenditure.
Cause	The expenditure required additional approval levels which were not obtained until July 2008 resulting in a delay in recording the expenditure.
Recommendation	The University should ensure employees processing expenditures are aware of the end of the fiscal year so that expenditures are captured on a timely basis and an accurate cut-off is met.
Views of University management and planned corrective actions	We agreed with the finding. We believe the University has proper policies and procedures in place to ensure program expenditures are reported in the correct period. We have reinforced such policies and procedures to personnel involved in managing the program where the finding was identified.